WE MAKE EVERYDAY LIFE SIMPLER AND THE WORLD SMALLER

FINANCIAL REPORT 2017

Contents

Financial key figures

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenue, NOK millions	**24,678**	24,772	25,074	24,404	23,557	22,925	22,981	22,451	22,613	23,940
Adjusted operating profit (EBITE), NOK millions	**703**	645	686	933	1,125	1,116	1,051	952	820	275
Adjusted operating (EBITE) margin, per cent	**2.8%**	2.6%	2.7%	3.8%	4.8%	4.9%	4.6%	4.2%	3.6%	1.1%
Operating profit (EBIT), NOK millions	**692**	178	239	844	641	632	956	1,638	296	(14)
Profit before tax, NOK millions	**621**	230	151	720	619	547	800	1,499	70	(139)
Return on invested capital (ROIC) [1], per cent	**9.8%**	9.0%	9.9%	13.9%	17.5%	18.3%	18.3%	15.9%	13.2%	4.8%
Cash flow from operating activities	**592**	945	1,213	1,175	1,324	906	1,418	1,123	1,988	1,342
Equity [2]	**6,375**	5,912	5,926	6,205	6,081	5,703	5,517	5,418	4,795	5,160
Total assets [2]	**16,962**	15,299	16,097	16,377	15,674	15,227	15,370	15,800	18,605	19,516
Revenue from foreign subsidiaries, NOK millions	**9,495**	9,962	9,623	8,195	7,717	6,911	6,190	6,283	6,066	6,192
Return on equity after tax (ROE), per cent	**6.3%**	0.7%	-1.0%	7.3%	8.7%	7.1%	6.8%	19.0%	0.5%	-4.0%
Equity ratio, per cent	**37.6%**	38.6%	36.8%	37.9%	38.8%	37.5%	35.9%	34.3%	25.8%	26.4%
Debt ratio	**0.0**	0.1	0.0	0.2	0.2	0.2	0.2	0.3	0.6	0.8

1) Calculated based on adjusted operating profit (EBITE)
2) The figures have been taken from published financial statements. The figures have not been restated in relation to changes to policies or other changes that have been made.

About Posten Norge

Posten Norge is a mail and logistics group which aims to simplify and increase the value of trade and communication for people and businesses in the Nordic region.

Operates in: Norway, Sweden, Denmark, Finland, Slovakia, Belgium, the Netherlands, the UK, France, Germany, Greece, Hong Kong and Italy.
Head office: Oslo, Norway
We have a presence in most countries in the world through our partners.

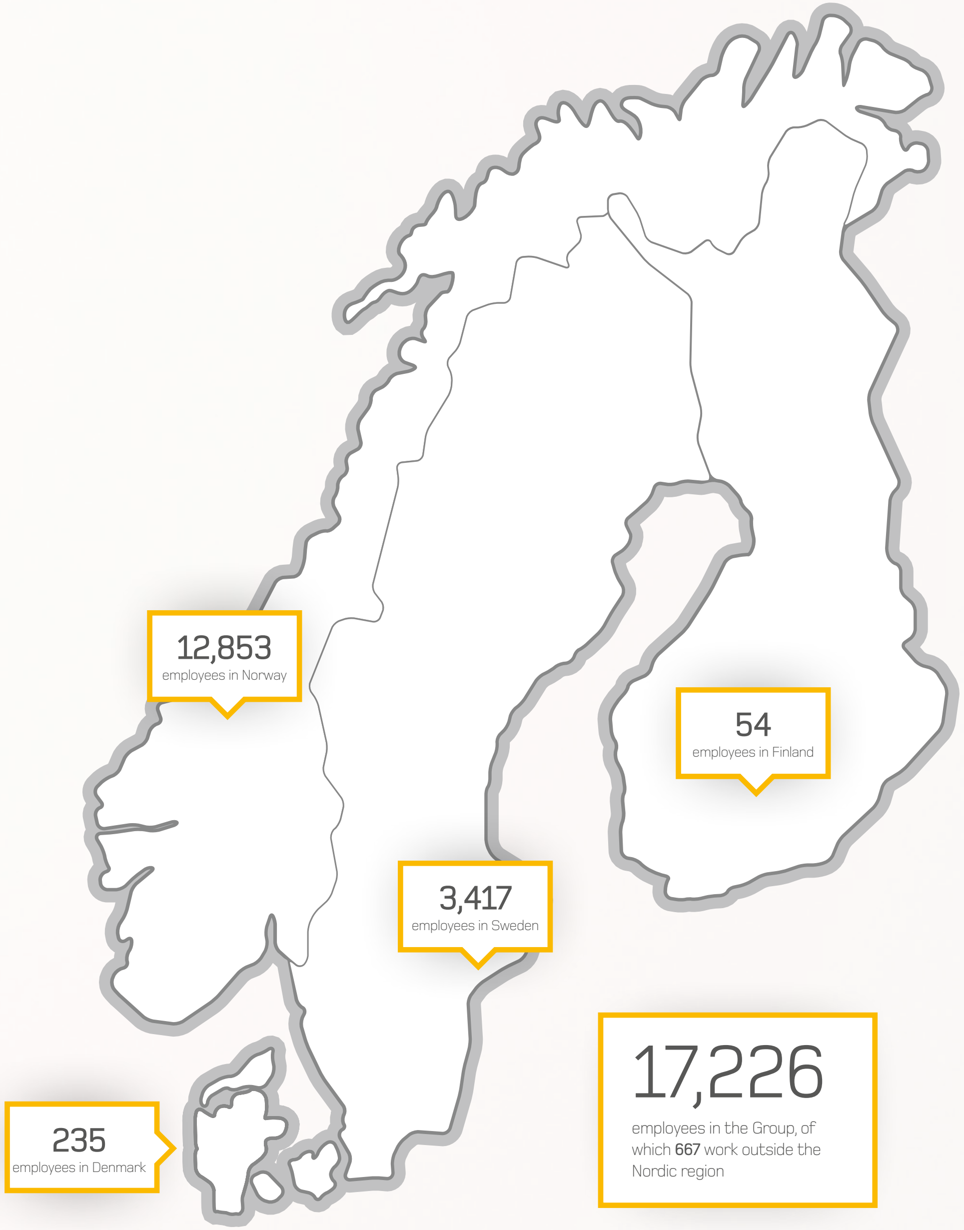
Posten Norge AS has two brands in the market

posten

The Posten brand, which serves the Norwegian public: Posten delivers mail and parcels to private customers in Norway and emphasises security, flexibility and predictability. We offer a range of delivery methods and good digital self-service solutions.

bring

The Bring brand, which serves enterprises throughout the Nordic region: Bring transports consignments, large and small, throughout the Nordic region and the rest of the world. New technology and expertise enable Bring to develop future-oriented solutions that improve our customers' competitiveness.



New strategy

In 2017 the Group developed a new strategy for the coming few years. The guideline for this work was "customer-oriented, simplified and profitable". This is reflected in our new Group structure, our business strategies and our strategic platform: vision, purpose and main goals.

Vision

We make everyday life simpler and the world smaller.

Purpose

We aim to simplify and increase the value of trade and communication for people and businesses in the Nordic region.

Our values

Our values present us as a group that can be relied upon in all respects, a group for which we are proud to work. These values help build our common culture and guide us in all our decisions. Established forms of co-operation between managers, employees, governing bodies, owner and the authorities will reflect our values:

• Integrity • Respect • Co-operation • Openness • Courage

Future development

In a world where change occurs at an ever-increasing pace, we are committed to innovating in multiple time frames: while we solve challenges today, we also have an eye on the needs of tomorrow and the future.

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

Main goals

Our main goals mirror our business requirements and ambitions for the business, and were revised in 2017

Engaged and competent employees	Innovative and sustainable development
Satisfied and loyal customers	Cost-effectiveness and profitable growth

Group structure

Posten Norge is organised into two segments consisting of four divisions, plus corporate staff units and common functions. The executive management team consists of the chief executive (CEO) and eight executive vice presidents.

The executive management team 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 chief executive.

Two segments

For financial reporting purposes, the Group has split operations into two segments, Mail and Logistics, in accordance with the International Financial Reporting Standards (IFRS) and best practice. In 2017, the Mail segment consisted of the Mail Division, while the Logistics segment consisted of two logistics divisions and the E-commerce Division. From 2018, the Mail segment will consist of the Mail Division and the Logistics segment will consist of the E-commerce and Logistics Division, the International Logistics Division, and the Express Division.

Line responsibility

The Group's divisions are key units in the management of the Group and develop and implement strategies for their respective business areas that support the corporate strategy. The divisions are responsible for developing and delivering services with the applicable level of service and quality.

Instead of being organised by country, the Group is now organised by customer-oriented service areas based on which services the Group's customers normally buy together. Each division has an independent responsibility for the performance of their service portfolios in the Nordic region.

Professional responsibility

The Group has established corporate staff units with responsibility for management, common functions and professional development within the areas of HR and HSE, communications and strategy, finance, legal, purchasing, Lean, and IT and digitalisation. The corporate staff units develop and professionalise the various disciplines in the Group, are driving forces and help support business strategies.

The corporate staff units have in particular been tasked with contributing to interaction and cooperation across the Group and with developing policies and best practice. Certain professional functions are centralised at a corporate level and provide services to the divisions and business areas.

The divisions

The Mail Division is responsible for traditional postal services in Norway (including statutory postal services). The division is also responsible for running the Group's activities within digital services and dialogue services, through Digipost and the Netlife Group. The Mail Division is restructuring and streamlining traditional postal services, while developing new physical and digital services and infrastructure.

The **E-commerce and Logistics Division** is responsible for Nordic services for all parcel products for e-commerce customers, as well as for groupage and part-loads. The division is responsible for Nordic sales and services and serves customers throughout the Nordic market. It is also responsible for production of network services in Norway.

The **International Logistics Division** is responsible for Norwegian and international vehicle and equipment operations, international logistics services via road, rail, sea and air, and national and international full-load and special solutions for selected industries and customer segments.

The **Express Division** is tasked with ensuring the Group takes a clear Nordic position within express, courier and home delivery services. The division is also responsible for production of the Group's network services and partnership agreements in Sweden, Denmark and Finland. The division is led from Sweden.

A WORD FROM OUR CEO

A time for everything

The future caught up with Posten Norge a long time ago. We must embrace it.

Photo: Håvard Jørstad

Everyone knows that major changes are coming. Many believe they know what will happen in the next three years. Some have an idea of what the trends will be in the next five years. Very few know what the world will look like in 10 years' time. Anyone who is under the delusion that Posten Norge is sitting quietly waiting for the future to happen is hereby informed that this is not the case.

New services for a new era

"We are innovating in multiple time frames and in multiple environments. We are currently developing both existing services further and completely new services for the future," says Posten Norge's chief executive, Tone Wille.

2017 was her first full year as chief executive and she spent the time industriously. For example, she has simplified the Group's structure, put a new group executive management team in place and is currently finalising the strategic platform for the next few years.

Simplified vision

The results of this process include a new vision for the Group: "We make everyday life simpler and the world smaller". The chief executive's plan has always been to simplify the Group and make it more customer-friendly and profitable.

"I think our vision nicely articulates what we as a group should be striving for. Our customers and their customers must find us easy to do business with," says Wille.

Upwards and onwards

The key to achieving this is innovating "in multiple time frames". This means solving concrete problems in the present, while also keeping an eye on the future. That is why the Group has in the last year put together strong innovation environments in the divisions and at the same time established a digital innovation department.

Several new services for both senders and recipients are currently being developed. Solutions that simplify the interface between customers and allow greater flexibility will be launched as soon as 2018. There is also an intense focus on vehicle technology, robotisation, big data, augmented reality, artificial intelligence and environmental technology, to mention just a few.

An overwhelming future

Wille recognises that we are right at the beginning of a future we can still only guess the contours of. Many of the solutions that will be developed will have to be launched onto the market much faster than the organisation has previously been used to. As she puts it, "it won't be a walk in the park", adding:

"The scope of possibility is almost infinite, and it is easy to feel overwhelmed by what we are facing. We must accept that the future will make even greater demands of us than before," says Wille.

Digitalisation is a megatrend and everything that can be digitalised will be digitalised. The Group drew up a new digital strategy in 2017. The goal is to develop completely new solutions that meet customers' needs and make use of technological opportunities.

Historic change

The digitalisation of society means that the drop in letter volumes is accelerating. The

> The scope of possibility is almost infinite, and it is easy to feel overwhelmed by what we are facing. We must accept that the future will make even greater demands of us than before.

Mail Division is adjusting to developments in the market and making timely changes. In the new year, priority and non-priority mail were replaced by a new class of mail with a two-day delivery time. This results in major cost savings because letter volumes can be moved from air to road transport and letter sorting can be centralised from nine to three terminals. This is one of the biggest changes in Posten's history, but a finely tuned organisation has successfully carried out the task without major complications.

The next big change will be fewer delivery days. Proposed legislation that allows for this is undergoing a consultation process and Wille hopes the matter will be discussed by the Storting before the summer. This will give Posten enough time to implement the change from 2020. If parliamentary consideration is postponed until the autumn, Posten will have less time to find good solutions for those employees who will be affected.

Acting in time

"One success factor for our Group is that we have changed in time and spent time on changing. We know that letter volumes are falling and that we have to adjust to that reality. But I very much want to create security for those affected and find good solutions for them. That takes time," underscores Wille.

At the same time, the Group is investing billions in new terminals, which the chief executive regularly has to explain in various settings. Why invest in property and buildings when everything is being digitalised? We are still going to be transporting physical goods throughout Norway and have developed solid logistics operations, so we can offer world-class simple, seamless services that match our customers' needs. It is about laying the groundwork for a new era.

Opening new terminals

In 2017, she opened Logistics Centre Oslo (LSO) together with the Crown Prince. It was a highlight and a milestone. LSO is the name of a logistics network that will equip Posten Norge for the trade of the future in close cooperation with 17 other logistics centres in Norway.

Narvik and Trondheim also opened in 2017, and more are in the pipeline prior to 2020. The new terminal in Gothenburg also opened in January, which underscores that the Group will still have a significant presence in the Nordic region.

Falls and growth

In the midst of all this, the chief executive has to ensure that people understand that the Group has to work on downsizing and volume falls on one hand, and growth in online shopping and logistics on the other. But it is not the case that the two segments will balance each other out.

"Making decisions based on averages is risky. You can have one hand in the freezer and one on the hot plate, but does that make it okay on average?" asks Wille rhetorically.

The drop in letter volumes is accelerating due to digitalisation. The growth will come from shipping, but small parcels only account for a small proportion of the volume delivered to letter boxes. Calculations show that as early as next year, Norwegian households will only receive three letters a week. Although parcel volumes generated by online shopping are increasing dramatically, the same households receive around seven parcels a year. This will rise dramatically in coming years. So Posten Norge needs to be prepared to deliver what people need when they need it.

Posten will continue to make deliveries for the foreseeable future. This requires continuous adaptation to market developments, in other words the Group will deliver fewer letters and more parcels. The changes are being driven by the needs and wishes of the market and Posten Norge must continue to adapt to our customers, as the Group has done for 371 years.

Strong feelings

In the wake of the book "Den store forvandlingen. Posten i en digital tid", which was published in the autumn and deals with the changes Posten faces in a digital age, Wille was quoted as saying that in the future the mail may be delivered as rarely as once a week. The reaction was immediate and both customers and politicians expressed their displeasure.

"There is a time for everything. Customers' needs are changing. We are now equipping ourselves with new services and new ways of delivery that provide more freedom of choice and flexibility. Posten will continue to be there throughout the country, all week, but with steadily fewer letters in letter boxes daily mail deliveries will not be sustainable going forward. I understand that this evokes feelings, but I take this as a sign that people like Posten," says Wille.

Key events

JANUARY


Photo: Håvard Jorstad

Posten celebrates 370 years

Posten marks the 370th anniversary of the establishment of Postverket by Hannibal Sehested – Danish governor of Norway. Postennorge.no is launched in a new livery on the anniversary.

Posten's **ownership is transferred to** the Ministry of Trade, Industry and Fisheries.

FEBRUARY

New stamps

Posten celebrates the 80th birthdays of King Harald V and Queen Sonja by issuing two stamps, and also marks the 100th anniversary of the first Sami national assembly with two stamps.

Posten launches **Digipost Invoice**. The solution makes it easy to pay invoices from Digipost directly in your online bank without having to enter KID or account numbers.

Bring **signs new framework agreement** with the oil company Lundin Norway for the delivery of transport and forwarding services.

MARCH


Photo: Håvard Jorstad

Unique environmental cooperation

Bring in Sweden enters into a unique groupage partnership in Stockholm – "Älskade stad" ("Beloved City"). The aim is to minimise city centre traffic and emissions.

Meny Pindsle in Sandefjord is named **Norway's best in-store post office**.

APRIL


Photo: Robert Strind

Learning enterprise of the year

Bring in Lom og Otta is named learning enterprise of the year within transport and logistics. The collaboration forum Sotin is behind the award.

New stamps: Posten issues a stamp commemorating the fact that 150 years have passed since the first Norwegian Viking long-boat, Tuneskipet, was unearthed. The 200th anniversary of the National Archives of Norway is also marked with a stamp.

MAY

Opening of logistics centre in Narvik

Posten and Bring's new logistics centre in Narvik opens on 11 May. The logistics centre handles 1.3 million parcels and more than 50,000 tonnes of goods a year.

The mail terminal in Minde and the Bring terminal in Jekteviken are put on the market due to Posten Norge centralising our Bergen operations in the planned logistics centre in Kokstad.

Norwegian online shoppers appreciate beauty and well-being, and name BliVakker and Coverbrands **the Norwegian public's online favourites in 2017**.

IKEA Food Supply acquires **Bring Customer Solution** (Bring SCM) and its subsidiaries to strengthen its position in the food segment.

JUNE

Bringing the cycling world championships to Bergen

Bring is the official logistics provider for the cycling world championships and ensures that transport jobs, big and small, are properly carried out before, during and after the cycling festival in Bergen.

New stamps: Posten issues two stamps to mark the cycling world championships in Bergen.

Posten tests **new services** for the retail market. Digital postage and sending letters from own (green) letter boxes can make it easier to send letters and parcels right from customers' home letter boxes.

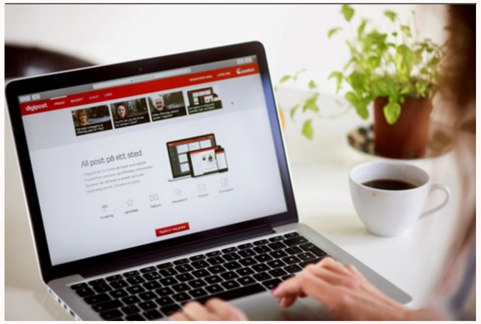
JULY

New environmental goal

Posten sets a new environmental goal. Our ambition is to use only renewable energy sources in vehicles and buildings by 2025. This requires competitive, renewable solutions.

All distribution companies can now access Posten's **address register**. This means customers now only have to send a single message if they do not want an overflowing letter box while on holiday.

AUGUST



Simplify with Digipost

More than 350 municipalities in Norway have linked to Posten's Digipost. Digital signatures in recruitment processes have saved the municipality of Nittedal 144 business days.

SEPTEMBER

Online shop of the year

Kolonial.no is named online shop of the year in competition with 1,400 other Norwegian online shops. The award is presented by Bring and is the most highly respect award in Norwegian online shopping.

Posten Norge **cuts** our five-digit **phone number** for customer services and private customers.

Posten and Bring's new **logistics centre in Trondheim** opens – it is Europe's most environmentally friendly terminal.

"Bring Research" publishes a new **online shopping report**. This shows that customers are becoming more professional and demanding better delivery and return services.

Posten Norge launches a new strategic direction based on **"customer-oriented, simplified and profitable"** . The Group's structure is simpler, and the divisions are organised based on common customer and market needs.

OCTOBER

Crown Prince opens logistics centre

Crown Prince Haakon opens Posten and Bring's Oslo logistics centre. The logistics centre is at the heart of our nationwide network of modern terminals.

4,000 households and 1,000 enterprises get **new postcodes** or new postal area names.

Digital debt recovery claims are paid faster shows a study conducted by the credit management company Lindorff, which sends out debt recovery claims via **Digipost**.

Posten and Bring **modernise their uniforms** with a new design and the latest in smart clothing.

IKEA's new e-commerce warehouse in Arlandastad, which is operated by Bring , opens. The warehouse will make more than 100,000 home deliveries a year to customers in the Stockholm region.

NOVEMBER

Exploring technology

Posten releases a new app to explore augmented reality technology. The app lets you see life-size images of virtual parcels.

Posten tests **new services**: Selected households can have parcels delivered where they want – such as in a delivery box or behind a door with a coded lock – even if no one is home.

DECEMBER

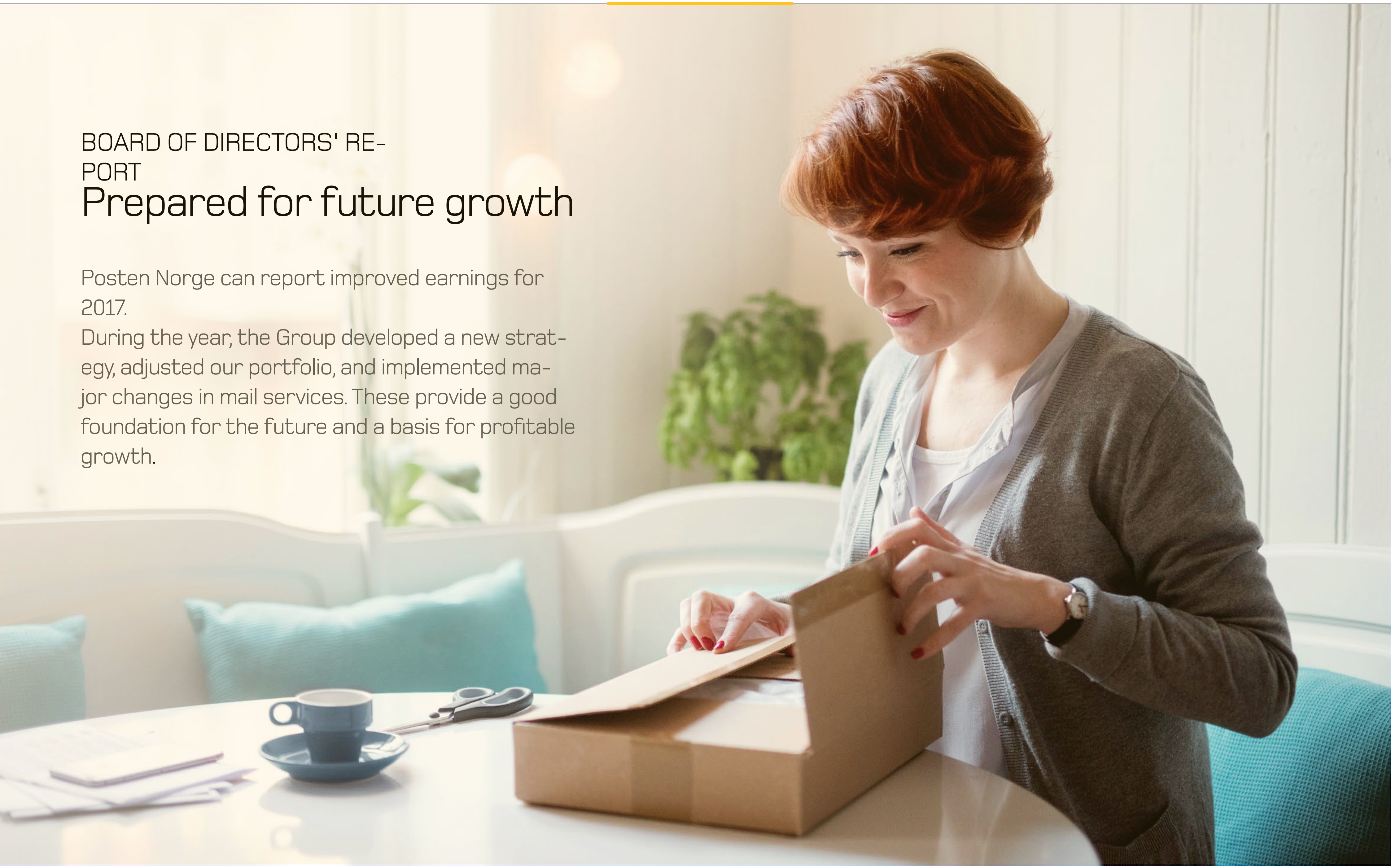
Book about Posten's history

Posten commissions the book "Den store forvandlingen. Posten i en digital tid" from Dinamo Forlag. The book was written by journalist and author Jan Over Ekeberg.

Posten is the first to introduce a Chinese **electric van,** which is tested in Christmas traffic. Until now it has been impossible to get vans of this size with sufficient range and carrying capacity.

Posten launches a **new digital strategy,** which states that digitalisation will be Posten's foremost tool on the road to greater customer-orientation and simplification.

The fourth quarter sees the implementation of one of the biggest changes in Posten's history, the merger of priority and non-priority mail into **one class of mail**.



BOARD OF DIRECTORS' REPORT
Prepared for future growth

Posten Norge can report improved earnings for 2017.
During the year, the Group developed a new strategy, adjusted our portfolio, and implemented major changes in mail services. These provide a good foundation for the future and a basis for profitable growth.

Posten Norge's operating revenue was NOK 24,678 million in 2017, which represents a 0.4 per cent decrease compared with 2016. Organic growth*) amounted to 0.7 per cent in 2017, mainly due to growth in parcels, home delivery and international transport. Adjusted operating profit (EBITE) was NOK 703 million in 2017, NOK 58 million better than in 2016. Earnings improved in both the Mail and the Logistics segments. Operating profit (EBIT) amounted to NOK 692 million, NOK 514 million better than in 2016. Impairments and net other operating expenses totalling NOK 2 million were recognised in 2017, an improvement of NOK 480 million compared with 2016. Profit before tax in 2017 amounted to NOK 621 million, NOK 391 million better than in 2016. The return on invested capital (ROIC) was 9.8 per cent for 2017, an 0.8-percentage point improvement on the year before.

We live in a digital age. This is having an effect on the Group. We have restructured and adapted operations to market developments and new customer needs. Digitalisation means that the drop in letter volumes is accelerating and that the outlook for the Mail Division would be dramatic without changes to current framework conditions. Maintaining current statutory postal services is not economically sustainable. The alternative is for the Norwegian State to pay for the services that are ordered and that Posten delivers.

At the start of 2018, the Group implemented one of the biggest changes in Posten's history by switching from two to one addressed letter stream. Letter volumes will continue to drop, and the next necessary change will be fewer delivery days. In January 2018, the Ministry of Transport and Communications presented proposed amendments to the Postal Service Act for consultation that would allow for fewer delivery days.
Mail is logistics. Posten has focused on logistics and built up a significant logistics business. A new logistics network is being established in Norway to simplify logistics operations and meet the growth in online shopping. The number of terminals is being reduced from more than 40 to 18 joint terminals for parcels and goods, 13 of which were online by the end of 2017. Collocation helps to ensure we can produce parcels and goods in the same place and coordinate deliveries to customers. New IT systems allow us to standardise processes and harmonise services to a greater extent. We focus on cost-effectiveness at the same time as we develop our range of services in consultation with major customers.

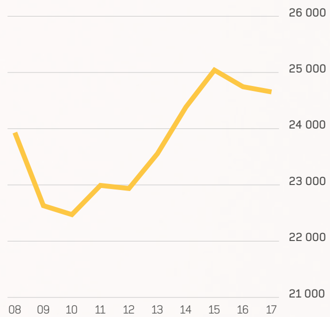
Digitalisation is a megatrend. Everything that can be digitalised is expected to be digitalised. In 2017, the Group drew up a new digital strategy and established an expert environment for digital innovation. We will be innovative and find solutions both to current challenges and for future opportunities. Customers' needs are changing, and people want flexibility and freedom of choice. Posten will develop new services for the retail market so people can have mail and parcels delivered as they wish – and are willing to pay for.

Posten Norge plays an important role in society and enjoys a high level of public trust. We enjoy a high degree of satisfaction among customers and colleagues, which is vital if we are to succeed going forward. Long-term, systematic HSE work is improving the working environment and has resulted in a historically low sick leave rate. Our corporate social responsibility work is a high priority and a mainstay in ensuring the long-term viability of the business.

Operating revenue

in NOK millions

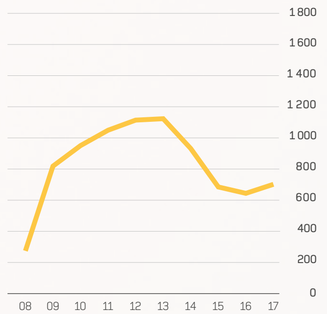
24,678



Adjusted operating profit

in NOK millions

703



*) Organic growth = growth in revenue corrected for the acquisition and sale of business, currency effects, and Norwegian State purchases of unprofitable statutory postal services.

MARKET TRENDS

Posten's operations consist of two segments: Mail and Logistics.

Logistics the largest segment

Logistics is the Group's largest segment and accounted for two thirds of income in 2017 with revenue of NOK 16,533 million, which is almost on a par with the year before. Organic growth in the Logistics segment was 2.1 per cent in 2017.

Turnover increased by 4 per cent in the Norwegian logistics business. The growth came within goods and home delivery. The offshore business was still affected by weak economic conditions, but activity picked up somewhat towards the end of the year. Outside Norway, the Logistics business saw significant growth in parcels and home delivery, at the same time as demand for international transport increased. The unprofitable goods business in Sweden was wound up in 2017 and Bring SCM sold. Private online shopping continued to grow in 2017 and contributed to the Group's total e-commerce volumes increasing by 12 per cent.

Restructuring in the Mail segment

Revenue in the Mail segment in 2017 amounted to NOK 9,694 million, NOK 145 million lower than in the year before. The main reason for this was the drop in addressed letter volumes. The price rise for addressed mail and increase in the volume of unaddressed mailings compensated to some extent for the decrease in addressed letter volumes. The Mail segment accounted for a third of the Group's revenue.

The volume of addressed letters fell by 10.1 per cent in Norway in 2017. The largest drops in volume were the 27 per cent drop in the banking and financial services industry and the 25 per cent drop in the public sector. Unaddressed mailings grew by 6.2 per cent due to higher volumes from some major customers.

The digitalisation of society has resulted in demand for physical letters falling by 60 per cent since the start of the new millennium. In 2017, each household received an average of 3.9 letters a week. In 2019, it is estimated that each household will receive three letters a week, and in five years this will have dropped to two letters a week. While more online shopping will result in growth in shipping, parcels

Home delivery contributed to growth in the logistics business, both in Norway and abroad.

account for just 5 per cent of the volume delivered to letter boxes.

The transition to Posten Norge's secure digital letter box, Digipost, continues and the solution has been expanded to include new services for invoices, e-receipts and secure signatures. The mailing volume increased by 85 per cent in 2017 and is being driven by new customers and growth in user numbers. The number of registered users increased by 19 per cent in 2017 to 1,614,000 at the end of the year.

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 2017, 85.4 per cent of priority mail was delivered overnight, although delivery quality in the fourth quarter did not meet the licence requirements due to the early onset of winter weather and high volumes of Christmas mail. The other licence requirements for delivery quality were also met by good margins. From 2018, priority and non-priority mail have been merged into a new mail product with a two-day delivery time. The delivery time requirement has thus been changed to 85 per cent of mail delivered within two days. We deliver mail to 2.4 million letter boxes nationwide. We also have the distribution network with the best coverage in Norway, which at the end of 2017 comprised around 3,000 delivery outlets, including 1,320 in-store post offices, 30 post offices, 21 business centres and around 1,460 rural post routes. Customers' behaviour is changing, and the future will consist of a series of new service offers. Posten Norge will develop new services for private customers that result in greater flexibility and freedom of choice. In 2017, we tested solutions for, among other things, buying postage online, sending mail from customers' own letter boxes, and optional delivery to a customer-defined "hiding place".

High levels of customer trust and satisfaction

Posten enjoys a high level of trust in Norwegian society. It has a good reputation and high levels of customer satisfaction and loyalty. We conduct continuous surveys of customers who have been in contact with various parts of the Group, as well as an annual customer satisfaction survey. This is done to systemise customer insights and implement improvements, and thereby improve the customer experience and create growth for the Group.

PROFITABILITY

Financial performance

The Group's operating profit was NOK 692 million in 2017, which represents an increase of NOK 514 million compared with 2016. Adjusted operating profit (EBITE) was NOK 703 million in 2017, NOK 58 million better than in the year before. The results reflect the improvements in profitability in both of the Group's segments.

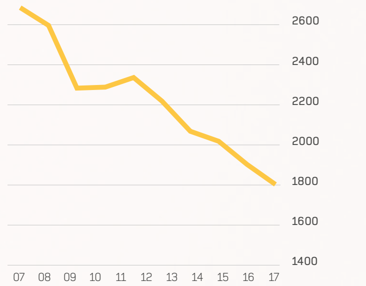
Improved earnings in Logistics

In 2017, the Logistics business outside Norway saw improved earnings due to strong, profitable growth within parcels and home delivery, greater demand for international transport, and the winding up of the unprofitable goods business in Sweden. This helped the Logistics segment achieve an adjusted

Letter volume

in millions

1,802

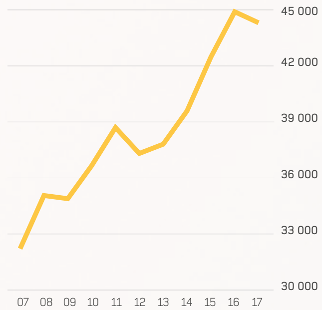


Total letter volume includes both addressed and unaddressed mail

Parcel volume

in millions

44,369



operating profit (EBITE) of NOK 129 million in 2017, an improvement of NOK 80 million compared with 2016.

The Logistics business in Norway saw earnings fall in 2017. This was due in part to weak volume growth and price pressure on parcels, as well as margin challenges within international transport. The offshore business was still affected by weak economic conditions, but activity picked up somewhat towards the end of the year. Express and warehouse operations achieved good margins.

The Norwegian Logistics business's profitability trend is unsatisfactory, and a number of places are working on cost-effectiveness measures. Among other things, investments in the logistics network in Norway will provide important efficiency benefits and at the same time facilitate greater capacity for growth within e-commerce. The hub of this network is Logistics Centre Oslo, which was opened in autumn 2017 and is one of Europe's most modern and environmentally friendly logistics centres.

New logistics centres also opened in Narvik and Trondheim in 2017. In Sweden, Bring opened a joint terminal in Gothenburg to strengthen its logistics services. On the outskirts of Stockholm, bring established a warehouse for online shopping in collaboration with IKEA.

Effective cost control in Mail

In 2017, the Mail segment posted an adjusted operating profit (EBITE) of NOK 843 million, an improvement of NOK 43 million compared with 2016, despite the significant fall in volumes of addressed letters.

Extensive operational adaptations, higher prices, and increased unaddressed volumes compensated for the drop in earnings due to the decline in addressed mail. The switch to a single class of mail with a two-day delivery time from 2018 means letter sorting can be centralised and the number of mail terminals reduced from nine to three. In addition, it allows a large proportion of the volume of letters to be moved from air to road transport, which reduces both costs and CO2 emissions.

The payment received for the Norwegian State's purchase of unprofitable statutory postal services in 2017 was NOK 357 million,

PHOTO: Birger Morken

Operational adaptations, higher prices, and increased unaddressed volumes compensated for the big drop in addressed mail.

which is the same level as in 2016.
The payment for unprofitable statutory postal services that the Norwegian State has ordered and Posten delivers shows that the national budget for 2018 allocates NOK 540 million too little in relation to the pre-calculated need. Furthermore, the need for Norwegian State purchases of unprofitable postal services will grow going forward and in 2025 it will amount to around NOK 1 billion if the Storting does not pass the proposed amendments to the Postal Service Act, which allow for fewer mail delivery days. An external report from Copenhagen Economics (CE), which was commissioned by the Ministry of Transport and Communications, confirms the assessments and calculations that Posten has made. CE concludes that delivering the mail every second day would be appropriate given developments in the market. From a commercial perspective, it would be appropriate to introduce mail deliveries on every second day as early as 2018, instead of on the five days that Posten has to deliver on due to the current framework conditions. On top of this comes the fact that distribution in Norway is costlier than in many other countries due to geographic factors and its lower population density. CE confirms that the model Posten uses to calculate Norwegian State purchases complies with international guidelines.

Investments and cash flow

Net cash flow from investing activities in 2017 amounted to NOK 88 million. This was primarily due to receipts from sales of operating equipment and companies compensating for payments for ongoing operating investments and business acquisitions. Total investments, exclusive of acquisitions, amounted to NOK 959 million in 2017, compared with NOK 1,243 million in 2016. The largest investments were strategic in nature and linked to new logistics centres and IT systems. Receipts from sales of property, plant and equipment and business amounted to NOK 1,056 million. This was primarily due to the sale of Bring SCM and sales of properties.

Cash flow from operating activities in 2017 amounted to NOK 592 million. The NOK 353 million decrease compared with 2016 was mainly due to an increase in paid tax and higher working capital. The increase in working capital largely consisted of increased accounts receivable, increased earned income from foreign mail companies, and a reduction in other current liabilities. Cash flow from financing activities in 2017 amounted to NOK 1,382 million, primarily due to the taking out of a NOK 1,000 million debenture loan and a new NOK 500 million bank loan.

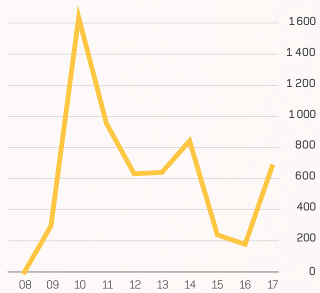
Financial capacity

In 2017, the Group had net financial expenses of NOK 71 million, compared with net financial income of NOK 52 million the year before. As at 31 December 2017, the Group had long-term liquidity reserves of NOK 7,129 million, compared with NOK 5,264 million the year before. These reserves consisted of invested funds and available credit facilities. The Group places importance on financial flexibility, the ability to take advantage of opportunities in the market, and the ability to undertake strategically important investments.
As at 31 December 2017, the Group's equity amounted to NOK 6,375 million and our equity ratio was 37.6 per cent. In order to sustain financial capacity over time it is vital that the Group has the necessary regulatory freedom to adjust our Mail services in line with market developments so that costs can be adjusted

Operating profit (EBIT)

in NOK millions

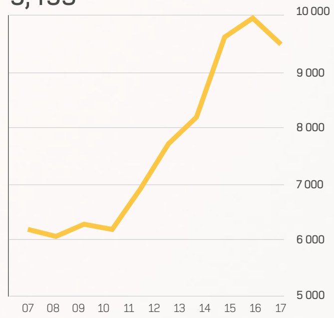
692



Revenue from foreign subsidiaries

in NOK millions

9,495



in line with falling letter volumes. Alternatively, the Norwegian State will have to pay for the unprofitable statutory postal services that are ordered. It is therefore important that the proposed amendments to the Postal Service Act are implemented.

The Group's equity may be affected by changes to International Financial Reporting Standards (IFRS). The assessment is that the implementation of IFRS 16 Leases will have a significant accounting effect for the Group from 2019 in that it is estimated that the equity ratio will be reduced by 8-10 percentage points.

Posten strengthened its capital management and continued to implement measures in 2017 to reduce financial risk and increase its room for manoeuvre.
    Credit and counterparty risk on the placement of surplus liquidity is deemed to be limited as Posten's counterparties generally have high ratings.

Debt covenants

Some of Posten's loan agreements contain debt covenants that limit net interest-bearing liabilities/EBITDA to a maximum of 3.5 and require a minimum equity ratio of 25 per cent.

As at 31 December 2017, net interest-bearing liabilities/EBITDA was -0.1, down from 0.4 in 2016. The equity ratio was 37.6 per cent, compared with 38.6 per cent in 2016. Posten uses financial derivatives to manage the risk associated with changes in interest and foreign exchange rates (see notes 18 and 19).

Risk

Risk management and internal control are integrated into the Group's business processes and are central elements of Posten'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 the Group's activities.

As part of its corporate governance, the Board emphasises good risk management and internal control. The Board reviews risk analyses of the Group's total risk every six months. Risk analysis is included in the Group's business processes. The emphasis


The largest investments in 2017 were linked to new logistics centres and IT systems. Logistics Centre Oslo (LSO).

PHOTO: Tore Oksnes

is on a quantitative risk approach. Risk-mitigating measures are implemented to ensure that the Group achieves our goals, and these are regularly evaluated to ensure that they are having the desired effect. The Board and management actively follow up the Group's risk exposure within the areas of strategic, operating, financial and reputational risk, as well as information security. The monitoring of information security and integrity has been strengthened.

The Group uses derivatives to manage market risks that arise as a result of the Group's ordinary operations. The derivatives it uses are futures, interest rate swaps and currency swaps. Detailed information about derivatives and hedging is provided in notes 18 and 19 to the annual financial statements.

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

Allocation of the profit for the year

In 2017, the Group's profit after tax amounted to NOK 388 million, which is NOK 349 million better than in 2016.

The Norwegian State has a dividend policy whereby 50 per cent of the Group's 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 194 million be distributed for 2017. The year's remaining profit will be transferred to other equity.

The actual dividend will be determined at the 2018 general meeting.

The financial statements have been prepared on the basis of a going concern assumption. The Board confirms the validity of this assumption.

CORPORATE SOCIAL RESPONSIBILITY

Posten 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 a high priority and our efforts are systematic and long-term and in accordance with clear goals and plans. The efforts are achieving good results.

As stated in the **sustainability report** for 2017, the Group defines the concept of sustainability as long-term viability. The Group's most important resources when it comes to creating value and thus ensuring this viability are our employees, relationships and partnerships, our networks and expertise, our adaptability and our financial capital. The sustainability report describes the value we have created in the last few years and our social footprint. The report evaluates our work and provides direction for the future.

Good working environment

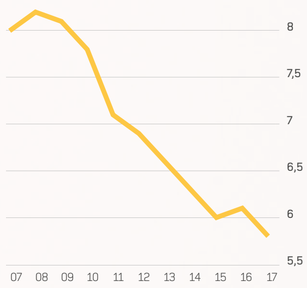
Our employees are the Group's most important resource. A healthy working environment where nobody is injured or becomes sick due to their work is therefore an important ambition.

The sick leave rate in the Group showed a marked improvement in 2017 and ended the year at 5.8 per cent. This is 0.3 percentage points lower than the year before and is the

Sick leave rate

in per cent for the Group

5.8%



lowest sick leave rate that has been recorded in Posten. The Group's sick leave rate remains lower than the average sick leave rate in the Norwegian labour market.
In 2017, the number of personal injuries was reduced by 17 per cent: a total of 231 personal injuries were registered, compared with 278 personal injuries in 2016. The Group's H2 value (number of injuries per million hours worked) ended up at 8.4, which represents an improvement from 9.2 per cent in 2016.

The Board is satisfied that the Group is continuing its long-term, systematic HSE work. The close cooperation with the safety service and employee representatives has been an important prerequisite for achieving the goals within the area of the working environment. The results of the HSE work are clear: every day, 540 more healthy and uninjured employees are at work than in 2006.

The Group had 16,286 full-time equivalents at the end of 2017, a reduction of 1,058 full-time equivalents compared with the end of 2016. The reduction in the Mail segment totalled 582 full-time equivalents and was primarily due to the changes within mail delivery and production, which were consequences of ending Saturday mail deliveries, continuous operational adaptations, as well as preparations for one class of addressed mail from 1 January 2018. In the Logistics segment, staffing was reduced by 440 full-time equivalents, primarily due to the winding up and sale of business outside Norway.

In light of the #Metoo campaign, work on combating sexual harassment has also been on the Group's agenda. This should not occur in our workplaces. Employees have been reminded who they can contact to report such matters. No cases in this category have been reported in the Group's whistle-blowing system as yet.

Great diversity

We reflect demographic trends in society with more than 70 nationalities represented among the Group's employees. One of our goals is to promote integration. In the lead up to 2020, our ambition is to increase the proportion of employees with immigrant backgrounds in corporate staff units and management positions. Norwegian courses and a mentor programme for unemployed women with immigrant backgrounds are central to our diversity work. A development

One of Posten's goals is to promote integration and it has employees from more than 70 countries.

and internship programme is offered to selected employees.

Pay and equality

The Group subscribes to the general principle that our executive salaries should be competitive but not amongst the highest when compared with 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. For further information please refer to the **sustainability report**.

Salaries, other remuneration and accrued pensions for Posten Norge AS's executive management team totalled NOK 34.5 million in 2017, compared with NOK 33.7 million the year before.

Posten is concerned about equality at all levels. The proportion of women on Posten Norge's executive management team was 56 per cent at the end of 2017. The proportion of women among employees in the Group is 34 per cent, and 29 per cent among managers.

Employee and management development

All employees must have a performance assessment interview with their manager each year. The Group wants to provide employees with development opportunities, so they can master changes in their everyday work and meet the future.
In addition to the upgrading of skills that takes place on the job, courses are offered via the Group's own learning portal. In 2017, employees, including external drivers and shop assistants in in-store post offices, completed more than 50,000 individual e-learning courses.

Our goal is to ensure that as many employees as possible have a relevant certificate of completed apprenticeship. As per 2017, the Group has 1,100 employees with a certificate of completed apprenticeship and 78 apprentices in training. Most of these are within driving and logistics disciplines.

Employees affected by changes are offered retraining. A grant scheme enables employees to improve their formal qualifications. 34 educational grants were awarded in 2017.

The Group continues to systematically work to develop groups of managers and individual managers at different levels and as needed. A senior management programme will be conducted in 2017/2018 as part of the implementation of the new strategy. The Group systematically strives to identify managerial talent in the Group to ensure it has a good supply of management candidates. Trainees were recruited for a two-year trainee programme for the 18th time in 2017.
In 2017, the Group continued it focus on boosting the skills of employees who are not sufficiently fluent in Norwegian with courses in basic Norwegian skills. The measure is intended to promote the integration of employees with an immigrant background.

High ethical standards

The Group make strict demands concerning the integrity of our managers and employees in all parts of the Group. Work is being done on raising awareness and training. The same requirements apply to subcontractors and partners. An integrity programme is used in the work on implementing the Group's ethical guidelines.

The Group wants to provide employees with development opportunities, so they can master changes in their everyday work and meet the future.

Crime prevention work

The Group actively works to prevent all types of crime and clear up cases. The level of security and contingency plans is viewed in the context of, for example, government 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).

Posten's exposure to the risk of crime is regarded as moderate. The Group has a zero-tolerance policy in relation to internal fraud.

In line with our general risk assessment, the Group has defined the following focus areas for its crime prevention work: threats and violence against employees, theft, crises, and workplace crime/fraud.

Information security

The Group did not experience any serious security incidents in 2017 resulting from external attacks. Like the year before, we registered an increase in attempts to defraud our employees via email. We therefore carried out awareness raising campaigns and nano-courses for all employees in the Group on information security, online financial fraud, and how to process email securely. Information security work has been highlighted as a separate area in the Group's risk analyses. In 2017, in collaboration with our suppliers, the Group conducted a comprehensive risk analysis of our portfolio of applications to identify vulnerabilities and implement preventive security measures. This work will continue in 2018.

Our information security work is based on the framework laid out by the Information Security Forum (ISF) in its Standard of Good Practice. This means we also comply with the requirements in ISO/IEC 27002, COBIT 5 and the NIST Cybersecurity Framework. The Group's guidelines and information security strategy were updated in 2017. The aim of this work is to ensure we are ready for the EU's new privacy directive (EU GDPR), which comes into effect on 25 May 2018.

Ambitious emission goals

Posten and Bring are major Nordic logistics actors. In Norway, our CO2 emissions account for 1 per cent of the transport sector's total emissions. The Group believes that corporate social responsibility involves taking responsibility above and beyond what is expected. The environment is an important focus area and we want to lead the way in the green shift. We have actively tried to reduce our environmental impact for many years and have cut CO2 emissions continuously in the last eight years. In 2016, we achieved our 2008 goal of reducing CO2 emissions by 40 per cent before 2020. Our new ambitious goal is to use only renewable energy sources in vehicles and buildings by 2025. This requires advances in technology. We want to be at the forefront of testing new technology for, among other things, vehicles, but will not carry out large-scale replacements until it is financially justifiable.

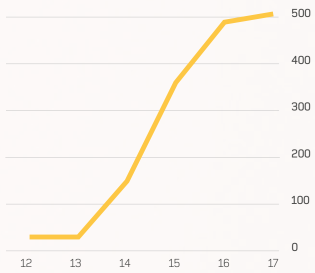
The Group's CO2 emissions were 6 per cent lower in 2017 than in 2016. The reduction was due to the use of biodiesel and less road transport.

Posten and Bring have been working to establish a new terminal structure of energy efficient logistics terminals since 2013. It is calculated that the collocation of logistics

Electric vehicles

number

511



operations in Oslo, completed in 2017, will result in around 10,000 fewer kilometres driven each day, which represents a reduction of 0.5 per cent in total emissions in the Oslo region. The new logistics centre in Alnabru is near the railway goods terminal and this facilitates the transfer of goods from road to rail. Technology is developing rapidly, and we believe that the future of all vehicle segments is electric. Posten already has the world's largest fleet of electric vehicles and it distributed letters and parcels with zero emissions in 45 cities and towns in Norway. Posten is testing the use of electric vans for distributing parcels and goods in Oslo city centre and has ordered a Tesla Semi for delivery in 2019.

The work of the Board

The Board places great importance on complying with Norwegian standards and best practice for corporate governance, based on Norwegian law and the government's ownership policy 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 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 insights into Posten's strategies, business models and value chain.

The Board conducts an annual evaluation of its work, qualifications, and methods. It also discusses relevant topics that require special follow-up, as well as the Board's own development and skills improvement.
Terje Wold stepped down from the Board at the annual general meeting in 2017. No new board members were elected to the Board. The proportion of women on the Board thus changed from 40 to 44 per cent.
The Group's head office is in Oslo and our primary market is Norway. Our largest market outside Norway is Sweden.

Future prospects

The Group has set out a new strategy for the period up to 2020 and a new vision: We make everyday life simpler and the world

PHOTO: Håvard Jensstad
The use of biodiesel is one of the reasons why the Group's CO2 emissions decreased by 6 per cent in 2017

smaller. This means that customers should find it simple to do business with Posten and Bring and that we deliver as agreed, every time.

The Group is focused on innovation and the development of new digital solutions and will continue the work of adjusting our portfolio and restructuring Mail operations. This will provide a good foundation for the future, a basis for profitable growth, and meet the owner's return target.

The Nordic region is our home market. Major customers want a single Nordic logistics partner. The Group has a Nordic logistics network with our own terminals in Norway, while outside Norway we generally work with partners.

Posten has developed a strong logistics business as a natural extension of our Mail operations. The logistics market is heavily influenced by activity levels in society and characterised by strong competition from both traditional actors (groupage companies) and new actors with completely new business models. The economic outlook in both Norway and Sweden is positive and moderate economic growth is expected. The Group will continue to work on improving profitability in the Logistics segment. The new strategy for the period up to 2020 involves focusing on the Logistics business and exploiting synergies in and between the networks in Norway. We are always looking for new ways to improve efficiency to ensure we have competitive services and prices. Operating terminals and transport efficiently is a key part of the Group's operations and we extract economies of scale wherever we can. The vehicles are filled with mail, parcels and goods to ensure cost-effective delivery to customers across the country and reduce emissions.

Within the Mail segment we continue with the necessary restructuring and focus on developing new services for the retail market that meet the customers' new needs. Given the accelerating fall in letter volumes, it will not be financially sustainable for Posten to maintain mail deliveries five days a week. The Board believes that it is necessary and socially sensible to change Posten's framework conditions so that it can deliver mail every second day from 2020 and subsequently transition to one

Given the ever-falling letter volumes, the Board believes it is necessary and socially sensible to allow mail to be delivered every second day from 2020.

Photo: Jan Steinar Jøa

day a week. The Ministry of Transport and Communications' proposed amendments to the Postal Service Act were presented for consultation in January and are thus in line with both the market situation and the Board's assessments.
If the proposed amendments to the Postal Service Act are not passed, the Norwegian State will have to pay for the unprofitable statutory postal services that the Norwegian State has ordered and Posten delivers. The funding required for such services will increase to around NOK 1 billion in 2025. The Board is committed to boosting the Group's ability to innovate and digital capabilities, so it can develop new growth areas and solutions for both senders and recipients. We have a good starting point with high levels of credibility and trust.

The Group will continue our long-term, systematic work within sustainability with a particular focus on health, safety and the environment (HSE), diversity and the external environment.

The Board would like to thank all of the Group's employees for their good teamwork and contributions to the development of the Group.

15 March 2018

Idar Kreutzer (Chair)

Randi B. Sætershagen (Deputy Chair)

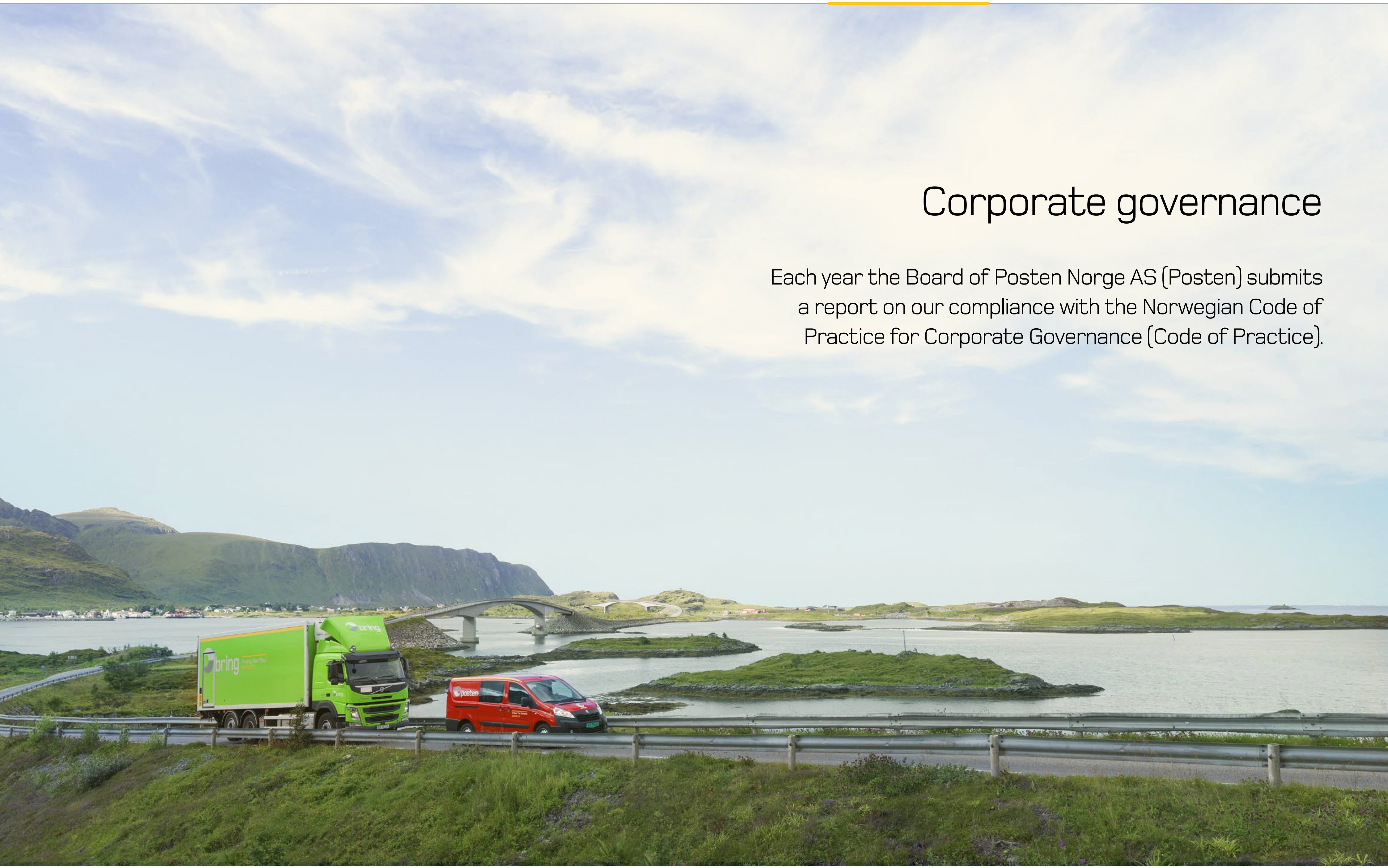
Tove Andersen | Odd Christian Øverland | Anne Britt Berentsen

Morten Karlsen Sørby | Ann-Elisabeth Wirgeness | Erling A. Wold | Lars Nilsen

Tone Wille (CEO)

Corporate governance

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



An account of how the Code of Practice has been followed up in Posten is provided in sections 1-15 below. This includes details of how the principles have been met, the reason for any deviations, if applicable, and how Posten rectified any deviations from the recommendations. The report below complies with the structure of the Code of Practice.

The Norwegian State is the company's sole owner. As a result of this, Posten's corporate governance deviates from section 4 of the Code of Practice 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 take-overs.

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

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

1. Implementation and reporting on corporate governance

The Board believes it is important to establish and further develop a high standard for corporate governance, equivalent to Norwegian standards for best practice, including the Code of Practice, see **nues.no**.

Posten is a limited 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 believes there is a clear link between good corporate governance and creating value for the company's owners.

By virtue of its operations, Posten is a prominent social actor and has, as a service provider with a statutory duty to deliver pursuant to the Postal Service Act, been assigned an important social mission through 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 special responsibility with regard to how this mission is carried out.

The Group's shared core values create an important premise for our activities – with regard to employees and its operating environment, such as customers, suppliers and business partners. The Group's 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 believes it is important to take responsibility for how our activities impact people, the environment and society. This is achieved by reducing the impact of our 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 our social responsibilities contributes to Posten's good reputation and positive development of the Group. The Group's attitudes 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 Accounting Act. The documents are available on the Group's website, see **postennorge.no**.

Posten's activities are labour-intensive. In total, the Group employs around 16,000 full-time equivalents. Health, Safety and the Environment (HSE) is therefore a high priority within the Group's corporate social responsibility work. The Group's aims to ensure that nobody is injured or becomes sick as a result working in or for Posten and Bring. The Group works continuously in a goal-oriented manner to reduce sick leave and 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 typical ethical dilemmas. This will help to ensure that the Group always takes human rights, anti-corruption, working conditions, HSE, discrimination and environmental conditions into consideration. The Group's integrity work is further described in the **sustainability report.**

2. Business

Posten's social mission is to ensure the provision of high quality and reasonably priced nationwide postal services in Norway. This social mission is described in the Postal Service Act and Posten's licence granted by the Ministry of Transport and Communications. The current licence is valid from 1 January 2018 and until it is succeeded by agreements or decisions concerning statutory postal services pursuant to section 6 of the Postal Service Act.

The Group shall run 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's articles of association. The full text of the articles of association is available from **postennorge.no**.

As well as meeting the service requirements vis-à-vis its social mission, the Group shall also be run 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 statutory postal services that form part of its social mission must be financially compensated for by the owner.

Within this framework, Posten 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 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 business area, which support the Group's aims 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 shall develop strong, profitable and sustainable market positions within the areas in which the Group operates.
- Posten shall ensure a satisfactory return on all investments and competitive value development over time.
- Posten shall perform its social mission in accordance with the approved licence requirements.
- Posten's business shall be customer-oriented, meet customers' requirements efficiently, and be available where customers are.
- Posten shall have a balanced portfolio of activities that strengthens our capacity to serve the customers' needs.
- Posten shall be a trusted third party for our customers
- Posten shall ensure a unified culture and shared values, which also provide room for diversity
- Posten shall work to extract cost benefits through efficiency measures, coordinating the value chain, industrialisation and continuously improving processes, as well as transparent and integrated business management.
- Posten shall be an environmental leader and work actively to reduce the company's impact on the external environment.
- Posten 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 the overall customer value and reduce the unnecessary use of resources.

3. Equity and dividends.

Equity

The Group's equity as at 31 December 2017 was NOK 6,375 million, which results in an equity ratio of 37.6 per cent of the Group's total assets. This level is deemed adequate with regard to the solidity the Group requires to implement our goals and strategies within an acceptable risk profile.

Dividends

Posten's general meeting is not bound by the Board's proposal concerning the payment of dividends, cf. section 20-4 (4) of the Limited Liability Companies Act,

and the company is thus subject to the government's dividend policy at any given time. The Norwegian State has a dividend policy whereby 50 per cent of the Group's 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 level based on the risks associated with the Group's activities and their scope.

4.
Equal treatment of shareholders and transactions with close associates

Posten has only one class of share. All shares are owned by the Norwegian State.

Posten and the Norwegian State have regular ownership meetings. Posten deviates from this section of the Code of Practice. Due to Norwegian State-ownership, the Code of Practice's recommendation concerning different share classes and issues is not deemed relevant to Posten.

Information regarding transactions with related parties is provided in the annual report, see note 24.

5.
Freely negotiable shares

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

Posten deviates from this section of the Code of Practice. Due to Norwegian State-ownership, the Board does not regard this section of the Code of Practice's as relevant to Posten.

6.
General meetings

The Norwegian State, through the Minister of Trade and Industry, is the company's general meeting.

In accordance with the company's articles of association, the ordinary general meeting must to be held by the end of June each year.

Posten deviates from the Code of Practice in this section because section 20-5 (1) of the Limited Liability Companies Act states that the Ministry of Trade, Industry and Fisheries is responsible for sending notification of both ordinary and extraordinary general meetings and for deciding the method of notification.

The Board, chief executive, company auditor and the Office of the Auditor General are invited to the general meeting.

The minutes from the ordinary general meeting are available on the company's website.

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 deviates from this section of the Code of Practice.

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

8.
Corporate assembly and board of directors: composition and independence

Corporate assembly

Posten is subject to the main rule of the Norwegian Companies Act that a corporate assembly must be appointed if a company has more than 200 employees. However, the company does not have a corporate assembly as an agreement has been entered into between the employees and the company that there is to be no corporate assembly in Posten in accordance with section 6-35 of the Limited Liability Companies Act. The same agreement gives the right to an expansion of employee representation on the Board from three to four representatives.

Board's composition

As the sole shareholder, the Norwegian State appoints and selects all the shareholder-appointed board members. There are currently five shareholder-appointed board members. There are no deputies for the shareholders' representatives on the Board.

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

Board members are elected for terms of two years at a time.

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

During 2017, one employee-elected board member was replaced, while one shareholder-elected board member stood down from the Board without being replaced. This means that the Board's composition in 2017 was as follows:

- Until 15 March:
  Six shareholder-appointed board members (three men and three women) and four employee-elected board members (two men and two women).
- From 15 March to 30 June:
  Six shareholder-appointed board members (three men and three women) and four employee-elected board members (three men and one woman).
- From 30 June:
  Five shareholder-appointed board members (two men and three women) and four employee-elected board members (three men and one woman).

Independence of the Board of Directors

The Board of Directors assesses the independence of its members on a continuous basis. As at 31 December 2017, all of the shareholder-appointed representatives 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.

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 of Directors and in the Board's plan for its own work. Both of these documents are revised on an annual basis.

The guidelines for the chief executive's work form part of the rules of procedure for the Board.

Together these documents clarify the tasks and responsibilities of the Board and the chief executive, including which matters shall, can and should be handled by the Board. This also includes the limits of the chief executive's authority. Matters that typically appear on the agenda of the Board on a regular basis 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 Chair of the Board and based on presentations by the chief executive. The company expects these presentations to provide a good and satisfactory basis for considering matters. The Board has appointed a Deputy Chair who functions as the chair if the Chair cannot or ought not to lead the work of the Board.

The Board held nine board meetings in 2017, of which two were extraordinary board meetings.

The Board conducts an annual evaluation of its work and its competence. 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 a year. The audit committee shall operate as a case preparation body for 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 had six meetings in 2017.

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

The Board of Director's remuneration committee

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

The remuneration committee had four meetings in 2017.

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 with risk management and internal control. This work is based on the company's articles of association, the rules of procedure for the Board, and other internal governing documents, as well as general laws and clear recommendations based on best practices.

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 ethical behaviour and how corporate social responsibility is to be practised in the Group.

Risk management and internal control depend on people. Managers at 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

There is each year conducted an overall assessment of the Group's risk. This risk analysis is based on the Group' strategy business plans and targets. The process is based on COSO's framework for risk management. The aim is to evaluate risks affecting strategy, finance, operations and reputation, as well as risks associated with information security. The results of this process are consolidated to form an assessment of the main risks to which the Group is exposed. The Group also conducts an annual assessment of the willingness and capacity to assume risk, 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 actions and recommendations in order to manage and control 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's consolidated financial statements are presented in accordance with the applicable IFRS regulations. The Group's 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 policies 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 accounts department makes use of 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 policies and routines.

The Group has established an advisory investment committee which handles all cases that entail investment and sales in accordance with specified authorisation limits.

A common code of conduct applies to all of the Group's employees. This is continually being promoted. This standard is a part of the Group's integrity programme which shall help to ensure a high and precise ethical standard with regard to anti-corruption, competitive practices, social dumping and the handling of information. The Group's suppliers and partners must sign the Group's "Ethical standards for suppliers" when contracts are signed and thereby commit themselves to living up to the same ethical standards. In addition to this, systematic risk assessments are conducted of suppliers and checks/audits carried out.

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 deviations. All employees and business partners are therefore encouraged to report any censurable and/or illegal conditions as soon as possible. This is a part of the individual's responsibility.

A whistle-blowing system has been established to ensure reports are properly received and followed up. The corporate unit for misconduct 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 corporate unit for misconduct every six months.

11. Remuneration of the board of directors

The board members' fees are set at the general meeting each year. Remuneration is not dependent on results and none of the shareholder-appointed board members has a pension scheme or agreement on salary after leaving his/her position from the company. Details of the remuneration for board members in 2017 are presented in note 2 to the annual financial statements.

12. Remuneration to senior executives

The Board has prepared a statement concerning the determination of salaries and other benefits for the chief executive and other senior executives. 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 Norwegian State-ownership on this subject. The statement consists of two parts. Part one concerns the management remuneration policy that has been conducted 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 ordinary general meeting.

The Board considers incentive systems to be an important tool for focusing management on increasing company profitability in line with the owner's interests. It is against this background that a bonus scheme for individuals in key positions has been established. 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 executives, is included in note 2 to the annual financial statements.

13. Information and communications

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 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 the Oslo Stock Exchange's 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.

14 Take-overs

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

15. Auditor

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

The auditor takes part in Board meetings that handle 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 his view of the Group's accounting policies, 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 use of the auditor in naturally audit-related tasks in addition to the statutory audit. The Board informs the general meeting of the remuneration to the auditor.

16. Requirements of section 3-3b of the Accounting Act

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

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 on where the recommendations and regulations mentioned in no. 1 are publicly available": see the report's section 1 Implementation and reporting on corporate governance.
3. "reasons for any deviation from the recommendations and rules mentioned in no. 1"
   There are five instances of deviations, which are described in detail in the report's 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 Take-overs.
4. "a description of the main elements in the company's, as well as 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 meetings.
6. "the composition of the Board of Directors, corporate assembly, representative 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 does not have any provisions in the articles of association or powers of attorney that give the Board the power to decide that the company shall buy back or issue shares or equity certificates. Also see the report's section 3 Equity and dividends and section 4 Equal treatment of shareholders and transactions with close associates.

Deviation from the Code of Practice.

The Norwegian State is the company's sole owner. As a result, Posten's corporate governance deviates from the Code of Practice's:

- section 4 on equal treatment of shareholders
- section 5 on freely negotiable shares
- section 6 on general meetings
- section 7 on nomination committees
- section 14 on take-overs

Financial statements 2017

Financial statements Posten Norge Group 2017

Income statement

Amounts in MNOK

	Note	2017	2016
Revenue	1	**24 678**	**24 772**
Costs of goods and services		10 317	10 086
Payroll expenses	2	9 451	9 749
Depreciation and amortisation	8,9	683	694
Impairment of intangible assets and tangible fixed assets	8,9	59	313
Other operating expenses	4	3 524	3 599
Operating expenses		**24 034**	**24 440**
Other income and (expenses)	5	57	(169)
Share of profit from investments in associated companies and joint ventures	10	(9)	15
Operating profit		**692**	**178**
Financial income	6	256	370
Financial expenses	6	326	318
Net financial income (expenses)		**(71)**	**52**
Profit before tax		**621**	**230**
Tax expense	7	233	191
Profit for the year		**388**	**39**
Profit attributable to controlling interests		382	36
Profit attributable to non-controlling interests		6	4

Statement of comprehensive income

Amounts in MNOK

	Note	2017	2016
Profit for the year		**388**	**39**
Items that will not be reclassified subsequently to income statement:			
Pension			
Change in actuarial gains and losses	3	(35)	(74)
Tax on change in actuarial gains and losses	7	8	17
Total items not to be reclassified to income statement		**(26)**	**(58)**
Items that may be reclassified subsequently to income statement:			
Translation differences			
Result of hedging of investments in foreign entities	19	(32)	173
Hedging effects reclassified to income statement		34	
Tax hedging of foreign entities	7	(1)	(43)
Translation differences from investments in foreign entities		146	(142)
Reclassified translation differences - sale of companies		(16)	
Total translation differences		**131**	**(13)**
Cash flow hedging			
Cash flow hedging	19	(6)	10
Hedging effects reclassified to income statement	19	2	13
Tax on cash flow hedging	7	1	(6)
Total cash flow hedging		**(3)**	**17**
Total items that may be reclassified to income statement		**128**	**5**
Changes in tax rate	7	(6)	3
Other comprehensive income / (expenses)		**96**	**(50)**
Total comprehensive income / (expenses)		**483**	**(11)**
Total comprehensive income / (expenses) is distributed as follows:			
Controlling interests		477	(15)
Non-controlling interests		6	4

Balance sheet

Amounts in MNOK

	Note	31.12. 2017	31.12. 2016
ASSETS			
Intangible assets	8	2 118	2 194
Deferred tax asset	7	281	396
Tangible fixed assets	9	5 794	5 866
Investments in associated companies and joint ventures	10	449	377
Interest-bearing non-current receivables	12,13	20	8
Other financial non-current assets	12,19	188	223
Non-current assets		**8 850**	**9 063**
Inventories		14	21
Interest-free current receivables	12,14,19	4 054	4 255
Interest-bearing current receivables	12,13	107	85
Liquid assets	12,15	3 937	1 875
Current assets		**8 112**	**6 236**
Assets		**16 962**	**15 299**
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity		3 233	2 777
Noon-controlling interests		22	14
Equity	20	**6 375**	**5 912**
Provisions for liabilities	11	**1 505**	**1 588**
Interest-bearing non-current liabilities	12,16,19	3 072	1 978
Interest-free non-current liabilities	12,17,19	24	29
Non-current liabilities		**3 096**	**2 007**
Interest-bearing current liabilities	12,16,19	689	415
Interest-free current liabilities	11,12,17,19	5 158	5 117
Tax payable	7	138	260
Current liabilities		**5 986**	**5 793**
Equity and liabilities		**16 962**	**15 299**

15 March 2018

Idar Kreutzer (leder) Randi B. Sætershagen (nestleder) Morten Karlsen Sørby Ann-Elisabeth Wirgeness

Tove Andersen Odd Christian Øverland Anne Britt Berentsen Lars Nilsen Erling A. Wold

Tone Wille (konsernsjef)

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	2017	2016
Profit before tax		621	230
Tax paid in the period	7	(251)	(156)
Gain/-loss from sales of non-current assets and subsidiaries		(271)	(6)
Ordinary depreciation and write-downs	8,9,10	743	1 007
Share of profit from associated companies and joint ventures	10	9	(15)
Financial items without cash effect		54	25
Changes in accounts receivable, inventories and accounts payable		(267)	(25)
Changes in other working capital		(114)	(182)
Changes in other current accruals		73	70
Interests received		56	65
Interest paid		(62)	(69)
Cash flow from operating activities		**592**	**945**
Investments in non-current assets	8,9	(959)	(1 243)
Investments in subsidiaries	23	(40)	(112)
Investments in associated companies and joint ventures		(7)	
Proceeds from sale of non-current assets		232	95
Proceeds from sale of subsidiaries	23	824	22
Proceeds from sale of associated companies	10	21	5
Dividend received from associated companies	10	2	17
Changes in other financial non-current assets		16	6
Cash flow from / (used in) investing activities		**88**	**(1 210)**
Proceeds from borrowings	16	1 500	100
Repayment of borrowings	16	(100)	(733)
Group contribution/dividend paid	20	(19)	
Cash flow from / (used in) financing activities		**1 382**	**(633)**
Change in cash and cash equivalents during the year		**2 062**	**(898)**
Cash and cash equivalents at the start of the period		1 875	2 773
Cash and cash equivalents at end of period		**3 937**	**1 875**

Statement of changes in equity

Amounts in MNOK

	Controlling interests							
	Share capital	Share premium reserves	Hedging reserve	Transl. differ-ences	Retained earnings	Other equity	Non-contr. interests	Total equity
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 interest					(13)	**(13)**	13	
Other changes in equity					(3)	**(3)**		**(3)**
Equity 31.12.2016	**3 120**	992		183	1 602	**2 777**	**14**	**5 912**

	Share capital	Share premium reserves	Hedging reserve	Transl. differ-ences	Retained earnings	Other equity	Non-contr. interests	Total equity
Equity 01.01.2017	**3 120**	992		183	1 602	**2 777**	**14**	**5 912**
Profit for the year					382	**382**	6	**388**
Other comprehensive income/ (expenses)			(3)	131	(32)	**96**		**96**
Total comprehensive income / (expenses)			**(3)**	**131**	**350**	**477**	**6**	**483**
Dividend paid					(19)	**(19)**	(2)	**(21)**
Addition non-controlling interest							15	**15**
Other changes in equity					(3)	**(3)**	(11)	**(14)**
Equity 31.12.2017	**3 120**	992	(3)	314	1 930	**3 233**	**22**	**6 375**

Notes to Posten Norge Group financial statements 2017

Posten Norge 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, Industry and Fisheries 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

Posten Norge's 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 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 companies and businesses	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 companies and businesses	IAS 36
14. Provisions for liabilities	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	IAS 37

Accounting principle	Associated note(s)	IFRS / IAS #
16. Financial instruments	Note 6 Financial income and financial expenses Note 12 Overview of financial assets and liabilities 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 Interest-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 7, IAS 32, IAS 39
19. Borrowings	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 after the reporting period	Note 25 Regulatory issues	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 2017. 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 2017.

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.

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 does not expect any effects in the financial statements from the new classification, recognition and measurement requirements. It is expected that financial assets and liabilities measured at fair value according to today’s accounting standards 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 will be classified in the measurement category “amortised cost” and subsequently measured accordingly when applying IFRS 9.

IFRS 9 introduces a new model for assessing impairment of financial assets. However, for financial assets without significant financing components, a simplified model can be applied, where lifetime expected credit losses shall be recognised as loss allowance (for example by using simple methods to estimate the credit loss). The simplified model does not require any follow-up of change in credit risk. The Group’s financial assets mainly comprise receivables without significant financing components, and accordingly, the Group will apply the simplified model.

In addition, IFRS 9 relaxes the requirements to hedge accounting by bringing the hedge effectiveness closer to management's risk control which 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. The basic principle is that the recognition of revenue shall reflect the transfer of goods or services to the customer. 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 Group has considered the effect IFRS 15 will have on the recognition of income in the Group by applying the five-step model on which the new standard is based. The following areas have been particularly assessed by the Group:

Identification of separate performance obligations

The Group's deliveries mainly comprise the transport of letters, parcels and freight, and are thereby delivered over time with a number of related additional services. Significant additional services are not individual deliveries which can be separated as independent services. Hence, according to the standard, significant separate performance obligations for the deliveries of letters, parcels and freight have not been identified.

Recognition of income when performance obligations have been satisfied

According to the preparatory works, income from the transport of goods shall be recognised over time, because the customer benefits from the fact that the goods are continually getting nearer to the agreed delivery place. The Group's deliveries mainly relate to transport of letters, parcels and freight, where the bulk of the transport services are delivered within 1-7 days and the recognition of income is made on an ongoing basis. Provisions for income and expenses for started, but not finalised, deliveries have also been made pursuant to previous principles for the recognition of income. Hence, no significant differences between today's principles for income recognition and the framework of the new standard have been identified.

The Groups performance obligations are part of short-term contracts (less than one year). For this reason, the Group will not disclose information about carrying values related to uncompleted deliveries. Hence, the standard will not result in any differences in accruals compared to the present rules.

The Group has also assessed other effects of the standard and the five-step model without identifying any significant impact for the Group.

The standard is effective from 1 January 2018, and the Group will implement the standard by applying a modified retrospective approach which does not entail a restatement of comparative information. Concerning disclosure requirements in IFRS 15, the Group will consider whether there is any need for additional disaggregation of revenue into categories, starting in 2018.

The accounting principles for the recognition of revenue will be rewritten and adjusted to the new standard in 2018.

2.3 IFRS 16 Leases

In January 2016, IASB (International Accounting Standards Board) published IFRS 16 *Leases.* The new standard will be effective for the accounting year 2019. The standard requires that the *lessee* recognises lease contracts in the balance sheet, whereby the value of use for an asset and the corresponding lease liability is recognised in the balance sheet. The lease liability is measured at the present value of the lease payments, and the “right to use” asset is derived from this calculation. At subsequent measurements, the “right to use” asset shall be depreciated, and the leasing liability is reduced by lease payments. The lessee may elect to apply recognition exceptions for lease contracts concerning “low value” assets and short-term leases, and if so the lease payments are directly recognised as an expense.

In 2017, the Group carried out a project evaluating the effects of the new standard. The work continues in 2018. So far, the following assessments have been made:

Identifying relevant contracts in the Group satisfying the standard’s definition and recognition requirements

The Group has elected to apply the exceptions in the standard. Lease contracts for which the underlying asset is of “low value” will not be recognised in the balance sheet. “Low value assets” are assessed pursuant to the materiality considerations in IAS 1. For short-term leases, where the non-cancellable lease term is less than 12 months, the lease costs will also be directly expensed.

In order to be within the scope of IFRS 16, the contract must satisfy the definition of a lease. The assets must be identifiable and the lessee must have the right to control the use of the assets in a given period.

Significant agreements in the Group mainly concern rental contracts for buildings and terminals, in addition to the Group’s car fleet. The Group has reviewed various lease contracts and particularly considered the treatment of them, as well as contracts with transporters (transport agreements).

Leasing of means of transport and real estate will as a main rule be comprised by the definition in the standard and classified as leases. It is the non-cancellable period of a lease (including the period of notice), and any options reasonably certain to be exercised, that is recognised in the lease liability.

Most of the transport agreements in the Group are of such a character that a specific asset cannot be identified, and these agreements are therefore outside the definition of a lease according to the standard. The majority of the transport agreements where an asset can be identified are short-term leases (the non-cancellable lease term is less than 12 months) or contracts with variable lease payments. Based on these considerations, the Group has determined that transport agreements as a main rule does not qualify as a lease according to the standard.

The Group's choice of implementation method and consequences for the financial reporting

Implementation method

The Group intends to apply one of the two alternatives of a modified retrospective approach without restating comparable information when implementing IFRS 16. Based on preliminary assessments, the Group assumes to recognise the implementation effect in equity, where the value of the right-to-use assets is calculated from the commencement date, and the liability is calculated at the implementation date. Additional estimates of the accounting consequences are calculated on the basis of this assumption.

Consequences for the financial reporting

In the Group's opinion, the new standard will change the accounting of leases in the Group significantly. Lease payments that, according to present accounting standards, are recognised as other operating expenses will pursuant to IFRS 16 be classified as depreciation and financial expenses. In general, it is expected that the Group's operating profit before depreciation will improve, depreciation costs will increase and net financial income will decline. The change in accounting will also result in a reclassification of the lease payments from cash flows from operating activities to cash flows from financing activities.

The implementation effect in 2019 is uncertain due to changes in business models, changes in the interest market, uncertainty related to renewal options and estimates for lease periods. An overall estimate of the effect on the Group's financial statements, based on today's lease contracts, interest rate level and lease terms, is as follows:

- Operating profit before depreciation (EBITDA) will improve as annual lease payments no longer will be recognised as other operating expenses in the interval 1 050-1 250 MNOK.
- Annual depreciation of leased assets will increase in the interval 950 – 1 100 MNOK.
- Annual interest costs related to the lease liability will increase in the interval 100-150 MNOK.
- Right-to-use assets recognised in the balance sheet will increase by 4 300-4 700 MNOK, and the corresponding lease liability will increase by 4 700-5 200 MNOK.
- The implementation effect on equity after tax will be 300-400 MNOK in reduced equity.
- The Group's total capital will increase by 4 300-4 700 MNOK, with the consequence that the Group's equity ratio will be reduced to 27-29 percent.

The Group's further work until implementation

This work includes assessments of required system acquisitions/adjustments and consequences for strategic and operational decisions. Changed requirements to and extent of disclosures will be considered during 2018.

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. Management is required to make critical accounting judgements in applying the Group's accounting policies. This will, among other judgements, include assessment of interest ownership and ability to exercise control to consider if the Group has significant influence or control over companies and hence choosing appropriate consolidation principles. Material critical accounting judgements made will be described. Sources of estimation uncertainty and assumptions concerning the future that represents 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 liabilities. The present value of the pension liabilities depends on a number of factors determined by actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension liabilities.

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 liabilities. 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 liability.

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 in relation 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 balance sheet items

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 Subsidiaries, associated companies and joint ventures

When consolidating subsidiaries and recognising investments in associates and joint ventures according to the equity method, profit or loss, assets and liabilities of subsidiaries and investments in associates and joint ventures are translated from functional currency to Norwegian kroner, which is the Group's presentation currency. Assets and liabilities are translated on the basis of the exchange rate on the balance sheet date. Income and expenses 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. Statement of changes in equity). If a foreign subsidiary, associate or joint venture is sold, the accumulated translation differences related to the entity are reclassified to the income statement and included as part of gain or loss on the disposal.

5. Consolidation principles

The consolidated financial statements present the total financial result and position for 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 interests 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 owners 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: Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence normally exists when the Group owns 20 to 50 percent 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 by the equity method. The investment is initially recognised at cost. For investments in associates and joint ventures, goodwill is included in the investment's cost. The Group's share of the investee's profit or loss after the date of acquisition is recognised in the income statement as income or expenses. The Group's share of profit or loss 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. Revenues

Revenue 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, banking services and dialogue services.

Letter services comprise the sale of stamps, franking and international mail. The sale of stamps is considered to be advance payments for the sale of postal services and is recognised as income when the service delivery takes place. Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption, and other postage sales are billed and recognised when letter products are delivered. 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.

Fees for banking services are recognised on the basis of performed banking services.

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.

In addition, Posten is paid for government procurements of commercially non-viable postal services, which is recognised when the allocated funds are received (monthly), limited to an amount equalling the current year's estimated additional expenses regarding licensing requirements.

7.2 Income: Logistics segment

The segment's revenue is mainly generated by terminal and transport services of parcels, freight and temperature-controlled deliveries, in addition to the sale of warehouse services.

Transport services comprise national and international transport, together with express deliveries and home deliveries. Transport services mainly include the transport of letters, parcels and freight and are recognised at the time of delivery of the service and when significant risks are transferred to the customer. Deliveries are generally carried out over time, and provisions are made for uncompleted transport.

Warehouse services are also provided in the segment. 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 liability at the end of the reporting period, less the fair value of plan assets. The gross liability 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 expenses 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 the initial recognition of taxable non-depreciable goodwill
- deferred tax arising from a first-time recognition of an asset or liability in a transaction that
    - is not a business combination and,
    - on the transaction date, neither impacts the accounting profit, nor taxable income (taxable loss)
- deferred tax concerning investments in subsidiaries, branches and associates, in addition to shares in joint ventures where the parent company can control the time for reversing the temporary difference, and it is probable that the temporary difference will not reverse 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 offset 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 authorities notify 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 (section 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 expensed 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 associates and joint ventures are accounted for using the equity method (details are given under section 5 "Consolidation principles").

13. Impairment of non-financial 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.

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 there are any indications of impairment or not.

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 for liabilities

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 liabilities 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

A provision for onerous contracts is recognised when the Group's expected income from a contract is lower than the unavoidable expenses incurred to meet the obligations of the contract. As a main rule, the Group defines unavoidable expenses as direct costs related to the loss and does not include indirect costs in the estimated provision. A provision is generally made when a reliable estimate of the obligation amount can be estimated.

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 percent, (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 (have) 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 subsidiaries and when recognising foreign associates and joint ventures according to the equity method. 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. When a foreign entity is sold, the accumulated translation difference related to the entity is reclassified 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 after the reporting period

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 other countries depending on where the revenue is generated/localised, cf. section 6 "Segment reporting" and 7 "Revenue" in the Group's accounting principles.

For financial reporting purposes, the Group has divided operations into two segments, Mail and Logistics. The split complies with international accounting standards (IFRS) and best practice. Segment Mail comprises division Mail, and the Logistics segment includes two logistics divisions and division E-commerce. The divisions are important entities in the management of the Group, developing and implementing business strategies within their own business areas and thereby supporting the group strategy. The divisions are responsible for developing and delivering services of high quality.

The reporting segments contain the following:

Segment Mail: letter products (addressed and unaddressed), banking services and dialogue services. The segment includes the Mail Division and operations within the areas Bring Citymail, Bring Mail and Netlife Gruppen.

Division Mail is responsible for the traditional mail services in Norway (including services covered by licences). Services delivered by Posten are sale and customer service, Post-in-Shops, post offices, rural postal services and postal business centres. In addition, the division shall be a driving force for the Group’s efforts within digital services and dialogue services through Digipost and Netlife Gruppen.

Segment Logistics comprises bulk and part load, parcels, warehousing, temperature-regulated services, express and home deliveries. The transport services include national and international transport together with express and home deliveries. The various services in the segment are described below.

Freight transport is the transport of goods over 35 kilos. The delivery is made by car, boat, train or plane, internationally and domestically. The service includes the following categories:

- Groupage and part loads, mostly transport on cars or trains
- Air cargo
- Temperature-regulated transport
- Routine deliveries to installations on the mainland and at sea on the Norwegian shelf
- Special transport with a carrying capacity of until 130 tons
- Sea transport of large shipments carried intercontinentally on ships in regular service

Parcel transport is the transport of parcels both internationally and domestically. The service includes the following categories:

- Contract parcels, parcels directly to third parties
- Service parcels picked up by the recipient at the delivery point
- Parcels in the mailbox

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. The service has the following categories:

- storage
- interim storage
- customs storage
- refrigerated and frozen storage

The segment is also responsible for the Group's Norwegian and international operation of vehicles and equipment.

The segment includes the divisions Logistics Norway, Logistics Nordic and E-Commerce, and operations within the areas of Bring Cargo, Bring Linehaul, Bring Warehousing, Bring Frigo, Bring Express, Bring Parcels, Bring Cargo International and Bring Transportløsninger.

Division Logistics Norway develops and delivers the Group's services for the logistics segment in Norway. The division operates the national parcels and freight terminals and transports mail, parcels and freight. The division is focusing on realising scale advantages in its network, to ensure effective cooperation with Mail and Logistics Nordic and developing integrated solutions to meet the customers' needs. From 1 April 2017, the thermo business was integrated with the logistics network in Norway to strengthen profitability and competitive power.

Division Logistics Nordic is responsible for the Group's logistics services in Sweden, Denmark and Finland. The division's focus is on parcels, home deliveries, freight and thermo. E-commerce is an important driver for growth.

Division E-Commerce operates the Group's efforts within e-commerce and is developing competence and customer-tailored solutions. The division takes care of the Group's largest customers within the B2C segment and is also responsible for services and concept development directed against all e-commerce customers, in addition to Home Delivery. E-commerce has no own production, but shall secure a well-functioning interface against the divisions making the deliveries.

Other comprises the owner function and group-shared functions (group staffs). The Group has established group staffs with the responsibility for management, joint functions and technical development within HR, Communication, Strategy, Economy, Finance, Property, Legal, Lean and IT and Digitalisation. The group staffs develop and professionalise the technical environments in the Group, are driving forces and contribute to realise the business strategies

Elimination: eliminations of internal transactions

Result per segment

2017	Mail	Logistics	Other	Eliminations	Group
External revenue	8 952	15 726			24 678
Internal revenue	742	807	1 295	(2 844)	
Total revenue	**9 694**	**16 533**	**1 295**	**(2 844)**	**24 678**
External expenses including depreciation	7 542	14 916	1 517		23 975
Internal expenses	1 309	1 489	47	(2 844)	
Impairment of intangible assets and tangible fixed assets	1	55	2		59
Operating expenses	**8 852**	**16 460**	**1 566**	**(2 844)**	**24 034**
Other income and (expenses)	(5)	80	(18)		57
Share of profit from associates and joint ventures	(18)	8			(9)
Operating profit (loss)	**819**	**162**	**(290)**		**692**
Net financial items					(71)
Taxes					(233)
Profit for the year					**388**

2016	Mail	Logistics	Other	Eliminations	Group
External revenue	9 092	15 676	4		24 772
Internal revenue	747	849	1 367	(2 962)	
Total revenue	**9 839**	**16 525**	**1 371**	**(2 962)**	**24 772**
External expenses including depreciation	7 673	14 932	1 522		24 127
Internal expenses	1 366	1 544	52	(2 962)	
Impairment of intangible assets and tangible fixed assets	2	304	7		313
Operating expenses	**9 041**	**16 780**	**1 582**	**(2 962)**	**24 440**
Other income and (expenses)	(66)	(101)	(2)		(169)
Share of profit or loss of associated companies and joint ventures	(8)	22			15
Operating profit (loss)	**724**	**(334)**	**(212)**		**178**
Net financial items					52
Taxes					(191)
Profit for the year					**39**

Internal revenue is revenue between the segments of the Group. The pricing of transactions with other segments is based on commercial terms as if the segments were independent parties. Internal revenue is eliminated against internal expenses.

Balance sheet per segment

2017	Mail	Logistics	Other	Eliminations	Group
Associates and joint ventures	35	429			464
Other non-current assets	2 234	5 670	182		8 085
Current assets	1 145	2 928	17	(22)	4 068
Total allocated assets	**3 413**	**9 027**	**198**	**(22)**	**12 617**
Deferred tax assets					281
Interest-bearing receivables					127
Liquid assets					3 937
Total non-allocated assets					**4 345**
Total assets					**16 962**
Provision for liabilities	603	902			1 505
Total interest-free liabilities	2 328	2 809	205	(22)	5 321
Total allocated liabilities	**2 931**	**3 711**	**205**	**(22)**	**6 825**
Total interest-bearing liabilities					3 761
Total non-allocated liabilities					**3 761**
Total liabilities					**10 587**

2016	Mail	Logistics	Other	Eliminations	Group
Associates and joint ventures	23	358			381
Other non-current assets	2 296	5 767	215		8 278
Current assets	1 111	3 131	226	(193)	4 275
Total allocated assets	**3 431**	**9 256**	**441**	**(193)**	**12 935**
Deferred tax assets					396
Interest-bearing receivables					93
Liquid assets					1 875
Total non-allocated assets					**2 364**
Total assets					**15 299**
Provision for liabilities	718	870			1 588
Total interest-free liabilities	2 097	3 100	402	(193)	5 406
Total allocated liabilities	**2 815**	**3 970**	**402**	**(193)**	**6 994**
Total interest-bearing liabilities					2 394
Total non-allocated liabilities					**2 394**
Total liabilities					**9 388**

Deferred tax asset, interest-bearing receivables and liquid assets are included in non-allocated assets. Interest-bearing liabilities from bond loan, certificate loan, swaps and other long-term financing are not included in allocated liabilities.

Investments per segment

2017	Mail	Logistics	Other	Group
Investments in non-current assets	148	610	202	959
Investments in non-current assets through investments in companies	22			22
Depreciation	309	368	6	683
Impairment	1	55	2	59

2016	Mail	Logistics	Other	Group
Investments in non-current assets	111	941	192	1 243
Investments in non-current assets through investments in companies	64	158		221
Depreciation	305	381	8	694
Impairment	2	304	7	313

Investments in fixed assets in the Logistics segment mainly concerned investments in the Group's new terminal structure. Investments in Other are primarily related to the Group's in-house development of IT system.

Cash flow per segment

Cash-flows are allocated based on segment operations and an allocation of assets and liabilities.

2017	Mail	Logistics	Other	Group
Profit before tax	782	94	(255)	621
Gain/(loss) from sales of non-current assets and subsidiaries	(179)	(108)	16	(271)
Ordinary depreciation and write-downs	311	423	9	743
Share of profit from associates and joint ventures	18	(8)		9
Changes in working capital and other accruals	31	(443)	107	(308)
Tax paid in period				(251)
Financial items without cash flow effect				54
Net interest received/(paid)				(7)
Cash flow from operating activities	**963**	**(42)**	**(123)**	**592**
Investments	(196)	(610)	(202)	(1 007)
Proceeds from sale	228	848		1 077
Dividend received from associates	2			2
Changes in other financial non-current assets				16
Cash flow from / (used in) investing activities	**35**	**239**	**(202)**	**88**
Proceeds from debt raised				1 500
Repayment of debt				(100)
Group contribution/dividend paid				(19)
Cash flow from / (used in) financing activities				**1 382**
Change in cash and cash equivalents during the year				**2 062**
Cash and cash equivalents at the start of the period				1 875
Cash and cash equivalents at end of period				**3 937**

Changes in other accruals were mainly due to an increase in receivables due to increased activity in the Logistics segment. Investments include both investments in non-current assets and businesses. Investments in fixed assets mainly relate to new buildings and production equipment in connection with the establishment of a new terminal structure. Proceeds from sale of non-current assets and businesses mainly comprise sale of Bring SCM and real estate companies in Norway and Sweden.

Geographical information

Posten Norge has main offices in Oslo, Norway, but operations also in Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Italy, the Netherlands, Russia, Slovakia, Sweden and Great Britain. The table below is an overview of the distribution of revenue and expenses between Norway and the other countries.

	2017	2016
External revenue		
Norway	15 183	14 810
Other countries [1)]	9 495	9 962
Total revenue	**24 678**	**24 772**
Assets		
Norway	15 231	12 793
Other countries [1)]	1 731	2 506
Total assets	**16 962**	**15 299**
Investments during the period		
Norway	845	1 138
Other countries [1)]	112	105
Total investments	**959**	**1 243**

1) Other countries mainly constitute 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.

	2017	2016
Salaries	7 470	7 727
Social security tax	1 191	1 222
Pension expenses	575	567
Other benefits	215	233
Payroll expenses	**9 451**	**9 749**
Number of full-time equivalent positions	16 286	17 344
Number of employees 31.12[1)]	17 674	18 878

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

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

(All amounts in KNOK and exclusive of social security tax and VAT)

	2017	2016
Board remuneration	**2 478**	**2 531**
Fees for the statutory audit	7 987	8 561
Fees for other attestation services	946	815
Fees for tax advisory services	482	1 057
Fees for other non-audit services	953	2 910
Total auditors' fees	**10 369**	**13 343**

Auditors' fees mainly concerned the audit firm EY. KNOK 635 of "Fees for other non-audit services" were fees to other firms than EY for services rendered for acquired, new and foreign subsidiaries.

The Board of Directors

External board members do not have pension schemes or other benefits other than board remuneration. Employee representatives only have 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 2017 were approved in the Annual General Meeting on 29 June 2017, and the board members received the following remuneration in 2017:

(All amounts in NOK and exclusive of social security tax)

Remuneration	**2017**	**2016**
Idar Kreutzer, Chairman of the Board	442 602	432 756
Randi B. Sætershagen, Vice Chairman of the Board	306 302	319 503
Terje Wold (until 29.06.2017)	106 500	210 000
Anne Britt Berentsen	254 352	248 502
Tove Andersen	215 001	210 000
Morten Karlsen Sørby	240 553	215 004
Odd Christian Øverland, employee representative[1)]	220 053	215 004
Ann Elisabeth Wirgeness, employee representative[1)]	215 001	210 000
Siv Astrid Ryan Andersen, employee representative (until 31.12.2016) [1)]		210 000
Tom Sørensen, employee representative (until 14.06.2016)[1)]		94 300
Erling Andreas Wold, employee representative (from 01.01.2017)[1)]	212 001	
Lars Nilsen, employee representative (from 15.06.2016)[1)]	215 001	115 700
Petter Torp (deputy)	11 000	10 500
Total	**2 438 366**	**2 491 269**

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

Other compensation to board members

The Vice Chairman of the Board Randi Sætershagen participated in the audit committee until September and in the compensation committee from September and received fees amounting to NOK 45 548 for this work. Board member Anne Britt Berentsen took part in the audit committee and received fees of MNOK 39 351. Board member Morten Karlsen Sørby was a member of the compensation committee until September and in the audit committee from September and received MNOK 25 552. The Chairman of the Board Idar Kreutzer and board member Odd Christian Øverland were members of the compensation committee and received NOK 11 604 and MNOK 5 052, respectively, in fees. The fees for 2017 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.

2017

(All amounts in NOK and exclusive of social security tax)

Group management	Basic pay 1)	Bonus 2)	Other benefits 3)	Pension cost	Period of notice	Severance pay agreement
Tone Wille	4 269 541	457 625	6 663	109 127	6 months	No
Eli Giske	2 447 986	504 000	6 663	109 127	6 months	No
Gro Bakstad	2 896 989	594 000	6 663	1 484 251	6 months	No
Elisabeth H. Gjølme (until 01.06.2017)	841 454	145 000	5 329	269 583	6 months	9 months
Randi Løvland	2 047 824	420 000	11 675	289 068	6 months	9 months
Tore K. Nilsen	3 433 290	820 000	6 663	631 550	6 months	9 months
Gunnar Henriksen 4)	2 229 129	480 000	120 334	375 798	6 months	No
Morten Stødle	2 476 757	558 000	183 395	109 127	6 months	No
Alexandra Saab Bjertnæs (from 01.06.2017)	1 172 229	220 000	3 896	64 217	6 months	No
Thomas Tscherning 5)	3 126 384	690 000	378	861 936	6 months	9 months
Total	**24 941 584**	**4 888 625**	**351 661**	**4 303 786**		

1) Basic pay includes salary, car allowance, holiday pay and pension compensation
2) Accrued bonus at 31 December 2017
3) Other benefits include company cars and electronic communication
4) Gunnar Henriksen was group director from 1 January to 31 May 2017 and acting group director until 31 December 2017
5) Group director Thomas Tscherning has received his salary in Swedish kroner, translated to NOK at an average exchange rate for the year of 0,9680.

2016

(All amounts in NOK and exclusive of social security tax)

Group management	Basic pay[1)]	Bonus[2)]	Other benefits[3)]	Pension cost	Period of notice	Severance pay agreement
Dag Mejdell (until 10.10.2016)	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 [5)]	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) Other benefits include free car and electronic communication

4) Tone Wille was in October 2016 hired as the new CEO in the Group. The annual basic pay of the CEO was agreed to 4 MNOK. In addition to this, the CEO received free telephone/broadband, car allowance of 274 KNOK per year and parking at the workplace. A bonus arrangement was also agreed upon, which gave the CEO a maximum bonus of 500 KNOK 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.

5) 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

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 6 months' salary can be achieved. For the CEO, there was an upper limit for bonus payments of KNOK 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 percent 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 12 G, the annual contributions are limited to 25 percent of the pension basis in excess 12 G. 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 15 February 2018)

This statement is based on Guidelines for salaries and other remuneration to executives in state enterprises and companies (established by the Ministry of Trade, Industry 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 2017 has been in accordance with Statement of salaries and other remuneration to executives in Posten Norge AS, adopted on 16 February 2017 (in the following, last year's statement).

In 2017, an employment contract was made with two new Group directors. 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 2017, as the statement allows for.

The agreements for three of the company's group directors closed before 31 March 2011 deviate from the Norwegian state's guidelines, as the group directors in question have 6 months' period of notice and also an agreement of 9 months' severance pay.

Three of the company's senior employees have agreements made before 31 March 2011 that deviate from the Norwegian state's guidelines. Two employees have retirement pensions where the pension basis exceeds 12 G, and one employee has a defined benefit pension scheme. Notes 2 and 3 to the 2017 financial statements have complete overviews of the remunerations.

2. Posten Norge AS' wholly owned subsidiaries

The remuneration to senior employees in wholly owned subsidiaries in 2017 have been in accordance with the Norwegian state's guidelines.

No senior employees have shares or options, nor has any long-term incentive scheme for senior employees been established in wholly-owned subsidiaries.

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

Before 13 February 2015, an insurance 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 was not adjusted in 2017 as planned, but will be adjusted in 2018 in order to give senior employees and the other employees the same arrangements.

Six senior employees in wholly-owned Norwegian subsidiaries have agreements made before 31 March 2011 that deviate from the Norwegian state's guidelines, as they have retirement pension where the pension basis exceeds 12 G.

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 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 complied with in all companies for which the statement applies.

2. Elements of executive pay

2.1 Basic 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 obtained every other year from a recognised international company with satisfactory statistics from Norway, Sweden and Denmark.

2.2 Variable salary

Individual agreements on variable salary 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 salary (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 are 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 percent of the bonus potential, and the individual targets between 0 and 40 percent. In wholly owned subsidiaries, the corporate goals shall constitute a minimum of 20 percent 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. With the exception of advance agreements where the company's top executive waives employment protection, the size of the severance pay shall not be finally determined in the advance agreements.

Severance pay and salary in the period of notice shall not exceed 12 months' salary. Severance pay should be reduced proportionately with new annual income.

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.

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.

	2017	**2016**
Pension costs		
Present value of the pensions earned for the year	130	109
Net interest expense on net liability	29	27
Gross pension costs incl. social security tax (benefit based)	**160**	**136**
Employee contribution	(1)	(1)
Interest element reclassified to finance item	(26)	(25)
Net pension costs incl. social security tax (benefit based)	**133**	**111**
Defined contribution pension schemes	550	568
Employee contribution	(107)	(112)
Total pension expenses included in the operating profit for the year	**575**	**567**
Net pension liabilities:		
Estimated accrued secured liabilities	(506)	(482)
Estimated value of the pension assets	260	248
Net estimated secured pension liabilities	**(246)**	**(233)**
Estimated accrued unsecured pension liabilities	(848)	(818)
Net pension liabilities in balance sheet	**(1 094)**	**(1 051)**
Pension assets recognised as financial non-current assets		1
Pension liabilities recognised as provisions for liabilities	(1 094)	(1 052)
Changes in liabilities:		
Net liabilities at 1.1.	(1 051)	(1 017)
Gross pension expenses	(160)	(136)
Premium payments and benefits paid	162	165
Contributions from scheme members	1	1
Repayment of previously paid-in pension premium		(13)
Changes in pension estimates recognised in total comprehensive income	(35)	(74)
Translation differences	(12)	23
Net pension liabilities at 31.12.	**(1 094)**	**(1 051)**

	2017	2016
Main categories of pension assets at fair value		
Equity instruments (shares, bonds)	100	79
Debt instruments	103	115
Property	21	21
Other assets	36	33
Total pension assets	**260**	**248**
Pension estimate (loss) / gain at 01.01.	**508**	**582**
Changes in discount rate, pension liabilities	(10)	(47)
Changes in other financial assumptions, pension liabilities	(6)	1
Changes in demographic assumptions, pension liabilities	(1)	(50)
Changes in other factors, pension liabilities	(25)	12
Changes in other factors, pension assets	8	9
(Loss) / gain for the year in total comprehensive income	**(35)**	**(74)**
Pension estimate (loss) / gain in total comprehensive income at 31.12.	**473**	**508**
Defined contribution pension schemes		
Number of members	19 494	20 781
Share of salary	1-49%	1-35%
Defined benefit pension schemes		
Actuarial assumptions		
Discount rate	2,4-2,7%	2,25-2,8%
Expected salary regulation	2,0-2,95%	2-2,65%
Expected G regulation	2,25-2,95%	2,25%
Expected pension regulation	0,4-1,5%	1,5-2,25%
Expected yield	2,4-2,7%	2,25-2,8%
Expected voluntary retirement (below 50 years)	3,5-5%	3,5-5%
Expected voluntary retirement (over 50 years)	1,5-5%	1,5-5%
Expected use of AFP	40-60%	40-60%
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.

The Norwegian enterprises expect Posten Norge AS generally have somewhat lower contribution rates and lower pension bases than the parent company (cf. note 2 for Posten Norge AS).

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 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 2017, this constituted 62 500 Swedish kroner (59 300 Swedish kroner in 2016).

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 percent, respectively, of the annual salary.

AFP (early retirement) scheme

On 1 January 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.

The AFP scheme in Spekter was terminated in 2016, and as a consequence, the Group received MNOK 46, of which MNOK 13 reduced pension costs.

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. The majority of the Group's defined benefits schemes relate to the fact that Posten Norge AS withdrew from the Norwegian Public Service Pension Fund, giving those employed at the transition date the right to various compensation and guarantee schemes (cf. note 2 for Posten Norge AS). Pension funds in the Group basically relate to benefit schemes for companies in the Bring Cargo Group and Bring Frigo AB.

Assumptions

For 2017, 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 2017 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).

Sensitivity

The table below shows estimated effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2017 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 gross pension liabilities (reduction)/increase	(161)	165	38	(31)	(36)	27
Percentage change	-15%	16%	4%	3%	3%	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.

	2017	2016
Cost of premises	1 090	1 151
Other rental expenses	342	352
IT services[1)]	602	598
Other external services	472	419
Telephone costs	188	180
Travel expenses	173	183
Tools, fixtures, operating materials	109	119
Repair and maintenance of equipment	112	127
Insurance, guarantee and compensation expenses	108	107
Marketing	95	103
Accounting and payroll services	46	47
Other expenses[1)]	188	213
Operating expenses	**3 524**	**3 599**

1) IT services amounting to MNOK 38 were reclassified to other operating expenses in 2016.

Costs for premises were reduced compared with last year, as the Group has moved into their own and extended terminals during 2017 and as a result, has terminated some external rental contracts. The costs have also been reduced as a consequence of sold and discontinued operations. The change in other external services is due to increased use of temporary staff and consultants in the Group. Other reductions in operating expenses are a result of focus on cost measures in the Group. 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).

	2017	**2016**
Restructuring expenses	15	(220)
Gain on sale of fixed assets and subsidiary	270	6
Other income/(expenses)	(229)	45
Total other income and (expenses)	**57**	**(169)**

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

In 2017, the Group made a provision of MNOK 47 for restructuring costs and reversed the previous years' provision of MNOK 62. MNOK 29 of this year's provision of MNOK 47 concerned personnel initiatives, MNOK 12 premises and MNOK 5 other measures. The provisions were basically made in connection with the restructuring of the terminal structure in the Logistics segment and reorganization of the Group's staff and support functions. Due to voluntary retirement and alternative restructuring solutions concerning the adjustment to one joint mail flow, provisions in the Mail segment of 50 MNOK were reversed.

The corresponding provision in 2016 was MNOK 228, and the reversal MNOK 8. For 2016, the restructuring costs mainly concerned adjustment to on one joint 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.

Total provisions for restructuring are shown in note 11.

Gains on sales of fixed assets and subsidiaries

Gains on sales of fixed assets and subsidiaries in 2017 mainly concerned the sale of Posten Eiendom Kanalveien AS with a gain of MNOK 180, terminal in Bergen with a gain of MNOK 60 , the subgroup Bring SCM with a gain of MNOK 15 and Bring Cargo Fastighets AB with a gain of MNOK 13.

Gains on sales of fixed assets in 2016 mainly constituted the sale of the wholly-owned subsidiary Posten Eiendom Skien AS.

Other income and expenses

Other income and expenses in 2017 mainly comprised provisions for loss amounting to MNOK 216. This was a consequence of a constructive obligation to carry out measures to adjust the company portfolio in Segment Post. Based on a business evaluation, these measures were assessed as likely to be executed.

In 2016, other income and expenses mainly constituted income from a settlement in a claim for compensation in the Mail segment.

Note 6 Financial income and financial expenses

The note gives an overview of the Group's financial 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).

	2017	2016
Interest income	71	82
Currency gains	134	95
Gain on derivatives	21	113
Gain on loans at fair value through profit and loss[1)]	28	45
Other financial income	2	35
Financial income	**256**	**370**
Interest expenses	86	77
Currency loss	123	145
Loss on derivatives	78	56
Other financial expenses	40	40
Financial expenses	**326**	**318**
Net financial income and (expenses)	**(71)**	**52**

1) Change in value on loans in Japanese yen where the «fair value option» has been applied, corresponding to value changes in combined interest rate and currency swaps recognised as «Gain on derivatives» or «Loss on derivatives». Note 19 has more information.

Interest income in 2017 mainly comprised return on market based placements and interest-bearing funds.

Net currency gain and net loss on derivatives is basically a result of gain and loss due to the development in the exchange rate between Norwegian and Swedish kroner, and between Norwegian kroner and euros. Details on derivatives are given in note 18 and 19.

Interest expenses mostly included interest cost related to long-term financing. In 2017, interest expenses also included interest costs on net pension liabilities amounting to MNOK 26 for the Group.

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).

	2017	2016
Income tax		
Tax payable	133	257
(Increase)/reduction in deferred tax assets	100	(67)
Tax expense	**233**	**191**
Tax payable for the year	123	262
Adjustments of payments in previous years	10	(3)
Other	(1)	(1)
Tax payable	**133**	**257**
Effective tax rate	**38%**	**83%**
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit before tax	621	230
24% tax (25% in 2016)	149	57
Impairment of goodwill	12	46
Other non-deductible expenses	86	26
Non-taxable income	(69)	1
Effect from tax rates in other countries	(7)	7
Effect of change in tax rate recognised in income statement	(3)	7
Adjustment previous years	5	(10)
Deferred tax assets not recognised in balance sheet	60	54
Other		2
Tax expense	**233**	**191**

	2017	2016
Changes in deferred tax recorded directly in other comprehensive income for the year		
Actuarial gains and losses	(8)	(17)
Translation differences from hedging of investments in foreign entities	1	43
Cash flow hedging	(1)	6
Effect of change in tax rate	6	(3)
Total	**(2)**	**29**

The decline in effective tax rate compared with last year, from 83 to 38 percent for the Group, is mainly due to a reduction in the impairment of goodwill. Non-taxable income primarily concerned the sale of subsidiaries. The effect of the changed tax rate recognised in the Group result is MNOK -3.

Changes in deferred tax asset

	01.01 2017	Addition purchased subsidiaries	Recog-nised in equity	Recog-nised in income state-ment	Other	Translation differences	Effect of change in tax rate[1)]	31.12 2017
Tangible fixed assets	(60)	6		30	18	(1)	(2)	(8)
Retained gains and losses	3			(5)			(5)	(8)
Receivables	(2)			1				(1)
Currency	5			(2)				3
Pensions	(226)		(8)			(1)	10	(226)
Contribution fund	20			4			(1)	23
Provisions	(117)			51		(4)	1	(69)
Financial instruments	4		(1)	(12)			1	(8)
Other	9							9
Tax losses carried forward	(442)	2	2	(24)	16	(28)		(473)
Total deferred tax assets	**(807)**	**9**	**(7)**	**43**	**34**	**(34)**	**3**	**(759)**
Total deferred tax assets not recognised in balance sheet	410			60	(22)	29		477
Total deferred tax assets in balance sheet	**(396)**	**8**	**(7)**	**103**	**13**	**(5)**	**3**	**(281)**

1) The column includes the effect of change in tax rate recognised in the income statement and in other comprehensive income by MNOK -3 and MNOK 6, respectively.

The ordinary corporate tax for companies domiciled in Norway was reduced from 24 to 23 percent with effect from 2018. The tax rate of 23 percent is the basis in the calculation of the value of deferred tax assets for the Group's Norwegian companies. This resulted in a reduction in the deferred tax assets of MNOK 3.

Deferred tax assets were reduced by MNOK 115 as a consequence of the reduction in temporary differences related to provisions concerning restructurings in Posten Norge AS of MNOK 51. In addition, deferred tax assets previously recognised were considered not to be realisable and written down by MNOK 52. This mainly concerned structural changes in the Mail segment.

An assessment was made of companies with deferred tax assets concerning recognition in the balance sheet. Deferred tax assets not recognised in the balance sheet mainly concerned losses to carry forward in Sweden and Denmark. 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. There are no time limits related to the losses.

The effect of the changed tax rate relate 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 6 mainly concerns changes in pension estimates, offset by hedges in foreign subsidiaries.

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 development etc.	Projects in progress	Goodwill	Total
Carrying amount 01.01.2017	**320**	**203**	**1 671**	**2 194**
Additions	72	138		210
Additions internally developed intangible assets		38		38
Additions from company acquisitions (note 23)	4		18	22
Disposals from sales of companies (note 23)		(1)	(174)	(175)
Amortisation for the year	(149)			(149)
Impairment for the year	(3)		(49)	(52)
Translation differences	1		29	29
Transfers from projects in progress	151	(151)		
Carrying amount on 31.12.2017	**397**	**227**	**1 495**	**2 118**
Acquisition cost 01.01.2017	2 167	209	3 297	5 673
Accumulated amortisation and impairment 01.01.2017	(1 847)	(6)	(1 626)	(3 479)
Acquisition cost 31.12.2017	2 384	233	3 228	5 845
Accumulated amortisation and impairment 31.12.2017	(1 987)	(6)	(1 733)	(3 726)
Carrying amount 31.12.2017	**397**	**227**	**1 495**	**2 118**
Depreciation method	Straight-line			
Useful life	3 - 10 years			

	IT development etc.	Projects in progress	Goodwill	Total
Carrying amount 01.01.2016	**374**	**68**	**1 898**	**2 339**
Additions	15	176		191
Additions internally developed intangible assets		35		35
Additions from 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 on 31.12.2016	**320**	**203**	**1 671**	**2 194**
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)
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**
Depreciation 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 2017 constituted MNOK 397, of which MNOK 359 concerned Posten Norge AS. Approximately MNOK 150 of the balance sheet value concerned some projects in the group-shared transformation program Nye Posten and Bring (NPB). The projects comprised new ERP-, production- and customs-systems for parts of the Group’s operations, in addition to a new CRM system. A group-shared IT platform was capitalised by MNOK 38. MNOK 24 concerned Oracle E-business Suite, constituting 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 route register. A development platform and shared client software for the use of handheld terminals amounting to MNOK 25 was recognised in the balance sheet, as well as investments in production support systems 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 1,6 million users. The system’s value in the balance sheet at year-end was MNOK 36.

For intangible assets with finite useful economic lives, the amortisation period for the Group was 3-10 years in 2017 (the same as in 2016), 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 2017 amounted to MNOK 227, of which approximately MNOK 160 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 operational goals. The program comprises group-shared improvement initiatives and IT investments that in total shall contribute to give the Group an improved basis for its operations. The IT investments also concerned updating and improving the management of the Group’s infrastructure, recognised at MNOK 23 in the balance sheet as at 31 December 2017.

Impairment of IT development etc. and projects in progress

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

All projects in progress are assessed annually and tested for impairment in the event of any indications of reduced values. No significant need for impairment was recognised in 2017 or 2016 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 of a business or business group are independent of cash flows related to other entities, the individual business/business group constitutes 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.

	Carrying amount 01.01.17	Additions	Disposals	Inter-company transfers	Impair-ment	Trans-lation differ-ences	Carrying amount 31.12.17
Bring Mail Nordic	26					1	27
Netlife Gruppen	104	18					122
Total Mail segment	**130**	**18**				**1**	**149**
Posten Norge AS – logistics division	556						556
Bring Express Norge	101						101
Bring Express Sverige	55					2	57
Bring Express Danmark	38					3	41
Bring Warehousing	64						64
Bring Cargo	253					1	254
Bring Frigo Sverige	208		(174)			9	44
Bring Linehaul				9			9
Bring Cargo International	209					11	220
Bring Transportløsninger	58			(9)	(49)	1	
Total Logistics segment	**1 541**		**(174)**		**(49)**	**27**	**1 346**
Posten Norge Group	**1 671**	**18**	**(174)**		**(49)**	**29**	**1 495**

Additions and disposals of goodwill

The addition of MNOK 18 concerned Netlife Group, of which MNOK 15 was a result of the final purchase price allocation (PPA) for the subgroup, and MNOK 3 related to the acquisition of the company Data Factory AS.

On 30 June 2017, the Group sold its owner interest in Bring SCM. The sale resulted in a disposal of goodwill of MNOK 174.

Details on acquisitions and sales of companies, together with other changes in the Group's structure, are given 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 influenced by strong competition and price pressure. Several efforts are made to introduce initiatives to increase cost-effectiveness in the segment. Hence, the Group's forecasts for the Logistics segment include profitability improvements. 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**	**2017**	**2016**	**2017**	**2016**
Mail	149	8,8%	8,8%	0 - 2%	0 - 2%
Logistics	1 346	9,1%	9,1%	2%	2%
Total Group	**1 495**				

Result from impairment tests in 2017

Based on the criteria described above, MNOK 49 concerning goodwill in the Logistics segment was written down in 2017 (MNOK 229 in 2016).

The write-down of MNOK 49 concerned in its entirety goodwill in Bring Transportløsninger, and was a consequence of profitability challenges in the business.

No additional requirements for impairment have been identified and recognised for other goodwill items as at 31 December 2017.

Sensitivity analyses

Sensitivity analyses have been performed on key assumptions for the cash generating units in the Group. Assumptions analysed were growth, the required rate of return and EBIT margin. No material increases in impairment were identified when changing the growth assumption and the required rate of return. When changing prognosticated EBIT (reduced by 10 to 50 percent) the analyses showed an increase in impairment for the cash generating units included in the table below. For other cash generating units no additional need for impairment were identified.

Sensitivity in EBIT margin:

Changed assumptions		Additional impairment		
Forecasted EBIT	**Bring Express Danmark**	**Bring Warehousing**	**Bring Cargo International**	**Bring Mail Nordic**
Decrease of 10%				
Decrease of 30%	(8)	(16)	(48)	
Decrease of 50%	(18)	(44)	(126)	(3)

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).

	Machinery	Vehicles, fixtures and fittings	Buildings, property	Plants under constr., machine-ry and plants	Plants under contr., buildings	Total
Carrying amount 01.01.2017	**348**	**1 008**	**2 992**	**233**	**1 284**	**5 865**
Additions	22	262	77	159	189	709
Disposals		(78)	(57)			(135)
Disposals from sales of companies (note 23)		(2)	(123)			(125)
Depreciation for the year	(85)	(277)	(172)			(535)
Impairment for the year	(5)		(1)			(7)
Adjustment of cost price/scrapping	(11)	(11)	3			(19)
Translation differences	4	20	16			40
Transfers from assets under construction	240	45	1 296	(285)	(1 296)	
Carrying amount 31.12.2017	**513**	**966**	**4 031**	**107**	**177**	**5 794**
Acquisition cost 01.01.2017	1 385	2 557	4 494	233	1 284	9 954
Accumulated depreciation and impairment 01.01.2017	(1 037)	(1 549)	(1 502)			(4 088)
Acquisition cost 31.12.2017	1 513	2 565	5 460	107	177	9 822
Accumulated depreciation and impairment 31.12.2017	(1 000)	(1 599)	(1 429)			(4 028)
Carrying amount 31.12.2017	**513**	**965**	**4 031**	**107**	**177**	**5 794**
Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	4-20 years	1-15 years	5-50 years			

	Machinery	Vehicles, fixtures and fittings	Buildings, property	Plants under constr., machinery and plants	Plants under contr., buildings	Total
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 sales of companies (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 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)
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			

Additions of tangible fixed assets

A significant part of the investments in the last two years comprised new buildings and production equipment in connection with the establishment of a new terminal structure. The largest projects concerned the building of new logistics centres at Alnabru in Oslo, in Trondheim, Narvik, Bergen and Vestfold.

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) has been rebuilt and united with the new logistics centre at Alnabru. Upper limit for the project, including land and production equipment is MNOK 1 573. The project had used MNOK 1 496 at 31 December 2017, whereof MNOK 142 incurred in 2017. At the end of 2017, the entire plant was in full operation. The costs for the building and technical installation at the Alnabru project are decomposed, and the depreciation period is 30 and 15 years, respectively. Technical installations include electrical facilities, ventilation and elevator.

In purchasing Posten Eiendom Trondheim AS, the Group acquired a site to be used for developing Posten and Bring's logistics centre in Trondheim. The centre was finalised in the spring of 2017.

The Group purchased Posten Eiendom Narvik AS in January 2016 and acquired land used to develop Posten and Bring's logistics centre in Narvik. The centre was finalised in April 2017.

In May 2016, Posten Eiendom Vestfold AS purchased a site at Borgeskogen industrial area in Vestfold. The site shall be used to build a new production building for parcels and freight, and is planned to be finalised at the end of 2018.

In February 2017, Posten Eiendom Bergen AS acquired a site at Kokstad near Flesland airport in Hordaland. The site shall be used to build a new production building for parcels and freight, and will be finalised towards the end of 2018.

Disposals of tangible fixed assets

This year's disposals of tangible fixed assets (including the sale of companies) constituted MNOK 260, mainly as a consequence of the sale of the Bring SCM Group, sales of property and property companies in Sweden, the sale of Posten Eiendom Kanalveien AS, which included a terminal building in Bergen, in addition to the former Bring terminal, Jekteviken, in Bergen.

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

Other matters

Interest on building loans

Tangible fixed assets in the Group included capitalised building loan interest amounting to MNOK 87 at 31 December 2017 (MNOK 86 at 31 December 2016), and 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 vehicles, 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 companies and businesses

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	Ownership share	Book value 01.01. 2017	Share of profit / (loss) 2017	Dividend 2017	Other adjust-ments	Book value 31.12. 2017
Danske Fragtmænd A/S	Denmark	34%	347	8	(16)	79	418
Svensk Adressändring AB	Sweden	15%	17	2	(2)	1	17
AdressPoint AB	Sweden	15%	3				3
Bring Citymail Stockholm KB[1)]	Sweden	50%	1	(20)		20	1
Materiallageret AS	Long-yearbyen	34%	9				9
Associates and joint ventures			**377**	**(9)**	**(19)**	**100**	**449**

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

Danske Fragtmænd A/S

Danske Fragtmænd AS is the largest logistics company for domestic transport of goods in Denmark. Posten Norge AS' ownership in Danske Fragtmænd A/S of 34 percent was acquired in July 2013. The remaining shares in Danske Fragtmænd A/S are owned by Fragtmænd Holding A/S, which in turn is owned by approximately 40 individuals. They operate as transport subcontractors of freight for the company Danske Fragtmænd A/S.

In 2017, Posten Norge AS made an agreement about exercising a sales option on the shares in Danske Fragtmænd A/S. The agreement implies that Danske Fragtmænd Holding A/S over a period of 60 months, and in 60 instalments, acquires the shares in Danske Fragtmænd A/S. The transfer of shares takes place every third month in arrears. The first instalment was paid in 2017, and the first transfer of shares will take place in 2018. In the Group's view, the investment shall be treated as an associated company by the equity method in the accounts until the Group no longer has significant control. The agreed sales amount justifies the book value in the financial statements.

Posten Norge AS' ownership share 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 differences	Book value 31.12.
2017	347	8	(16)	79	418
2016	345	17	(15)		347

At the end of 2017, recognised translation differences amounted to MNOK 79.

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

Company	Assets	Liabilities	Equity	Turnover	Profit / (loss) for the year
Danske Fragtmænd A/S	1 573	989	584	3 951	41
Svensk Adressändring AB	96	84	12	214	14
AdressPoint AB	9	4	5	8	3
Bring Citymail Stockholm KB	122	162	(40)	903	(39)
Materiallageret AS	28	9	19	7	1
Total	**1 827**	**1 247**	**580**	**5 082**	**20**

The numbers are based on a best estimate for 2017 made by the companies.

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

	Restructuring	Pension	Other	Total
Balance 01.01.2016	**155**	**1 019**	**406**	**1 579**
Provisions recorded during the year	228		22	250
Reversals of previous year's provisions	(8)		(25)	(33)
Interest 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**
Provisions recorded during the year	47		27	74
Reversals of previous year's provisions	(62)		(1)	(62)
Interest effect from discounting			15	15
Translation differences	3	11	21	34
Provisions utilised during the year	(108)		(44)	(152)
Change in pension liabilities during the year		31		31
Balance 31.12.2017	**174**	**1 094**	**383**	**1 653**
Short-term part of provisions	86		62	148
Long-term part of provisions	88	1 094	322	1 505

Restructuring

In 2017, the Group made provisions for restructuring costs amounting to MNOK 47, and reversed provisions of MNOK 62 from previous years. MNOK 29 of this year's provision of MNOK 47 concerned personnel related actions, MNOK 12 premises and MNOK 5 other actions. The reason for the reversal of MNOK 62 was mainly changed estimates due to voluntary retirement and alternative reorganisation solutions, and for costs related to the introduction of one joint mail flow from January 2018 of MNOK 50.

The liabilities as at 31 December are specified below:

	2017	2016
Personnel related measures	101	198
Rent for vacant premises	52	56
Other measures	17	32
Severance pay	5	8
Total restructuring	**174**	**295**

The disbursements in the Group are expected to be MNOK 86 in 2018 and MNOK 88 in later years. Note 5 has more information.

Pensions

Pensions are described in note 3.

Other

Provisions of MNOK 27 in 2017 mainly relate to onerous contracts in Posten Norge AS and the Logistics segment.

Other provisions in the Group as at 31 December 2017 include onerous contracts concerning thermo warehouses in the Bring Frigo Sweden 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

In 2017, Posten received a claim for compensation related to changes in purchase volumes from a supplier. The claim amounts to MNOK 110. Posten is contesting the claim in its entirety, and no provision has been made in the accounts. No other disputes with any significant risk exposure for the Group have 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		
2017	**Note**	**Valuation hierarchy level**	**FVO - Fair value through profit and loss**	**Derivatives at fair value through profit and loss**	**Derivatives at fair value through comprehensive income**	**Receivables**	**Other financial liabilities**	**Total 2017**
Assets								
Interest-bearing non-current receivables	13					20		20
Other financial non-current assets	19	**2**		163		25		188
Interest-free current receivables	14	**2**				4 053		4 054
Interest-bearing current receivables	13					107		107
Liquid assets	15							3 937
Total financial assets								**8 306**
Liabilities								
Interest-bearing non-current liabilities	16	**2**	607				2 465	3 072
Interest-free non-current liabilities	17,19	**2**		19	3		2	24
Interest-bearing current liabilities	16						689	689
Interest-free current liabilities incl. tax payable	7,17,19	**2**		3	13		5 280	5 296
Total financial liabilities								**9 082**
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(607)	142	(16)			(481)
Total value hierarchy level 3 (net)								

2016	Note	Valuation hierarchy level	At fair value FVO - Fair value through profit and loss	Derivatives at fair value through profit and loss	Derivatives at fair value through comprehensive income	At amortised cast Receivables	Other financial liabilities	Total 2016
Assets								
Interest-bearing non-current receivables	13					8		8
Other financial non-current assets	19	2		194		28		223
Interest-free current receivables	14	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	2	635				1 344	1 978
Interest-free non-current liabilities	17	2		24	2		2	29
Interest-bearing current liabilities	16						415	415
Interest-free current liabilities incl. tax payable	7,17,19	2		8	8		5 362	5 378
Total financial liabilities								**7 800**
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(635)	175	29			(431)
Total value hierarchy level 3 (net)								

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 2017 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 2017, 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 2017 was approximately the same as book value (amortised cost).

Note 13 Interest-bearing non-current and current receivables

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

	2017	2016
Other non-current receivables	20	8
Interest-bearing non-current receivables	**20**	**8**
Other current receivables	107	85
Interest-bearing current receivables	**107**	**85**

The Group's other interest-bearing current receivables mainly comprised payments to deposit fund and premium fund in DNB for Posten Norge AS, amounting to MNOK 99 in 2017. The increase from last year is mostly due to changes in the premium fund.

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).

	2017	2016
Accounts receivable	3 235	2 912
Outstanding balance with customer for third party logistics services		502
Accrued income	410	339
Prepaid expenses	240	249
Short-term derivatives		51
Receivables on employees	4	3
Other receivables	166	199
Interest-free current receivables	**4 054**	**4 255**
Accounts receivable by due date:		
Not due	2 750	2 439
0 - 30 days	360	383
30 - 60 days	72	61
60 - 90 days	22	15
Over 90 days	69	55
Provisions for losses on receivables	(39)	(40)
Total accounts receivable	**3 235**	**2 913**
Provisions for losses on receivables:		
Balance at 01.01	40	41
Provisions recorded during the year	25	27
Actual losses recognised against provisions	(17)	(18)
(Over)/underfunded accruals in previous years	(11)	(9)
Translation differences	1	(1)
Balance at 31.12	**39**	**40**
Total actual losses on receivables	18	15
Provisions for losses on receivables by		
Individual receivables	22	23
General provision	17	17
Total	**39**	**40**

The carrying amount of interest-free current receivables was approximately the same as their fair value at 31 December 2017, explained by the fact that most of the outstanding accounts receivable was not yet due. 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.

Other interest-free receivables are due within one year, and their nominal value is considered to be the same as fair value.

The balance with customer for third-party logistics services is reduced from last year due to the sale of Bring SCM (more information in note 23).

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

Other receivables primarily comprised receivables connected with foreign value added tax, social security refunds, bank agreements 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 18 "Cash and cash equivalents" in the Group's accounting principles).

	2017	2016
Cash and cash equivalents	702	241
Short-term investments	3 235	1 634
Liquid assets	**3 937**	**1 875**

The improved liquidity is primarily due to the sale of companies, terminals and new loans in 2017 amounting to MNOK 1 500.

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 56 as at 31 December 2017. Posten had unused credit facilities on the cash pool account in Nordea and DNB of MNOK 500 and MNOK 50, respectively, as at 31 December 2017.

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

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

A considerable portion of the cash and cash equivalents are 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 2017 amounted to MNOK 69 (the corresponding amount in 2016 was MNOK 71), and is based on a requirement to meet 95 percent of historical net withdrawals. The remuneration for this service was recognised in revenue, and interest from cash holdings is part of financial income.

Posten Norge AS has a bank guarantee In Nordea, limited to MNOK 550, to cover the employees' withheld tax.

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 liabilities 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

	2017	2016
Liabilities at fixed interest		
Liabilities to credit institutions	558	544
Bond loans	613	263
Total non-current liabilities at fixed interest	**1 170**	**806**
Liabilities at floating interest		
Liabilities to credit institutions	749	391
Bond loans	1 113	738
Finance leasing obligations	35	34
Other non-current liabilities	5	10
Total non-current liabilities at floating interest	**1 902**	**1 172**
Interest-bearing non-current liabilities	**3 072**	**1 978**

Interest-bearing current liabilities

	2017	2016
First year’s instalment on non-current liabilities	375	100
First year’s instalment on finance leasing liabilities	11	15
Certificate loan	300	300
Other current liabilities	3	
Interest-bearing current liabilities	**689**	**415**

In 2017, the Group raised new loans totalling MNOK 1 500 (Norwegian bond loan of MNOK 1 000 and a bilateral loan of MNOK 500) and repaid liabilities amounting to MNOK 100.

As of December 2017, Posten Norge had non-current liabilities (including the first year’s instalment on long-term debt) at fixed interest rates amounting to MNOK 1 270. They had a weighted average interest rate of 2,8 percent and maturities in the period 2018 - 2023. Posten Norge also had non-current liabilities at floating interest (including the first year’s instalment on non-current liabilities) amounting to MNOK 2 177 with a weighted average interest rate of 1,6 percent as of December 2017.

As of December 2017, Posten Norge had certificate loans totalling MNOK 300. Certificate loans were classified as current interest-bearing liabilities, and the outstanding balance was unchanged from 2016.

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

Reconciliation of liabilities from financing activities

	2017	2016
Liabilities at 1.1	**2 335**	**2 912**
Cash flows from/(used in) financing activities	1 400	(633)
Change in fair value	(28)	(45)
Other transactions without cash settlements		101
Liabilities at 31.12	**3 707**	**2 335**

Note 17 Interest-free non-current and current liabilities

The Group's interest-free liabilities mainly comprised short-term items like trade accounts payable, other provisions concerning salaries, public charges and other incurred expenses. The Group's non-current interest-free liabilities primarily consist of derivatives (note 19) (cf. section 16 "Financial instruments" in the Group's accounting principles).

	2017	2016
Non-current derivatives	22	26
Other non-current liabilities	2	2
Interest-free non-current liabilities	**24**	**29**
Provisions for payroll expenses and public duties	1 936	1 983
Accounts payable	1 222	1 308
Provision for accrued expenses	904	946
Prepaid revenue	414	435
Reorganisation	86	88
Current derivatives	16	16
Other current liabilities	580	343
Interest-free current liabilities	**5 158**	**5 117**

Provisions for salary expenses and public charges mainly comprised provisions for holiday pay, earned, but not paid salaries and public dues like social security tax, employees' tax withheld and VAT.

Note 11 has details on restructuring costs.

Other current liabilities primarily included a provision for loss in the Mail segment (note 5). In the Logistics segment, there was also a provision for securities for financial instruments.

Note 18 Financial risk and capital management

The note describes the Group's financial risks, including market risk (currency and interest rate risk), credit 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. 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.

2. 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.

3. Liquidity risk: The risk that the Group cannot fulfil its financial obligations.

1. Market risk

Use of financial derivatives

Financial derivatives in Posten Norge are used to manage market risk arising as a result of the Group’s ordinary operations. Financial derivatives are agreements used to determine interest terms, exchange rates and values of equity instruments for specific periods.

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.

Currency risk

The currency 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.

The Group's most frequently used exchange rates	Exchange rate 01.01.2017	Average exchange rate 2017	Exchange rate 31.12.2017
Swedish kroner (SEK)	0,9512	0,9680	0,9996
Danish kroner (DKK)	1,2222	1,2542	1,3218
Euros (EUR)	9,0863	9,3295	9,8403
British pounds (GBP)	10,6130	10,6512	11,0910
US dollars (USD)	8,6200	8,2712	8,2050

As the Norwegian krone (NOK) is the Group's presentation currency, Posten Norge is exposed to currency risks for the Group's net investments in foreign currencies. In order to reduce this currency risk, Posten Norge enters into forward contracts.

The parent company is financing the subsidiaries by providing long-term financing in the subsidiaries' functional 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 the 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.

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 percent of the long-term loan portfolio (including the first year's instalment on long-term debt) at fixed interest rates.

As of 31 December 2017, fixed interest agreements totalled MNOK 1 161 (36 percent) of the Group's long-term interest-bearing debt (MNOK 811 in 2016).

Sensitivity analyses

2017 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	98	EUR	10	2018		20
Hedging of investments in foreign entities	NOK	836	SEK	843	2018		170
Hedging of currency loan to subsidiary	NOK	110	SEK	113	2018	23	
Hedging of currency loan to subsidiary	NOK	70	EUR	7	2018	14	

1) Foreign exchange rate at 31.12.

	Carrying amount	Effect of change +/- 100 basis points	
		Through profit and loss	Through comprehensive income
Net interest-bearing debt (receivable) at floating interest[1)]	(1 446)	(14)	

1) Net interest-bearing debt (receivable) at floating interest is calculated as interest-bearing debt at floating interest reduced by liquid assets. The accounting effects of changes in market risk are recognised in the income statement or other comprehensive income, depending on where the effect was first recognised.

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 comprehensive income
Hedging of income in euros	NOK	48	EUR	5	2017		9
Hedging of investments in foreign subsidiaries	NOK	1 514	SEK	1 552	2017		297
Hedging of currency loan to subsidiary	NOK	748	SEK	780	2017	149	
Hedging of currency loan to subsidiary	NOK	81	EUR	9	2017	16	
Hedging of currency loan to subsidiary	SEK	26	NOK	25	2017	6	

1) Exchange rate at 31.12.

	Carrying amount	Effect of change +/- 100 basis points	
		Through profit and loss	Through comprehensive income
Net interest-bearing debt (receivable) at floating interest[1)]	(388)	(4)	

1) Net interest-bearing debt (receivable) at floating interest is calculated as interest-bearing debt at floating interest reduced by liquid assets. The accounting effects of changes in market risk are recognised in the income statement or other comprehensive income, depending on where the effect was first recognised.

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 2017 by +/- 20 percent. Forward currency contracts related to hedging income in euros and foreign investments are recognised in other comprehensive income, whereas value changes in forward contracts related to loans in foreign currencies are recognised in the income statement in total, as this will offset the effect of currency gain/losses on the loans also recognised in the income statement.

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

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.

2. Credit risk

The Group has the following guidelines to reduce credit risk:

Trade accounts receivable

The Group has policies to ensure that credit sales are made only to customers with satisfactory payment ability, and that outstanding amounts do no exceed established credit limits. As at 31 December 2017, the Group has no significant credit exposure to one single counterparty.

Market-based investments

As part of the liquidity management, the Group has invested heavily in interest funds. As of 31 December 2017, the Group had MNOK 3 235 invested in various interest funds (MNOK 1 634 in 2016). 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 made 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 at 31 December 2017. One overdraft facility has been agreed with a Nordic bank syndicate, where all the participants have a rating equal to or better than A-. The facility was renegotiated in 2015 and runs for 5 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, and the option for the second year’s extension in 2017 for 2022. The overdraft facility amounts to MEUR 350 in the agreement’s five first years and is reduced to MEUR 280 in 2021 and 2022. 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 2017.

3. Liquidity risk

Available liquidity and any currency exposure are 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 at 31.12.2017	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Debt to credit institutions [1)]	400	100	304	111	111	410	111	**1 547**
Bond loan	275		375	1 000	350			**2 000**
Financial derivatives (interest rate swaps) [2)]	6	6	6					**18**
Financial derivatives (currency futures) [2)]	16							**16**
Finance leases	11	6	6	6	6	6	6	**46**
Other non-interest-bearing debt excl. financial derivatives	5 284	4	1	1	1			**5 291**
Total Group	**5 992**	**116**	**692**	**1 118**	**468**	**416**	**117**	**8 918**
Future interest payments [3)]	71	66	64	49	18	10	1	280
Average interest rate								1,99%

1) The change in value of loan in Japanese yen of MNOK 160 is in the table offset by currency swaps, cf. note 19 for further information.

2) Includes derivatives recognised as assets.

3) Based on interest rate level at 31.12.

As of 31 December 2017, neither of the Group's overdraft facilities of MEUR 350 and MNOK 750 was 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 percent of the Group's revenue for the last 12 months. The Group’s long-term liquidity reserve at 31 December 2017 was MNOK 7 129 (MNOK 5 264 in 2016), corresponding to 28,9 percent of the Group’s revenue.

The Group has long-term credit facilities constituting a satisfactory financing reserve. In addition, the Group has diversified its sources of capital and has bonds, private placement loans with international lenders as well as bilateral agreements with Nordic finance 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 system.

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 form 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 2017.

Key figures for capital management

	2017	**2016**
Interest-bearing debt	3 761	2 393
Interest-bearing liquid assets	3 937	1 875
Net interest-bearing debt	(176)	518
Total equity	6 375	5 912
Debt ratio	**0,0**	**0,1**
Equity ratio	**37,6 %**	**38,6 %**
Operating profit before depreciation (EBITDA)	1 386	1 339
Net debt / operating profit before depreciation (EBITDA)	**(0,1)**	**0,4**

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 2017, net interest-bearing debt was -0,1 times EBITDA (0,4 in 2016).

In addition, Posten Norge has loan agreements with clauses requiring an equity share of 20-25 percent at a minimum. As of 31 December 2017, the Group had an equity ratio of 38 percent (39 percent in 2016).

The following covenants also apply to the majority of the loan agreements:

• “Change of control”: a minimum of 51 percent 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 2017 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).

2017	**Assets**	**Liabilities**
a) Cash-flow hedging		
Interest-rate swaps		3
Forward currency contracts EUR		2
b) Hedging of net investment		
Interest-rate swaps SEK		12
c) Other financial hedges (derivatives not included in hedge accounting according to IFRS)		
Interest-rate swaps	3	19
Forward currency contracts SEK		3
Forward currency contracts EUR		
Combined interest-rate/currency swaps	160	
Total	**164**	**38**

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

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 forward currency 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 2017, the Group had a bilateral loan of MNOK 300 where the interest rate is determined every sixth month and the annual down payment is MNOK 100. In order to secure 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.

In 2017, Posten Norge raised a bond loan of MNOK 1 000 with maturity on 28 September 2021. The loan has floating reference interest and determination of the interest every third month. The loan was partly hedged by a fixed interest swap of MNOK 250 with the same interest rate determination and maturity as the underlying loan.

Forward contracts EUR

Posten Norge had revenues of MEUR 24 for distributing mail from abroad in 2017 (MEUR 25 in 2016) and is expecting a little more than MEUR 21 in 2018. The exchange rate risk is partly hedged by selling forward contracts 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 2017, Posten Norge had forward contracts for euro revenues in 2018 totalling MEUR 10 with a negative value of MNOK 1. As a consequence of forward contracts realised in 2017, MNOK -2 were reclassified from equity to a reduction in revenue in the Mail segment (MNOK -13 in 2016).

Hedge reserve in equity

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

	Interest rate swap	Forward contracts	Total hedge reserve
Balance at 31.12.2015	**(5)**	**(12)**	**(17)**
Changes in value	4	6	10
Transfers to income statement [1]		13	13
Associated deferred tax	(1)	(5)	(6)
Balance at 31.12.2016	**(2)**	**2**	
Changes in value	(1)	(5)	(6)
Transfers to income statement [1]		2	2
Associated deferred tax		1	1
Balance at 31.12.2017	**(2)**	**(1)**	**(3)**

1) Positive figures represent losses.

b) Hedging of net investment in foreign entities

Posten Norge uses forward currency contracts for hedging of investments in foreign subsidiaries and have entered into revolving forward contracts totalling MSEK 843 in 2017 (MSEK 1 552 in 2016). The changes in the value of the contracts including realised loss/gain due to settlements are recognised in other comprehensive income and offset the translation differences from the investments until the investments are disposed of. If the hedges become ineffective, the change in value is recognised in the income statement. In 2017, MNOK 34 was reclassified to the income statement (expense).

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

Interest rate swaps

As of 31 December 2017, Posten Norge had 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 to floating interest rate in the same transaction. MNOK 88 was swapped back to a fixed interest rate in 2015 and MNOK 100 in 2017.

Forward contracts SEK and EUR

Posten Norge uses forward currency contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Revolving forward contracts constituted MSEK 113 and MEUR 7 as of 31 December 2017. 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.

Combined interest rate and currency swaps

In 2008 and 2013, the Group entered into long-term loan agreements with Japanese life insurance companies of 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 measuring 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.

As at 31 December 2017, the two loans from the Japanese life insurance companies were recognised at a total value of MNOK 607 (MNOK 635 in 2016), where the value changes from the borrowing date constituted MNOK 160 (MNOK 188 in 2016). 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. In addition, an interest swap for approximately one third of the loan of 5 billion Japanese yen was made, which partly converted the loan to fixed interest. The interest rate swaps have the same maturity date as the loan, but do not qualify for hedge accounting. In the table of derivatives and hedging relationships, they are included in the line *interest rate swaps* at a negative fair value of MNOK 18 as at 31 December 2017.

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 shall 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 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 2017, Posten Norge had received MEUR 4,8 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, Industry and Fisheries (the Ministry of Transport and Communication until 31 December 2016). 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 2017, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000.

According to the dividend policy, dividends shall constitute 50 percent 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 dividends for the accounting year 2017 are MNOK 194.

At the Annual General Meeting in June 2017, it was determined to distribute dividends of MNOK 19, corresponding to the Board’s proposal in the 2016 financial statements. The dividends were paid in August 2017.

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

Other matters

Note 21 Guarantees/mortgages

Posten Norge has provided various guarantees, including rental guarantees, contract guarantees, debt guarantees and other payment guarantees, in connection with current operations. The Group has not pledged property of any significant value.

	2017	2016
Guarantees for group companies*	997	924
Commercial guarantees		1
Other guarantees*	188	176
Total guarantees	**1 185**	**1 101**

* There has been a reclassification with the guarantee categories. Last years' figures are restated accordingly.
MNOK 136 in guarantees per 31 December 2016 relating to car rental was not included in the financial statements for 2016.

Guarantees for group companies' debt consisted primarily of guarantees provided by Posten Norge AS to its subsidiaries in Norway and Sweden related to rents, car rental and pension obligations, and guarantees concerning rent provided by Bring Frigo AB for subsidiaries. Posen Norge AS has also given Nordea a guarantee for indemnifying the bank for any payments in connection with bank guarantees that the bank has provided for the Group's subsidiaries. In addition, Bring Cargo AS has guaranteed for fuel purchases in the subsidiary Bring Trucking.

Other guarantees mainly comprised the guarantee Posten Norge AS has given EVRY ASA with in connection with an IT operating agreement.

The increase in guarantees for group companies is mainly a result of an increase in long-term liabilities concerning tenancy agreements in Sweden.

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

	2017	2016
Carrying amount		
Buildings	12	14
Machines	2	5
Vehicles, fixtures and fittings	24	23
Net carrying amount	**38**	**42**
Commitments, buildings	19	20
Commitments, machines	2	6
Commitments, vehicles, fixtures and fittings	25	24
Total commitments	**46**	**49**
Annual leasing costs	17	25
Future minimum leases		
Next 12 months	12	
1-5 years	18	
After 5 years	12	
Total future minimum leases	**41**	
Interest rate	4,4%	
Present value of future leases	**40**	
of which:		
long-term debt	29	
short-term debt	11	

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 within the Logistics segment, where Svebol AB had the largest fleet of finance leased vehicles (MNOK 13). The longest lease agreement for vehicles expires in 2023.

1.2 Operating lease agreements

	2017	2016
Ordinary lease payments for buildings[1)]	912	904
Ordinary lease payments for vehicles	313	313
Ordinary lease payments for computer equipment	2	3
Ordinary lease payments other[2)]	82	94
Subletting revenues	(64)	(57)
Total leasing costs	**1 245**	**1 258**
Future minimum lease payments related to agreements that cannot be cancelled, due as follows:		
Next 12 months	916	
1 - 5 years	1 829	
After 5 years	697	
Future minimum lease payments due	**3 442**	

1)Ordinary lease payments buildings include the Group's share of overhead and operating expenses

2)Including trucks

Operating leases in the Group primarily concern leases of property and vehicles in Posten Norge AS and 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, while at the same time MNOK 57 were recognised as income on subleases. The longest operating lease expires on 21 May 2032.

A provision for restructuring costs of MNOK 11 has been made for the vacation of premises in 2017 (cf. note 11).

2. Lessor

The Group had no significant leases as lessor as at 31 December 2017.

Note 23 Changes to Group structure

The note provides information about significant changes in 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 2016:

Companies acquired in 2017

In December 2017, the Group acquired 50,1 percent of Data Factory AS. The company is part of Netlife Gruppen AS and is consolidated, based on an assessment of control, as a subsidiary in the consolidated financial statements. The allocation of the purchase amount of MNOK 10 resulted in goodwill of MNOK 3. Identifiable assets mainly concerned cash and short-term interest-free debt.

Data Factory AS was established in 2016, and has since the establishment been engaged in the research, design, development and testing of a platform for collecting, processing and visualising data. The company had no revenue in 2017.

The following companies were sold out of the Group in 2017

In March, the Group sold its 100 percent ownership in Bring Cargo Inrikes Fastighets AB. In June, the Group’s 100 percent ownership in Bring SCM AB with wholly-owned subsidiaries was sold. In addition, the Group sold its 100 percent ownership in Posten Eiendom Kanalvegen AS in December.

Company	Ownership share	Time of sale	Sales price	Recorded gain / loss	Cash effect
Bring Cargo Inrikes Fastighets AB	100%	March 2017	23	14	86
Bring SCM AB	100%	June 2017	242	15	511
Posten Eiendom Kanalvegen AS	100%	December 2017	228	186	228

Other changes to Group structure in 2017

Effective from January 2017, Bring Express AS was merged with Posten Norge AS (acquiring company) in a parent-subsidiary merger.

In April, a business combination of car operations in Bring Frigo AS with Bring Transportløsninger AS was carried out.

Bring SCM AB sold three wholly-owned subsidiaries to the parent company Bring Frigo AB before Bring SCM was sold out of the Group.

Other

In 2017, a final purchase price allocation (PPA) in connection with the acquisition of Netlife Gruppen in 2016 was carried out, resulting in an increase in goodwill of MNOK 15 and the recognition of an acquired trademark of MNOK 4 as a consequence of additional compensation.

Note 24 Related parties

Two parties are related if one party can influence the other party's decisions. Relations with related parties are considered to be normal in business.

Posten Norge AS` related parties are primarily subsidiaries in the Group, and Posten Norge AS purchases and sells services from/to these companies. Posten Norge AS is the parent company and has direct and indirect control in approximately 100 companies, mainly in the Nordics. Directly owned subsidiaries are presented in note 9 in the financial statements for Posten Norge AS.

Posten Norge AS has direct and indirect ownership shares in associated companies and joint ventures, presented in accordance with the equity method. Transactions with these are shown in the table below.

Internal trade in the Group is carried out in accordance with separate agreements and at arm's length terms. The settlement of joint costs in Posten Norge AS are distributed on the group companies according to distribution formulas, dependent of the various types of costs.

	2017	**2016**
Purchases of goods and services from associated companies	23	41
Sale of goods and services to associated companies	30	29
Lease of property from associated companies	1	2

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

	2017	**2016**
Accounts receivable	42	49
Accounts payable	40	49
Other liabilities	33	11
Net	**(31)**	**(11)**

The reason for the change in liabilities is that Bring Citymail Sweden AB has increased its debt to Bring Citymail Stockholm KB.

Remuneration to the Board and management

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

Some of the board members had board or executive positions in other enterprises. Some of the members of group management had board positions in other enterprises. The Group is not aware of transactions where these positions could have had any influence.

Note 25 Regulatory issues

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

REGULATORY ISSUES

Postal regulations

In 2017, certain amendments were made to the Postal Services Act, cf. Prop. 122 L (2016-2017)/Innst. 291 L (2016-2017). The most significant change was that the authorities were authorised to impose on Posten to give other postal suppliers access to the zone key system to locked letterbox facilities and entrance doors to such facilities. In addition, the bidder required to deliver (Posten) was, on certain conditions, granted the right to direct the placement of distribution letter boxed on foreign ground without compensation. At the same time, the act on bank services in Posten's network[1)] was supplied with a regulation securing governmental compensation for the net costs Posten is incurred related to the requirement to offer basic bank services in the rural postal network (formerly founded on Posten's licence).

In November 2016, the 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 mail flow with two days delivery time. Posten Norge has carried out the transition to one mail flow effective from 1 January 2018 in accordance with the new, temporary licence effective from the same date.

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. Posten's appointed auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

Posten's net costs related to the duty to deliver postal services that are commercially non-viable shall, pursuant to the Postal Services Act, 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. The recalculation shall secure against over or under compensation.

The payments for government procurements of commercially, non-viable postal services to Posten for 2017 amounted to MNOK 357. Based on Posten's preliminary recalculation, MNOK 343 in such procurements were recognised in 2017.

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1) Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS ekspedisjonsnett

For 2016, Posten received MNOK 403 for government procurements of commercially non-viable postal services. Posten's recalculation for 2016 showed a net cost of MNOK 459, and Posten asked the Ministry of Transport and Communication for an additional payment of MNOK 56. For 2016, however, the parliament granted MNOK 327 for commercially non-viable postal services. This did not include any compensation for maintaining the two mail flows. As a consequence of this decision, Posten has repaid MNOK 77 (including interest). The recalculation had no significant result effect in 2017, as the estimate had already been recognised in the Group's result for 2016.

Future prospects

In January 2018, the Ministry of Transport and Communication submitted a consultation paper for comments about changing the legislative requirement for mail distribution from 5 days a week to every other day. The documents included a research report from Copenhagen Economics about the future need for government procurements of commercially, non-viable postal services by carrying forward the requirement to distribute 5 days a week and by three alternative distribution frequencies. The report confirms Posten's own assessments and shows that by carrying out the proposed change with effect from 1 January 2020, it is possible to achieve annual cost savings over the government budget of approximately MNOK 500 in 2020. Without changes in the distribution frequency, the government procurements of commercially, non-viable postal services could constitute 1 billion kroner in 2025. The report also confirms that the model Posten uses to calculate government procurements is in accordance with international guidelines.

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 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.

Financial statements Posten Norge AS 2017

Income statement

Amounts in MNOK

	Note	2017	2016
Revenue		**13 162**	**13 246**
Costs of goods and services		3 048	2 992
Payroll expenses	1	6 800	6 901
Depreciation and amortisation	7,8	347	343
Impairment of intangible assets and tangible fixed assets	7,8	4	19
Other operating expenses	3	2 587	2 451
Operating expenses		**12 787**	**12 706**
Other income and (expenses)	4	(244)	(532)
Operating profit		**131**	**8**
Financial income	5	428	646
Financial expenses	5	302	292
Net financial income (expenses)		**125**	**353**
Profit before tax		**256**	**361**
Tax expense	6	124	181
Profit for the year		**132**	**180**

Statement of comprehensive income

Amounts in MNOK

	Note	2017	2016
Profit for the year		**132**	**180**
Items that will not be reclassified subsequently to income statement:			
Pension			
Change in actuarial gains and losses	2	(36)	(40)
Tax on change in actuarial gains and losses	6	9	10
Total items not to be reclassified to income statement		**(27)**	**(30)**
Items that may be reclassified subsequently to income statement:			
Cash flow hedging			
Cash flow hedging	18	(6)	10
Hedging effects reclassified to income statement	18	2	13
Tax on cash flow hedging	6	1	(6)
Total items that may be reclassified to income statement		**(3)**	**17**
Changes in tax rate	6	(2)	(2)
Other comprehensive expenses		**(33)**	**(15)**
Total comprehensive income		**99**	**165**

Balance sheet

Amounts in MNOK

	Note	31.12. 2017	31.12. 2016
ASSETS			
Intangible assets	7	1 129	1 051
Deferred tax asset	6	178	252
Tangible fixed assets	8	976	931
Investments in subsidiaries	9	3 693	3 942
Investments in associated companies and joint ventures	9	317	317
Other interest-bearing non-current receivables	11,12	1 346	1 771
Other financial non-current assets	11,18	169	213
Non-current assets		**7 808**	**8 477**
Inventories		9	10
Interest-free current receivables	11,13,18	1 695	1 796
Interest-bearing current receivables	11,12	2 352	2 063
Liquid assets	11,14	3 842	1 735
Current assets		**7 898**	**5 603**
Assets		**15 706**	**14 080**
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity		2 335	2 045
Equity	19	**5 455**	**5 165**
Provisions for liabilities	10	**923**	**1 008**
Interest-bearing non-current liabilities	11,15,18	3 032	1 937
Interest-free non-current liabilities	11,16,18	24	29
Non-current liabilities		**3 056**	**1 965**
Interest-bearing current liabilities	11,15,18	2 821	2 623
Interest-free current liabilities	10,11,16,18	3 409	3 153
Tax payable	6	43	165
Current liabilities		**6 272**	**5 941**
Equity and liabilities		**15 706**	**14 080**

15 March 2018

Idar Kreutzer (leder) | Randi B. Sætershagen (nestleder) | Morten Karlsen Sørby | Ann-Elisabeth Wirgeness

Tove Andersen | Odd Christian Øverland | Anne Britt Berentsen | Lars Nilsen | Erling A. Wold

Tone Wille (konsernsjef)

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	2017	2016
Profit before tax		256	361
Tax paid in the period	6	(167)	(66)
Gain/(loss) from sales of non-current assets and subsidiaries		(103)	(55)
Ordinary depreciation and write-downs	7,8	351	362
Write-down of shares in subsidiary	9	166	177
Write-down of loan to subsidiary	12		262
Reversal of received dividends from subsidiary and associated company		(131)	(76)
Financial items without cash effect		7	(190)
Changes in accounts receivable, inventories and accounts payable		(46)	(419)
Changes in other working capital		99	(551)
Changes in other current accruals		95	99
Changes in balance on group account		(262)	318
Interests received		116	117
Interest paid		(70)	(91)
Cash flow from operating activities		**309**	**246**
Investments in tangible non-current assets	7,8	(490)	(553)
Investments in shares	9	(153)	(317)
Proceeds from sale of tangible non-current assets		30	5
Proceeds from sale of shares		228	22
Proceeds from sale of associated companies		21	
Dividends received		131	76
Cash flow from mergers		307	
Changes in loans to subsidiaries	9	332	121
Changes in other financial non-current assets		11	1
Cash flow from / (used) in investing activities		**417**	**(647)**
Proceeds from borrowings	15	1 500	100
Repayment of borrowings	15	(100)	(632)
Group contribution/dividend paid	19	(19)	
Cash flow from / (used in) financing activities		**1 381**	**(532)**
Change in cash and cash equivalents during the year		**2 107**	**(932)**
Cash and cash equivalents at the start of the period		1 735	2 667
Cash and cash equivalents at end of period	**14**	**3 842**	**1 735**

Statement of changes in equity

Amounts in MNOK

	Share capital	Share premium reserves	Hedging reserve	Retained earnings	Other equity	Total equity
Equity 01.01.2016	**3 120**	992	(17)	906	**1 880**	**5 000**
Profit for the year				180	**180**	**180**
Other comprehensive income/ (expenses)			17	(32)	**(15)**	**(15)**
Total comprehensive income			**17**	**148**	**165**	**165**
Equity 31.12.2016	**3 120**	992		1 054	**2 045**	**5 165**
Equity 01.01.2017	**3 120**	992		1 054	**2 045**	**5 165**
Profit for the year				132	**132**	**132**
Other comprehensive income/ (expenses)			(3)	(30)	**(33)**	**(33)**
Total comprehensive income / (expenses)			**(3)**	**103**	**99**	**99**
Dividend paid				(19)	**(19)**	**(19)**
Other changes in equity[1)]				210	**210**	**210**
Equity 31.12.2017	**3 120**	992	(3)	1 347	**2 335**	**5 455**

1) Merger between Posten Norge AS and Bring Express AS

Notes to Posten Norge AS financial statements 2017

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, Industry and Fisheries 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

Posten Norge AS' 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 principles	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, associated companies and joint ventures	Note 9 Investments in companies and businesses	IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28
11. Impairment assets	Note 7 Intangible assets Note 8 Tangible fixed assets Note 9 Investments in companies and businesses	IAS 36
12. Provisions for liabilities	Note 4 Other income and expenses Note 10 Provisions for liabilities	IAS 18, IAS 19, IAS 37
13. Contingent liabilities and assets	Note 10 Provisions for liabilities	IAS 37

Accounting principles	Associated note(s)	IFRS / IAS #
14. Financial instruments	Note 5 Financial income and financial expenses Note 11 Overview of financial assets and liabilities Note 12 Interest-bearing non-current and current receivables Note 13 Interest-free current receivables Note 14 Liquid assets Note 15 Interest-bearing non-current and current liabilities Note 16 Interest-free non-current and current liabilities Note 17 Financial risk and capital management Note 18 Derivatives and hedging	IFRS 7, IFRS 13, IAS 32, IAS 39
15. Accounts receivable	Note 13 Interest-free current receivables	IFRS 7, IFRS 13, IAS 18, IAS 32, IAS 39
16. Cash and cash equivalents	Note 14 Liquid assets	IFRS 7, IFRS 13, IAS 32, IAS 39
17.Loans	Note 15 Interest-bearing non-current and current liabilities Note 16 Interest-free non-current and current liabilities	IFRS 7, IFRS 13, IAS 32, IAS 39
18. Equity	Statement of changes in equity Note 19 Equity	IAS 1
19. Leasing	Note 21 Leasing	IAS 17
20. Events occurring after the balance sheet date	Note 23 Regulatory issues	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 2017. 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 Norge AS have been issued, but have yet to take effect or lacked approval by the EU for the financial year 2017.

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.

Future classification depends on the company's business model for managing its financial instruments and the characteristics of the cash flows of each individual instrument. The company does not expect any effects in the financial statements from the new classification, recognition and measurement requirements. It is expected that financial assets and liabilities measured at fair value according to today's accounting standards 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 will be classified in the measurement category "amortised cost" and subsequently measured accordingly when applying IFRS 9.

IFRS 9 introduces a new model for assessing impairment of financial assets. The new model is not considered to have significant effects for the company's loan to group companies. The company's other financial assets have no significant financing components. For these assets, a simplified model can be applied, where lifetime expected credit losses shall be recognised as a loss allowance (for example by using simple methods to estimate the credit loss). The simplified model does not require any follow-up of change in credit risk.

In addition, IFRS 9 relaxes the requirements to hedge accounting by bringing the hedge effectiveness closer to management's risk control which 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. The basic principle is that the recognition of revenue shall reflect the transfer of good or services to the customer. Revenue is recognised when a customer obtains control of a goods or service and thereby has the opportunity to decide the use and obtain the benefits from the good or service.

The company has considered the effect IFRS 15 will have on the recognition of income in the company by applying the five-step model on which the new standard is based. The following areas have been particularly assessed by the company:

Identification of separate performance obligations

The company's deliveries mainly comprise the transport of letters, parcels and freight, and are thereby delivered over time with a number of related additional services. Significant additional services are not individual deliveries which can be separated as independent services. Hence, according to the standard, significant separate performance obligation for the deliveries of letters, parcels and freight have not been identified.

Recognition of income when performance obligations have been satisfied

According to the preparatory works, income from the transport of goods shall be recognised over time, because the customer benefits from by the fact that the goods are continually getting nearer to the agreed delivery place. The company's deliveries mainly relate to transport of letters, parcels and freight, where the bulk of the transport services are delivered within 1-7 days and the recognition of income is made on an ongoing basis. Provisions for income and expenses for started, but not finalised, deliveries have also been made pursuant to previous principles for the recognition of income. Hence, no significant differences between today's principles for income recognition and the framework of the new standard have been identified.

The company's performance obligations are part of short-term contracts (less than one year). For this reason, the company will not disclose information about carrying values related to uncompleted deliveries. Hence, the standard will not result in any differences in accruals compared to the present rules.

The company has also assessed other effects of the standard and the five-step model without identifying any significant impact for the company.

The standard is effective from 1 January 2018, and the company will implement the standard by applying a modified retrospective approach which does not entail a restatement of comparative information. Concerning disclosure requirements in IFRS 15, the company will consider whether there is any need for additional disaggregation of revenue into categories, starting in 2018.

The accounting principles for the recognition of revenue will be rewritten and adjusted to the new standard in 2018.

2.3 IFRS 16 Leases

In January 2016, IASB published IFRS 16 *Leases.* The new standard will be effective for the accounting year 2019. The standard requires that the *lessee* recognises lease contracts in the balance sheet, whereby the value of use for an asset and the corresponding lease liability is recognised in the balance sheet. The lease liability is measured at the present value of the lease payments, and the “right to use” asset is derived from this calculation. At subsequent measurements, the “right to use” asset shall be depreciated, and the leasing liability is reduced by lease payments. The lessee may elect to apply recognition exemptions for lease contracts concerning “low value” assets and short-term leases, and if so the lease payments are directly recognised as an expense.

In 2017, the company carried out a project evaluating the effects of the new standard. The work continues in 2018. So far, the following assessments have been made:

Identifying relevant contracts in the company satisfying the standard’s definition and recognition requirements

The company has elected to apply the exceptions in the standard. Lease contracts for which the underlying asset is of “low value” will not be recognised in the balance sheet. “Low value assets” are assessed pursuant to the materiality considerations given in IAS 1. For short-term leases, where the non-cancellable lease term is less than 12 months, the lease costs will also be directly expensed.

In order to be within the scope of IFRS 16, the contract must satisfy the definition of a lease. The assets must be identifiable and the lessee must have the right to control the use of the assets in a given period.

Significant agreements in the company mainly concern rental contracts for buildings and terminals, in addition to the Group’s car feet. The company has reviewed various lease contracts and particularly considered the treatment of them, as well as contracts with transporters (transport agreements).

Leasing of means of transport and real estate will as a main rule be comprised by the definition in the standard and classified as a financial lease. It is the non-cancellable period of a lease (including the period of notice), and any options reasonably certain to be exercised, that is recognised in the lease liability.

Most of the transport agreements in the company are of such a character that a specific asset cannot be identified, and these agreements therefore are outside the definition of a lease agreement according to the standard. The majority of the transport agreements where an asset can be identified are short-term leases (the non-cancellable lease term is less than 12 months) or contracts with variable lease payments. Based on these considerations, the company has defined that transport agreements as a main rule does not qualify as a lease according to the standard.

The company's choice of implementation method and consequences for the financial reporting

Implementation method

The company intends to apply one of the two alternatives of a modified retrospective approach without restating comparable information when implementing IFRS 16. Based on preliminary assessments, the company assumes to recognise the implementation effect in equity, where the value of the right-to-use assets is calculated from the commencement date, and the liability is calculated at the implementation date. Additional estimates of the accounting consequences are calculated on the basis of this assumption.

Consequences for the financial reporting

In the company's opinion, the new standard will change the accounting of leases in the company significantly. Lease payments that, according to present accounting standards are recognised as other operating expenses, will pursuant to IFRS 16 be classified as depreciation and financial expenses. In general, it is expected that the company's operating profit before depreciation will improve, the depreciation costs will increase and net financial income will decline. The change in accounting will also result in a reclassification of the lease payments from cash flows from operating activities to cash flows from financing activities.

The implementation effect in 2019 is uncertain due to changes in business models, changes in the interest market, uncertainty related to renewal options and estimates for lease periods. An overall estimate of the effect on the company's financial statements, based on today's lease agreement, interest rate level and lease terms, is as follows:

- Operating profit before depreciation (EBITDA) will improve as annual lease payments no longer will be recognised as operating expenses in the interval 800-1 100 MNOK.
- Annual depreciation of leased assets will increase in the interval 650-800 MNOK.
- Annual interest costs related to the lease liability will increase by approximately 200-250 MNOK
- Right-to-use assets recognised in the balance sheet will increase by 6 700-7 100 MNOK, and the corresponding lease liability will increase by 7 200-7 700 MNOK.
- The implementation effect on equity after tax will be 400-500 MNOK in reduced equity.
- The Group's total capital will increase by 6 700-7 100 MNOK, with the consequence that the Group's equity ratio will be reduced to 21-23 percent.

The company's further work until implementation

This work includes assessments of required system acquisitions/adjustments and consequences for strategic and operational decisions. Changed requirements to and extent of disclosures will be considered during 2018.

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. Management is required to make critical accounting judgements in applying the company's accounting policies. Material critical accounting judgements made will be described. Sources of estimation uncertainty and assumptions concerning the future that represents 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 liabilities. The present value of the pension liabilities depends on a number of factors determined by actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension liabilities.

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 liabilities. 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 liability.

Details are given 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 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 6 has more details.

4. Foreign currency translation

4.1 Functional currency and presentation currency

The financial statements are presented in Norwegian kroner, which is also the company's functional currency.

4.2 Transactions and balance sheet items

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. Revenues

Revenue 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.

Revenue is mainly generated from the sale of letter products, banking services and transport services:

Letter services comprise the sale of stamps, franking and international mail. The sale of stamps is considered to be advance payments for the sale of postal services and is recognised as income when the service delivery takes place. Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption, and other postage sales are billed and recognised when letter products are delivered. 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.

Fees for banking services are recognised on the basis of performed banking services.

Transport services comprise national and international transport, mainly including the transport of letters, parcels and freight. The services are recognised at the time of delivery of the service and when significant risks are transferred to the customer. Deliveries are generally carried out over time, and provisions are made for not finalised transport.

In addition, Posten is paid for government procurements of commercially non-viable postal services recognised when the allocated funds are received (monthly), limited to an amount equalling the current year's estimated additional expenses regarding licensing requirements.

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 liability at the end of the reporting period, less the fair value of plan assets. The gross liability 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 expenses 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.

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
- deferred tax arising from a first-time recognition of an asset or liability in a transaction that
    - is not a business combination and,
    - on the transaction date neither impacts the accounting profit, nor taxable income (taxable loss)

- deferred tax concerning investments in subsidiaries, branches and associates, in addition to shares in joint ventures where the parent company can control the time for reversing the temporary difference, and it is probable that the temporary difference not will reverse 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 authorities notify 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 expensed 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 subsidiaries, associated companies and joint ventures at historical cost.

11. Impairment of non-financial 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.

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 for liabilities

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 liabilities 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 revenues.

12.2 Provisions: Onerous contracts

A provision for onerous contracts is recognised when the company’s expected income from a contract is lower than the unavoidable expenses incurred to meet the obligations of the contract. As a main rule, the company defines unavoidable expenses as direct costs related to the loss and does not include indirect costs in the estimated provision. A provision is generally made when a reliable estimate of the obligation amount can be estimated. An exception is a loss provision as a consequence of vacant premises, where a provision is made when the premise is vacated.

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 a net investment in a foreign entity or c) 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 percent, (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

14.1a 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.

14.1b 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 the payroll expenses for employees and expensed remunerations to the company's Board, executives and auditor in Posten Norge AS. Information about bonus, pension schemes for executives and the statement on executives' remunerations is included in note 2 for the Group.

	2017	2016
Salaries	5 445	5 544
Social security tax	730	745
Pension expenses	420	400
Other benefits	206	213
Payroll expenses	**6 800**	**6 901**
Number of full-time equivalent positions	11 128	11 672
Number of employees 31.12[1)]	11 692	12 529

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

Social security tax on pensions is classified as pension expenses (details in note 2)

(All amounts in KNOK and exclusive of social security tax and VAT)

	2017	2016
Board remuneration	**2 438**	**2 491**
Fees for the statutory audit	1 745	1 779
Fees for other attestation services	894	730
Fees for tax advisory services	250	219
Fees for other non-audit services	374	1 474
Total auditors' fees	**3 263**	**4 202**

Auditors' fees mainly concerned the audit firm EY. 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. See also "*Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries",* in the same note.

Individuals employed after 31 December 2006 have a defined contribution scheme based on operations. For employees with salaries exceeding 12 G, the annual contributions are limited to 25 percent of the pension basis in excess of 12 G. 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 8 «Pensions» in the Group's accounting principles.

	2017	2016
Pension costs		
Present value of the pensions earned for the year	124	102
Net interest expense on net liability	24	20
Gross pension costs incl. social security tax (benefit based)	**147**	**123**
Employee contribution	(1)	(1)
Interest element reclassified to finance item	(21)	(18)
Net pension costs incl. social security tax (benefit based)	**126**	**104**
Defined contribution pension schemes	399	403
Employee contribution	(104)	(107)
Total pension expenses included in the operating profit for the year	**420**	**400**
Net pension liabilities		
Estimated accrued secured liabilities	(24)	(25)
Estimated value of the pension assets	22	22
Net estimated secured pension liabilities	**(2)**	**(2)**
Estimated accrued unsecured pension liabilities	(839)	(809)
Net pension liabilities in balance sheet	**(840)**	**(811)**
Changes in liabilities		
Net liabilities at 1.1.	(811)	(786)
Gross pension expenses	(147)	(123)
Premium payments and benefits paid	153	155
Contributions from scheme members	1	1
Repayment of previously paid-in pension premium		(13)
Liabilities concerning new/sold companies during the year		(6)
Changes in pension estimates recognised in total comprehensive income	(36)	(40)
Net pension liabilities at 31.12.	**(840)**	**(811)**

	2017	2016
Main categories of pension assets at fair value		
Equity instruments (shares, bonds)	3	1
Debt instruments	15	17
Property	3	3
Other assets	1	1
Total pension assets	**22**	**22**
Pension estimate (loss) / gain at 01.01.	**385**	**425**
Changes in discount rate, pension liabilities	(14)	7
Changes in other financial assumptions, pension liabilities		1
Changes in demographic assumptions, pension liabilities		(59)
Changes in other factors, pension liabilities	(23)	10
Changes in other factors, pension assets		1
(Loss) / gain for the year in total comprehensive income	**(36)**	**(40)**
Pension estimate (loss) / gain in total comprehensive income at 31.12.	**349**	**385**
Defined contribution pension schemes		
Number of members	15 089	15 708
Share of salary	5,4-21%	5,4-21%
Defined benefit pension schemes		
Actuarial assumptions		
Discount rate	2,4%	2,6%
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	2,4%	2,6%
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%	40-60%
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 employees are contributing by deduction in the salary.

The contribution rates in 2017 were 5,4 percent for salaries up to 7,1 G (the national insurance basic amount) and 21 percent for salaries between 7,1 G and 12 G. In the first half-year of 2016, the rates were 5,1 percent for salaries in the interval 0 to 7,1 G and 20,1 percent for salaries in the interval 7,1 to 12 G. From 1 July 2016, the rates increased to 5,4 percent for income until 7,1 G and 21 percent for income in the interval 7,1 to 12 G.

AFP (early retirement) scheme

On 1 January 2011, 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 retained their rights in accordance with the AFP scheme in the public sector.

The AFP scheme in the Spekter was terminated in 2016, and as a consequence, the Group received MNOK 46, of which MNOK 13 reduced pension costs.

Defined benefit schemes

The majority 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 transition date became entitled to various compensation and guarantee arrangements.

A disability pension without a paid-up policy accrual has been introduced. The pension provides benefits corresponding to the maximum allowed pursuant to the Occupational Pension Act and is accounted for as a contribution scheme. The company also has significant obligations concerning salaries in excess of 12 G. Pension obligations related to salaries in excess of 12 G and early retirement pension are financed by the company's operations.

Posten Norge AS' benefit pension schemes were closed on 31 December 2005, with the exception of plans for senior employees that were closed on 31 December 2006. Consequently, the liabilities connected with most of the schemes will be terminated over time. The pension assets in the schemes are managed by the life insurance companies.

Assumptions

For 2017, 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 2,4 percent in 2017 compared to 2,6 percent in 2016.

Other than the change in the discount interest, the difference between the estimated and actual take-up tendency and the retirement age in schemes is the main reason for this year's change in actuarial assumptions. In 2016, the main reason for the change in actuarial assumptions concerned demography.

The retirement age for the Norwegian employees is principally 67 years.

Sensitivity

The table below shows estimated effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2017 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 gross pension liabilities (reduction)/increase	(66)	77	41	(36)	(35)	25
Percentage change	-8%	10%	5%	-5%	-4%	3%

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.

	2017	2016
Cost of premises	953	876
Other rental expenses	250	260
IT services	598	577
Other external services	231	169
Repair and maintenance of equipment	89	91
Tools, fixtures, operating materials	87	84
Marketing	83	88
Travel expenses	72	76
Insurance, guarantee and compensation expenses	53	49
Accounting and payroll services	35	35
Telephone costs	31	32
Other expenses	105	115
Operating expenses	**2 587**	**2 451**

The company has had increased costs related to renting premises due to several new and extended terminals in Oslo, Trondheim and Narvik. The reduction in other rental expenses is mainly a consequence of the decline in the number of leased cars. The increase in other external services is primarily due to more use of temporary personnel and consultants than in 2016. 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 of fixed assets (details in section 3 "Accounting estimates" and 12 "Provisions" in the company's accounting principles).

	2017	2016
Restructuring expenses	24	(148)
Gain on sale of tangible fixed assets	103	55
Other income/(expenses)	(371)	(439)
Total other income and (expenses)	**(244)**	**(532)**

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

In 2017, Posten Norge AS made a provision of MNOK 30 for restructuring costs and reversed the previous years' provision of MNOK 54. In 2016, a provision of MNOK 156 was made, and MNOK 8 reversed. MNOK 22 of the provision of this year's provision of MNOK 30 concerned personnel initiatives and MNOK 8 premises. The reversal of MNOK 54 was mainly a consequence of changed estimates due to voluntary retirement and alternative restructuring solutions, for costs concerning the transition to one joint mail flow from January 2018 of MNOK 50. Most of the provisions in 2016 concerned the introduction of one joint addressed mail flow.

Total provisions for restructuring are shown in note 10.

Gain on sale of fixed assets

On 20 December 2017, Posten Norge AS sold 100 percent of the shares in Posten Eiendom Kanalvegen AS, the owner Bergen Postterminal, with a gain of MNOK 100. Other net gain on sale of fixed assets concerned the sale of means of transport, furniture etc. as elements of normal operations.

In 2016, the company sold 100 percent of the shares in Bring Dialog Norge AS to Netlife Gruppen 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.

Other income and expenses

Other income and expenses in 2017 mostly concerned provisions for loss on a loan to a subsidiary and a commitment to normalise the operating capital in one of the subsidiaries, a total of MNOK 201. In addition, shares in a subsidiary were written down by MNOK 166.

The most significant write-downs were shares in Bring Citymail Sweden AB of MNOK 140 and Bring Express Suomi OY of MNOK 25 (cf. note 9).

Other income and expenses in 2016 mainly concerned provisions for loans to subsidiaries amounting to MNOK 262 and write-down of shares in subsidiaries of MNOK 177.

Note 5 Financial income and financial expenses

The note gives an overview of the company's financial 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).

	2017	2016
Interest income from group companies	64	74
Interest income	68	76
Gains on derivatives	49	300
Gains on loans at fair value through profit and loss [1)]	28	45
Currency gains	87	40
Dividends received	131	76
Other financial income	1	34
Financial income	**428**	**646**
Interest expenses to group companies	11	25
Interest expenses	79	82
Losses on derivatives	121	70
Currency losses	78	96
Other financial expenses	14	19
Financial expenses	**302**	**292**
Net financial income	**126**	**353**

1) Change in value on loans in Japanese yen where the «fair value option» has been applied, corresponding to value changes in combined interest rate and currency swaps recognised as «Gain on derivatives» or «Los son derivatives». Note 18 has more information.

Interest income from group companies mainly related to loans and the group account scheme. Details on other interest income for Posten Norge AS are given in the Group accounts' note 6.

Net currency gains and net loss on derivatives concern gains and losses as a result of the currency development between Norwegian and Swedish kroner, and between Norwegian kroner and euros (details in the Group's note 18).

Dividends were received from the company's investments in Posten Eiendom Kanalveien AS, Netlife Gruppen and Danske Fragtmænd A/S.

Interest expenses mainly concerned long-term financing. In 2017, the interest expenses also comprised interest costs on net pension obligations constituting MNOK 21 for the company.

The Group's note 18 has details of the Group's financial risk and capital management.

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 assets. Deferred tax liabilities/assets arise when the accounting and taxable accruals differ (cf. also section 3 "Accounting estimates" and section 7 "Taxes" in the company's accounting principles).

	2017	2016
Income tax		
Tax payable	43	167
(Increase)/reduction in deferred tax assets	82	14
Tax expense	**124**	**181**
Tax payable for the year	22	167
Adjustments of payments in previous years	21	
Tax payable	**43**	**167**
Effective tax rate	**48 %**	**50 %**
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit before tax	256	361
24% tax (25% in 2016)	61	90
Other non-deductible expenses	103	115
Non-taxable income	(66)	(33)
Effect of change in tax rate recognised in income statement	6	8
Adjustment previous years	20	
Tax expense	**124**	**181**

	2017	2016
Changes in deferred tax recorded directly in other comprehensive income for the year		
Actuarial gains and losses	(9)	(10)
Cash flow hedging	(1)	6
Effect of change in tax rate	2	2
Total	**(8)**	**(2)**

The effective tax rate was 48 percent. This is due to non-deductible costs mainly related to write-downs and adjustments from previous years, partly offset by non-taxable income from received dividends and the sale of shares. A tax rate reduced to 23 percent in Norway is effective from 2018 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 6.

Changes in deferred tax assets

	01.01 2017	Recognised in equity	Recognised in income statement	Effect of change in tax rate[1)]	31.12 2017
Tangible fixed assets	(18)		33	(1)	14
Retained gains and losses	1		(1)		1
Receivables	(5)				(5)
Currency	5		(2)		3
Pensions	(195)	(9)	2	9	(193)
Contribution fund	20		4	(1)	23
Provisions	(64)		51	1	(13)
Financial instruments	4	(1)	(11)	1	(8)
Total deferred tax / (tax assets) in balance sheet	**(252)**	**(10)**	**76**	**8**	**(178)**

1) The column includes the effect of change in tax rate recognised in the income statement and in other comprehensive income by MNOK 6 and MNOK 2, respectively.

Deferred tax assets are reduced by MNOK 74 mainly as a consequence of a reduction in temporary differences related to restructuring provisions of MNOK 51. The changed tax rate reduced deferred tax assets by MNOK 8.

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.

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 development etc.	Projects in progress	Goodwill	Total
Carrying amount 01.01.2017	**292**	**203**	**556**	**1 051**
Additions	53	126		179
Additions internally developed intangible assets		38		38
Amortisation for the year	(137)			(137)
Transfers from projects in progress	151	(151)		
Carrying amount on 31.12.2017	**359**	**215**	**556**	**1 129**
Acquisition cost 01.01.2017	1 889	209	556	2 653
Accumulated amortisation and impairment 01.01.2017	(1 596)	(6)		(1 603)
Acquisition cost 31.12.2017	2 087	221	556	2 864
Accumulated amortisation and impairment 31.12.2017	(1 728)	(6)		(1 734)
Carrying amount 31.12.2017	**359**	**215**	**556**	**1 129**
Depreciation method	Straight-line			
Useful life	3 - 10 years			

	IT development etc.	Projects in progress	Goodwill	Total
Carrying amount 01.01.2016	**346**	**66**	**441**	**853**
Additions	3	176	114	293
Additions internally developed intangible assets		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 on 31.12.2016	**292**	**203**	**556**	**1 051**
Acquisition cost 01.01.2016	2 060	66	441	2 567
Accumulated amortisation and impairment 01.01.2016	(1 714)			(1 714)
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**
Depreciation method	Straight-line			
Useful life	3 - 10 years			

IT development

Total intangible assets related to IT development etc. recognised in the balance sheet at 31 December 2017 constituted MNOK 359, of which MNOK 156 concerned some projects in the group-shared transformation programme Nye Posten and Bring (NPB). The projects comprised new ERP-, production- and customs-systems for parts of the Group's operations, in addition to a new CRM system. A group-shared IT platform was capitalised by MNOK 38. MNOK 24 concerned Oracle E-business Suite, constituting 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 route register. A development platform and shared client software for the use of handheld terminals amounting to MNOK 25 was recognised in the balance sheet, as well as investments in production support systems 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 1,6 million users. The system's value in the balance sheet at year-end was MNOK 36.

For intangible assets with a finite useful economic life, the amortisation period was 3-10 years in 2017 (the same as in 2016), 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 2017 amounted to MNOK 215, of which approximately MNOK 160 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 operational goals. The program comprises group-shared improvement initiatives and IT investments that in total shall contribute to give the company an improved basis for its operations. The IT investments also concerned updating and improving the management of the Group's infrastructure, recognised at MNOK 23 in the balance sheet as at 31 December 2017.

Impairment of IT development etc. and projects in progress

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

All projects in progress are assessed annually and tested for impairment in the event of any indications of reduced values. No significant need for impairment was recognised in 2017 or 2016 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 a business or business group are independent of cash flows related to other entities, the individual business/business group constitutes 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 Posten Norge AS amounts to MNOK 556 (the same as in 2016) and concerns the Logistics division only.

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 are prepared by divisional management 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. Several efforts are made to introduce initiatives to increase cost-effectiveness in the segment. Hence, the Group's forecasts for the Logistics segment include profitability improvements. 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 in the Logistics division is stated in the table below. The growth rate does 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 Group'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. 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	
	Goodwill	**2017**	**2016**	**2017**	**2016**
Logistics	556	9,1%	9,1%	2%	2%
Total company	**556**				

Result from impairment tests in 2017

Based on the criteria described above, no need for any impairment of goodwill was identified in 2017 (the same as in 2016).

Sensitivity analyses

Sensitivity analyses have been performed on key assumptions for the cash generating units in the Group. Assumptions analysed were growth (reduced to 1 and 0 percent), the required rate of return (increase of 0,5 and 1 percentage points) and EBIT margin (reduced by 10 to 50 percent). No further increased impairment requirements were identified. The value in use is assessed to be considerably higher than the carrying value for the cash-generating unit.

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).

	Machinery	Vehicles, fixtures and fittings	Buildings, property	Plants under constr., machin-ery and plants	Plants under constr., buildings	Total
Carrying amount 01.01.2017	**255**	**388**	**55**	**232**	**2**	**931**
Additions	9	101	4	150	10	274
Disposals		(21)				(21)
Depreciation for the year	(78)	(120)	(12)			(210)
Impairment for the year	(3)		(1)			(4)
Group transfers		7	(1)			6
Transfers from assets under construction	240	44	10	(285)	(10)	
Carrying amount 31.12.2017	**423**	**400**	**54**	**97**	**2**	**976**
Acquisition cost 01.01.2017	1 157	1 102	148	232	2	2 641
Accumulated depreciation and impairment 01.01.2017	(902)	(715)	(93)			(1 710)
Acquisition cost 31.12.2017	1 318	1 135	140	97	2	2 692
Accumulated depreciation and impairment 31.12.2017	(895)	(734)	(87)			(1 716)
Carrying amount 31.12.2017	**423**	**400**	**54**	**97**	**2**	**976**
Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	5-15 years	4-15 years	10-40 years			

	Machinery	Vehicles, fixtures and fittings	Buildings, property	Plants under constr., machin-ery and plants	Plants under constr., buildings	Total
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 01.01.2016	1 194	1 210	172	94	6	2 676
Accumulated depreciation and impairment 01.01.2016	(885)	(739)	(112)			(1 736)
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**
Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	5 -15 years	4-15 years	10-40 years			

Additions of tangible fixed assets

Approximately MNOK 125 of total additions of MNOK 274 concerned new logistics centres in Oslo, Trondheim and Narvik.

Note 9 Investments in companies and businesses

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).

Investments in subsidiaries

Subsidiaries	Acquired / established	Address	Primary activity	Voting and ownership share 31.12.17	Book value 31.12.17	Book value 31.12.16
Bring Cargo AS	10.06.2004	Oslo	Transport	100%	1 137	1 137
Bring Express Norge AS	12.11.1997	Oslo	Express	100%	497	497
Posten Eiendom Robsrud AS	08.06.2006	Oslo	Property	100%	480	480
Bring Frigo AB	20.01.2006	Sweden	Transport	100%	416	416
Bring Cargo International AB	23.03.2011	Sweden	Transport	100%	233	233
Netlife Gruppen AS	31.07.2016	Oslo	Dialogue services	87%	202	183
Bring Express Sverige AB	24.05.1991	Stockholm	Express	100%	142	
Bring Warehousing AS	12.04.2000	Oslo	Third-party 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 Frigo Norge AS	10.06.2004	Lørenskog	Transport	100%	58	58
Posten Eiendom Alnabru AS	01.01.2008	Oslo	Property	100%	57	57
Bring Transportløsninger AS	30.06.2016	Oslo	Transport	100%	46	46
Bring Linehaul AS	2000/2009	Jaren	Transport	100%	37	37
Bring Express Suomi OY	01.07.2003	Finland	Express	100%	36	
Espeland Transport AS	30.06.2016	Alvdal	Transport	100%	22	22
Bring Gudbrandsdalen AS	11.06.2014	Lom	Transport	100%	16	16
Posten Eiendom Svanholmen AS	11.04.2014	Oslo	Property	100%	14	14
Bring Danmark A/S	18.11.2010	Denmark	Transport	100%	7	1
Bring Shared Services AB (formerly Bring Norden AB)	07.06.2011	Sweden	Support function	100%	1	1
Bring Citymail Sweden AB	01.05.2002	Sweden	Mail	100%		73
Bring Cargo Inrikes AB	30.11.2012	Sweden	Transport	100%		
Bring Citymail AB	01.05.2002	Sweden	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%		
Bring Logistik AB	31.10.2011	Stockholm	Transport	100%		
Bring AS	08.03.2005	Oslo	None	100%		
Fetch AS	31.07.2017	Oslo	Transport	100%		
Bring Express AS	29.10.1997	Oslo	Express			257
Posten Eiendom Kanalvegen AS	21.03.2006	Oslo	Property			121
Total investments in subsidiaries					**3 693**	**3 942**

In December 2017, the company sold its share (100 percent) in Posten Eiendom Kanalveien AS with a gain of MNOK 100.

In 2016, a merger between Bring Express AS and Posten Norge AS was determined. The merger was carried out at accounting and tax continuity and was effective from 1 January 2017. As a consequence of the merger, Posten Norge AS became the direct owner of the shares in Bring Express Sverige AB, Bring Express Suomi OY and Bring Lotistik AS.

In 2017, an additional consideration concerning the acquisition of Netlife Research AS totalling MNOK 19 was paid and provided for. The carrying value of the shares in Netlife Gruppen AS increased correspondingly. Posten Norge AS owns 87 percent of the shares in Netlife Gruppen AS.

Impairment of shares and capital contributions

For those companies where the carrying value of the shares exceeded the value in use of net assets, impairment of shares in subsidiaries was carried out. Capital contributions were also given to some companies and accounted for as additions to the investment. The table below shows impairment and capital contributions in 2017.

Company	Impairment in MNOK	Capital contributions in MNOK
Bring Citymail Sweden AB	140	67
Bring Express Suomi OY	25	61
Bring Danmark A/S		5
Total	**166**	**133**

The corresponding impairment in 2016 was MNOK 177, and capital contributions constituted MNOK 54.

Investment in associated company

Investment in associated company	Acquired / established	Address	Primary activity	Voting and ownership share 31.12.17	Book value 31.12.17	Carrying value 31.12.16
Danske Fragtmænd A/S	04.07.2013	Danmark	Transport	34%	317	317

In 2017, Posten Norge AS made an agreement about exercising a sales option on the shares in Danske Fragtmænd A/S. The agreement implies that Danske Fragtmænd Holding A/S over a period of 60 months, and in 60 instalments, acquires the shares in Danske Fragtmænd A/S. The transfer of shares takes place every third month in arrears. The first instalment was paid in 2017, and the first transfer of shares will take place in 2018

Note 10 Provisions for liabilities

The company's provisions mainly comprise provisions related to restructuring, pensions and other types of provisions (cf. also section 3 "Accounting estimates", section 12 "Provisions" and section 13 "Contingent liabilities and assets" in the Group's accounting principles

	Restructuring	Pension	Other	Total
Balance 01.01.2016	**125**	**786**		**911**
Provisions recorded during the year	156		4	160
Reversals of previous year's provisions	(8)			(8)
Interest 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**
Provisions recorded during the year	30		10	40
Reversals of previous year's provisions	(54)			(54)
Interest effect from discounting				
Provisions utilised during the year	(65)			(65)
Change in pension liabilities during the year		30		30
Balance 31.12.2017	**137**	**840**	**14**	**992**
Short-term part of provisions	62		7	69
Long-term part of provisions	75	840	7	923

Restructuring

MNOK 22 of the year's provision of MNOK 30 concern personnel related actions and MNOK 8 concerned premises. Most of the 2017 provision was related to the restructuring of terminal structures in the Logistics division and the reorganisation of Group staff and support functions. The reversal of MNOK 54 was mainly a consequence of changed estimates due to voluntary retirement and alternative reorganisation solutions, for costs related to the introduction of one addressed mail flow from January 2018 amounting to MNOK 50.

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:

	2017	2016
Personnel related measures	94	178
Rent for vacant premises	29	35
Other measures	10	5
Severance pay	5	8
Total restructuring	**137**	**226**

The disbursements are expected to be MNOK 62 in 2018 and MNOK 75 in later years.

Pensions

Pensions are described in note 2.

Other

Provisions of MNOK 10 in 2017 mainly relate to onerous contracts in the Logistics division.

Disputes

In 2017, the company received a claim for compensation related to changes in purchase volumes from a supplier. The claim amounts to MNOK 110. Posten is contesting the claim in its entirety, and no provision has been made in the accounts. No other disputes with any significant risk exposure for the Group have been noted.

Financial assets and liabilities

Note 11 Overview of financial assets and liabilities

The note gives an overview of the company’s classification of 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		
2017	**Note**	**Valuation hierarchy level**	**FVO - Fair value through profit and loss**	**Derivatives at fair value through profit and loss**	**Derivatives at fair value through compr. income / equity**	**Receivables**	**Other financial liabilities**	**Total 2017**
Assets								
Interest-bearing non-current receivables	12					1 346		1 346
Other financial non-current assets	9,18	2		163		6		169
Interest-free current receivables	13,18	2						1 695
Interest-bearing current receivables	12							2 352
Liquid assets	14							3 842
Total financial assets								**9 404**
Liabilities								
Interest-bearing non-current liabilities	15,18	2	607				2 425	3 032
Interest-free non-current liabilities	16,18	2		19	3		2	24
Interest-bearing current liabilities	15						2 821	2 821
Interest-free current liabilities incl. tax payable	6,16,18	2		15	2		3 435	3 452
Total financial liabilities								**9 328**
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(607)	130	(4)			(481)
Total value hierarchy level 3 (net)								

			At fair value			At amortised cost		
2016	**Note**	**Valuation hierarchy level**	**FVO - Fair value through profit and loss**	**Deriv-atives at fair value through profit and loss**	**Deriv-atives at fair value through compr. income / equity**	**Receiv-ables**	**Other financial liabilities**	**Total 2016**
Assets								
Interest-bearing non-current receivables	12					1 771		1 771
Other financial non-current assets 1)	9,18	**2**		194		19		213
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								**7 577**
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						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 (net)								
Total value hierarchy level 2 (net)			(635)	204				(431)
Total value hierarchy level 3 (net)								

1) The amount is changed from the financial annual report 2016, as investment in subsidiary is not a financial non-current asset.

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 company'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 2017 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 2017, 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 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 2017 was approximately the same as book value (amortised cost).

Note 12 Interest-bearing non-current and current receivables

Non-current and current receivables mainly comprise loan from Posten Norge AS to other group companies. The first year's instalment of interest-bearing non-current receivable is included in interest-bearing current receivables (cf. section 14 "Financial instruments" in the company's accounting principles.)

	2017	2016
Other non-current receivables	19	7
Loans to group companies	1 327	1 764
Interest-bearing non-current receivables	**1 346**	**1 771**
Other current receivables	99	81
Loans to group companies	2 253	1 982
Interest-bearing current receivables	**2 352**	**2 063**

The reduction in interest-bearing non-current receivables was mainly due to payment of a receivable the company had on Bring SCM, sold in 2017 (cf. the Group's note 23 for details). First year's instalments has also been reclassified to interest-bearing current receivables.

Other current interest-bearing receivables include payments to deposit fund and premium fund in DNB.

Current loans to group companies mainly comprise receivables related to the group cash pool. The increase is a result of new loans and the reclassification of the first year's instalment of loans to group companies from interest-bearing non-current receivables.

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).

	2017	2016
Accounts receivables	1 124	1 057
Receivables from group companies	101	299
Accrued income	274	211
Prepaid expenses	124	141
Short-term derivatives		51
Receivables on employees	1	2
Other receivables	71	35
Interest-free current receivables	**1 695**	**1 796**
Account receivable by due date:		
Not due	1 011	928
0 - 30 days	91	112
30 - 60 days	17	11
60 - 90 days	5	3
Over 90 days	7	9
Provisions for losses on receivables	(8)	(7)
Total accounts receivables	**1 124**	**1 057**
Provisions for losses on receivables:		
Balance at 01.01	7	7
Provisions recorded during the year	21	20
Actual losses recognised against provisions	(13)	(14)
(Over)/underfunded previous year	(7)	(6)
Balance at 31.12	**8**	**7**
Total actual losses on receivables	13	14
Provisions for losses on receivables by:		
General provision	8	7

The carrying amount of interest-free current receivables was approximately the same as their fair value as most of the receivables were not due. 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.

The reduction in receivables from group companies mainly concerned property companies.

Accrued income principally comprised earned terminal income related to foreign postal services.

Other receivables primarily included receivables concerning social security refunds and receivables related to bank agreements, Post-in-Shops and associated company.

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).

	2017	2016
Cash and cash equivalents	607	101
Short-term investments	3 235	1 634
Liquid assets	**3 842**	**1 735**

The improved liquidity is primarily due to the sale of companies, terminals and new loans amounting to MNOK 1 500 in 2017.

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. Posten Norge AS had unused credit facilities of MNOK 500 in Nordea and MNOK 50 in DNB as at 31 December 2017.

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

Information about market-based investments and interest funds is also provided in note 17.

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 2017 amounted to MNOK 68 (the corresponding amount in 2016 was MNOK 70), and is based on a requirement to meet 95 percent of historical net withdrawals. The remuneration for this service was 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.

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 liabilities 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

	2017	2016
Liabilities at fixed interest		
Liabilities to credit institutions	558	*544*
Bond loans	613	*263*
Non-current liabilities at fixed interest	**1 170**	***806***
Liabilities at floating interest		
Liabilities to credit institutions	749	*391*
Bond loans	1 113	*738*
Financial lease obligations		2
Non-current liabilities at floating interest	**1 862**	**1 130**
Interest-bearing non-current liabilities	**3 032**	**1 937**

Interest-bearing current liabilities

	2017	2016
First year's instalment on non-current liabilities	375	100
First year's instalment on finance lease obligations	3	4
Certificate loan	300	300
Liabilities to group companies	2 143	2 219
Interest-bearing current liabilities	**2 821**	**2 623**

In 2017, Posten Norge AS raised new loans totalling MNOK 1 500 (Norwegian bond loan of MNOK 1 000 and a bilateral loan of MNOK 500) and repaid liabilities amounting to MNOK 100. As of 31 December 2017, Posten Norge AS had certificate loans totalling MNOK 300. Certificate loans were classified as current interest-bearing liabilities, and the outstanding balance was unchanged from 2016.

Liabilities to group companies concerned the group cash pool.

The Group's note 18 has details on the instalment profiles for liabilities.

Reconciliation of liabilities from financing activities

	2017	2016
Liabilities at 1.1	**2 335**	**2 912**
Cash flows from/(used in) financing activities	1 400	(532)
Change in fair value	(28)	(45)
Liabilities at 31.12	**3 707**	**2 335**

Note 16 Interest-free non-current and current liabilities

Interest-free liabilities mainly comprised short-term items like trade accounts payable, other provisions concerning salaries, public charges and other incurred expenses (cf. section 14 "Financial instruments" in the company's accounting principles).

	2017	2016
Non-current derivatives	22	26
Other non-current liabilities	2	2
Interest-free non-current liabilities	**24**	**29**
Provisions for payroll expenses and public charges	1 515	1 538
Accounts payable	403	422
Provisions for accrued expenses	492	423
Prepaid revenues	395	416
Debt to group companies	203	151
Restructuring	62	33
Current derivatives	16	16
Other current liabilities	322	153
Interest-free current liabilities	**3 409**	**3 153**

Provisions for salary expenses and public charges mainly comprised provisions for holiday pay, earned, but not paid salaries and public dues like social security tax, employees' tax withheld and VAT.

The increase in accrued expenses in 2017 was primarily caused by costs related to the company's hired car fleet.

The increase in debt to group companies was mainly a consequence of rental obligations to several of Posten's property companies with new buildings that had not been fully operational at the end of the year.

Note 10 has details on restructuring costs.

Other current liabilities primarily included a provision for loss on a loan to a subsidiary and an obligation to normalise the operating capital in one of the subsidiaries (cf. note 4) and security for financial instruments.

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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 Group's note 18 describes the Group's financial risks, including credit risk, market risk (currency and interest rate risk) and liquidity risk. The company 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 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).

2017	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		3
Forward exchange contracts EUR		2
b) Other financial hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	3	19
Forward exchange contracts SEK		15
Forward exchange contracts EUR		
Combined interest-rate/currency swaps	160	
Total	**164**	**38**

2016	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		2
Forward exchange contracts EUR	2	
b) Other financial hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	7	24
Forward exchange contracts SEK	49	15
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	188	
Total	**245**	**42**

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 2017, the company had a bilateral loan of MNOK 300 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 AS 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.

In 2017, Posten Norge raised a bond loan of MNOK 1 000 with maturity on 28 September 2021. The loan has a floating reference interest and determination of the interest every third month. The loan was partly hedged by a fixed interest swap of MNOK 250 with the same interest rate determination and maturity as the underlying loan.

Forward contracts EUR

The company had revenues of approximately MEUR 24 for distributing mail from abroad in 2017 (MEUR 25 in 2016) and is expecting a little more than MEUR 21 in 2018. The exchange rate risk is partly hedged by selling forward contracts 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 2017, Posten Norge had forward contracts for euro revenues in 2018 totalling MEUR 10 with a negative value of MNOK 1. As a consequence of forward contracts realised in 2017, MNOK -2 were reclassified from equity to a reduction in revenue in the Mail segment (MNOK -13 in 2016).

Hedge reserve in equity

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

	Interest rate swap	Forward contracts	Total hedge reserve
Balance at 31.12.2015	**(5)**	**(12)**	**(17)**
Changes in value	4	6	10
Transfers to income statement[1)]		13	13
Associated deferred tax	(1)	(5)	(6)
Balance at 31.12.2016	**(2)**	**2**	
Changes in value	(1)	(5)	(6)
Transfers to income statement[1)]		2	2
Associated deferred tax		1	1
Balance at 31.12.2017	**(2)**	**(1)**	**(3)**

1) Positive amounts represent losses.

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

Interest rate swaps

As of 31 December 2017, the company had 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 to floating interest rate in the same transaction. MNOK 88 was swapped back to a fixed interest rate in 2015 and MNOK 100 in 2017.

Forward contracts SEK and EUR

The company uses foreign currency contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Revolving forward contracts constituted MSEK 113 and MEUR 7 as of 31 December 2017. 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 through forward contracts in Posten Norge. As at 31 December 2017, the company had forward contracts totalling MSEK 843 (MSEK 1 552 in 2016).

Combined interest rate and currency swaps

In 2008 and 2013, the company entered into long-term loan agreements with Japanese life insurance companies of 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.

As at 31 December 2017, the two loans from Japanese life insurance companies were recognised at a total value of MNOK 607 (MNOK 635 in 2016), where the value changes from the borrowing date constituted MNOK 160 (MNOK 188 in 2016). 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. In addition, an interest swap for approximately one third of the loan of 5 billion Japanese yen was made, which partly converted the loan to fixed interest. The interest rate swaps have the same maturity date as the loan, but do not qualify for hedge accounting. In the table of derivatives and hedging relationships, they are included in the line *interest rate swaps* at a negative fair value of MNOK 18 as at 31 December 2017.

Upon entering into the loan agreement of 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 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 2017, the company had received MEUR 4,8 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, Industry and Fisheries (the Ministry of Transport and Communication until 31 December 2016) (cf. section 18 "Equity" in the company's accounting principles).

As of 31 December 2017, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000.

The proposed dividend for the accounting year 2017 is MNOK 194.

At the Annual General Meeting in June 2017, it was determined to distribute dividends amounting to MNOK 19, corresponding to the Board’s proposal in the 2016 financial statements. The dividends were paid in August 2017.

Other matters

Note 20 Guarantees/mortgages

The company has provided various guarantees, including rental guarantees, contract guarantees, debt guarantees and other payment guarantees, in connection with current operations. The Group has not pledged property of any significant value.

	2017	2016
Guarantees for debt	682	604
Other guarantees	176	160
Total guarantees	**858**	**764**

As at 31 December 2017, Posten Norge AS had issued capital adequacy guarantees for Bring Logistik AB. There is also a letter of support dated 31 December 2017 for continued operations in Bring Cargo Danmark A/S. Furthermore, the company had provided a delivery guarantee to Statoil Petroleum AS for Bring Cargo AS (cf. the Group's note 21 Guarantees/mortgages).

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

The company had no significant finance lease agreements as at 31 December 2017.

1.2 Operating lease agreements

	2017	2016
Ordinary lease payments for buildings[1)]	873	764
Ordinary lease payments for vehicles	201	206
Ordinary lease payments for computer equipment	2	3
Ordinary lease payments other[2)]	43	50
Subletting revenues	(80)	(9)
Total leasing costs	**1 039**	**1 013**
Future minimum lease payments related to agreements that cannot be cancelled, due as follows:		
Next 12 months	815	
1 - 5 years	1 974	
After 5 years	3 163	
Future minimum lease payments due	**5 952**	

1)Ordinary lease payments buildings include the Group's share of joint costs and operating expenses

2)Including trucks

The company has approximately 700 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 2018 -2047. On most leases, the company is entitled to extend the lease period when the lease expires.

The main reason for the increase in lease payments on buildings is that the company has entered into new lease agreements for modern terminals at higher leasing costs.

The most significant lease agreements concerned Østlandsterminalen at Robsrud, Posten's logistics centre at Alnabru with three terminals for freight, parcels and refrigerated/frozen goods and Posthuset, Biskop Gunnerusgate 14 A. In addition, the post terminals in Bergen and Stavanger, together with Posten and Bring's logistic centre in Trondheim, 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 contracts for the buildings at Posten's logistics centre at Alnabru have lease periods of 15 and 30 years, respectively. The lease is index-linked on an annual basis.

The lease period for Posthuset 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 expire on 15 November 2022. The agreements in Stavanger are current with 12 months' term of notice, and Posten and Bring's logistic centre in Trondheim expires on 30 April 2037.

The lease agreements for the Bring terminals in Ålesund and Drammen are also significant, expiring in 2027 and 2029, 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 vehicles. The normal contract period for each vehicle is 2 to 5 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 vehicles and mopeds leased at the end of 2017 was 3 701, in addition to 140 trailers.

2. Lessor

The company had no significant lease agreements expiring on 31 December 2017.

Note 22 Related parties

Two parties are related if one party can influence the other party's decisions. Relations with related parties are considered to be normal in business.

The company's related parties are primarily subsidiaries in the Group with which Posten Norge AS have transactions. Posten Norge AS is the parent company and has direct and indirect ownership shares in approximately 100 companies, primarily in the Nordics. Directly owned subsidiaries are presented in note 9. In addition, Posten Norge AS has interests in associated and jointly controlled companies (cf. note 9). The table below shows transactions with subsidiaries and other related parties.

Internal trade in the Group is carried out in accordance with separate agreements and at arm's length terms. The settlement of joint costs in Posten Norge AS are distributed on the group companies according to distribution formulas, dependent of the various types of costs.

	2017	**2016**
Purchases of goods and services from		
Subsidiaries	564	510
Associated companies		21
Sales of goods and services to		
Subsidiaries	1 308	1 368
Associated companies		5
Leases of property from		
Subsidiaries	364	279
Lease of property to		
Subsidiaries	47	14

The increase in the purchase of goods and services from subsidiaries from 2016 to 2017 mainly relates to purchases from Bring Transportløsninger AS and Bring Shared Services AS. The increase in leased property from subsidiary is a result of increased leasing costs to Posten's logistics centre at Alnabru, to Posten's and Bring's logistics centre in Trondheim and the terminal in Narvik. The increase in the lease of property to subsidiary is a consequence of increased lease from Bring Cargo AS and Bring Frigo AS.

The balance sheet included the following amounts resulting from transactions with related parties:

	2017	**2016**
Accounts receivable	91	131
Other receivables	3 591	4 174
Accounts payable	43	47
Other payables	2 303	2 325
Net	**1 336**	**1 933**

Other receivables and other liabilities:

Other receivables and other liabilities in the company basically concerned the cash pool system (cf. note 12 and 15)

Remuneration to the Board and management

Note 1 and note 2 in the Group's financial statements has details about the remuneration to the board and management.

Some of the board members had board or executive positions in other enterprises. Some of the members of group management in Posten Norge AS have board positions in other enterprises. Posten Norge AS is not aware of transactions where these positions could have had any influence.

Note 23 Regulatory issues

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

REGULATORY ISSUES

Postal regulations

In 2017, certain amendments were made to the Postal Services Act, cf. Prop. 122 L (2016-2017)/Innst. 291 L (2016-2017). The most significant change was that the authorities were authorised to impose on Posten to give other postal suppliers access to the zone key system to locked letterbox facilities and entrance doors to such facilities. In addition, the bidder required to deliver (Posten) was, on certain conditions, granted the right to direct the placement of distribution letter boxed on foreign ground without compensation. At the same time, the act on bank services in Posten's network[2)] was supplied with a regulation securing governmental compensation for the net costs Posten is incurred related to the requirement to offer basic bank services in the rural postal network (formerly founded on Posten's licence).

In November 2016, the 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 mail flow with two days delivery time. Posten Norge has carried out the transition to one mail flow effective from 1 January 2018 in accordance with the new, temporary licence effective from the same date.

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. Posten's appointed auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

Posten's net costs related to the duty to deliver postal services that are commercially non-viable shall, pursuant to the Postal Services Act, 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. The recalculation shall secure against over or under compensation.

The payments for government procurements of commercially, non-viable postal services to Posten for 2017 amounted to MNOK 357. Based on Posten's preliminary recalculation, MNOK 343 in such procurements were recognised in 2017.

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2) Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS ekspedisjonsnett

For 2016, Posten received MNOK 403 for government procurements of commercially non-viable postal services. Posten's recalculation for 2016 showed a net cost of MNOK 459, and Posten asked the Ministry of Transport and Communication for an additional payment of MNOK 56. For 2016, however, the parliament granted MNOK 327 for commercially non-viable postal services. This did not include any compensation for maintaining the two mail flows. As a consequence of this decision, Posten has repaid MNOK 77 (including interest). The recalculation had no significant result effect in 2017, as the estimate had already been recognised in the Group's result for 2016.

Future prospects

In January 2018, the Ministry of Transport and Communication submitted a consultation paper for comments about changing the legislative requirement for mail distribution from 5 days a week to every other day. The documents included a research report from Copenhagen Economics about the future need for government procurements of commercially, non-viable postal services by carrying forward the requirement to distribute 5 days a week and by three alternative distribution frequencies. The report confirms Posten's own assessments and shows that by carrying out the proposed change with effect from 1 January 2020, it is possible to achieve annual cost savings over the government budget of approximately MNOK 500 in 2020. Without changes in the distribution frequency, the government procurements of commercially, non-viable postal services could constitute 1 billion kroner in 2025. The report also confirms that the model Posten uses to calculate government procurements is in accordance with international guidelines.

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 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 applied in 2017 annual report

The Groups financial information has been prepared in accordance with international accounting standards (IFRSs). In addition, information has been given about alternative performance measures that are regularly reviewed by management to improve the understanding of the result. The alternative performance measures presented may be defined differently by other companies.

As a consequence of new guidelines for «Alternative performance measures in financial reporting», the Group has clarified the definition of performance measures and other financial figures applied in the annual report, which are not part of the disclosed financial statements.

The Group's performance measures and other target figures applied in the annual and quarterly reports are described below:

Operating profit before depreciation (EBITDA), adjusted operating profit (EBITE), operating profit (EBIT)

Group management is following up the Group's financial situation by using common target figures (KPIs) and target figures showing income and expenses related to the Group's ordinary operations.

The alternative target figures applied in the reports to Group management comprise earnings excluding items of a non-operating character.

Profit/loss before tax, financial items and depreciation (EBITDA) is an important financial parameter for the Group and the basis for the term adjusted profit (EBITE). Adjusted operating profit (EBITE) is EBITDA before other income and expenses and includes depreciation. Operating profit (EBIT) includes the Group's impairment, other income and expenses in addition to income from associated companies and joint ventures.

The target figures are valuable for the users of Posten's financial information, also including management, the Board and external parties. They give the users of the financial information the opportunity to assess the operating result on the basis of variable current items, as depreciation and amortisation costs, non-recurring items and other gain and loss related to investment are excluded. It is also assumed that the target figures contribute to a more comparable evaluation of operating results of the Group's competitors.

The operating profit (EBIT) and adjusted operating profit (EBITE) margins are presented defined as operating profit (EBIT) and adjusted operating profit (EBITE), respectively, divided by total income.

		Year 2017	Year 2016
+	Revenue	24 678	24 772
-	Costs of goods and services	10 317	10 086
-	Payroll and social expenses	9 451	9 749
-	Other operating expenses	3 524	3 599
=	**Operating profit before depreciation (EBITDA)**	**1 386**	**1 339**

		Year 2017	Year 2016
+	Operating profit before depreciation (EBITDA)	1 386	1 339
-	Depreciation	683	694
=	**Adjusted operating profit (EBITE)**	**703**	**645**

		Year 2017	Year 2016
	Adjusted operating profit (EBITE)/	703	645
	total revenue	24 678	24 772
=	**Adjusted operating profit (EBITE) margin**	**2,8 %**	**2,6 %**

		Year 2017	Year 2016
+	Adjusted operating profit (EBITE)	703	645
-	Impairment	59	313
+/-	Other income and (expenses)	57	(169)
+	Share of profit or loss from associates and joint ventures	(9)	15
=	**Operating profit (EBIT)**	**692**	**178**

		Year 2017	Year 2016
	Operating profit (EBIT)	692	178
	total revenue	24 678	24 772
=	**Operating profit (EBIT) margin**	**2,8 %**	**0,7 %**

Net interest-bearing debt (NIBD) and liquidity reserve

A primary objective in the Group's guidelines for finance is to secure financial freedom of action for the Group. Such freedom makes it possible to operationalise strategies and reach the business' goals. The Group shall at all times have adequate access to capital to cover normal fluctuations in the Group's liquidity needs, refinancing risk and normal expansion rate without the need for special financing measures set off by individual projects. This implies adequate resources to realise the Group's approved strategies.

Net interest-bearing debt and the liquidity reserve are indicators of the Group's liquid situation and closely followed up by the Group's centralised finance function. It is also an individual target that can be applied to assess the Group's liquidity requirements.

Net interest-bearing debt comprises both short-term and long-term interest-bearing debt, excluding financial instruments like debt instruments and derivatives, financial market placements in addition to cash and cash equivalents.

The Group's liquidity reserve includes all funds available to finance operations and investments. It is allocated to amounts available according to agreements in the short and longer term and as such a useful target figure to consider whether the Group has adequate liquidity to achieve the Group's approved strategy.

		31.12 2017	31.12 2016
+	Interest-bearing non-current liabilities	3 072	1 978
+	Interest-bearing current liabilities	689	415
-	Market-based financial investments	3 235	1 634
-	Cash	69	71
-	Bank deposits – Group cash pool	578	23
-	Bank deposits	56	147
=	**Net interest-bearing debt (receivable)**	**(176)**	**518**

		31.12 2017	31.12 2016
+	Market-based investments	3 235	1 634
+	Syndicate facility	3 444	3 180
+	Withdrawal facilities	750	750
-	Certificate loans	300	300
=	**Long-term liquidity reserve**	**7 129**	**5 264**

		31.12 2017	31.12 2016
+	Long-term liquidity reserve	7 129	5 264
+/-	Deposit on Group account	539	23
+/-	Deposits on other accounts	94	147
+	Bank overdraft not utilised	550	550
=	**Short-term liquidity reserve**	**8 312**	**5 985**

Invested capital and return on invested capital (ROIC)

The Group is creating value for the owners by investing cash today that contributes to increased cash flows in the future. Such value is generated as long as the business is growing and achieves a higher return on its invested capital (ROIC) than the capital costs (WACC). It is a useful tool to measure whether the investments generate adequate return.

Items included in the calculation of invested capital are shown below:

		2017	2016
+	Intangible assets	2 162	2 328
+	Tangible fixed assets	5 831	5 767
+	Current assets	6 694	6 740
-	Liquid assets	2 527	2 203
-	Interest-bearing current assets	96	102
-	Interest-free current liabilities	4 995	5 492
+	Tax payable	111	149
+	Dividend and group contributions	3	1
=	**Invested capital***	**7 183**	**7 187**

*Rolling twelve months

		2017	2016
	Last 12 months' accumulated adjusted operating profit(EBITE)/	703	645
	invested capital*	7 183	7 187
=	**Return on invested capital (ROIC)**	**9,8 %**	**9,0 %**

*Rolling twelve months

Other alternative performance measures

The Group applies and presents some other individual performance measures, considered to be useful for the market and the users of the Group's financial information. These measures are shown in the table below:

		2017	2016
+	Total investments	981	1 464
-	Investments as a result of acquisition of businesses	22	221
=	**Investments before acquisitions of businesses***	**959**	**1 243**

*Corresponds to additions of tangible fixed assets and intangible asset in the cash flow statement

		2017	2016
	Profit for the last 12 months after tax/	388	39
	average equity on balance sheet date*	6 143	5 919
=	**Return on equity after tax(ROE)**	**6,3 %**	**0,7 %**

*Opening + closing balance/2

		31.12 2017	31.12 2016
	Equity on balance sheet date/	6 375	5 912
	equity and liabilities (total capital)	16 962	15 299
=	**Equity ratio**	**37,6 %**	**38,6 %**

		Year 2017	Year 2016
+	Total revenue	24 678	24 772
-	Revenue in Norway	15 183	14 810
=	**Revenue outside Norway**	**9 495**	**9 962**

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 parent company's consolidated assets, liabilities, financial position and results of operations.

We also confirm that the Board of Directors' report 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.

15 March 2018

Idar Kreutzer (leder) Randi B. Sætershagen (nestleder) Morten Karlsen Sørby Ann-Elisabeth Wirgeness

Tove Andersen Odd Christian Øverland Anne Britt Berentsen Lars Nilsen Erling A. Wold

Tone Wille (konsernsjef)

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Posten Norge AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Posten Norge AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2017, income statement, statement of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of goodwill

The Group has goodwill amounting to MNOK 1 495 on the balance sheet. Goodwill has been impaired by MNOK 49 in the 2017 consolidated financial statements.

The Group's impairment tests require management to exercise judgment on estimates of future cash flows and the determination of discount rates. Due to the significance of goodwill in the financial statements, weak earnings in the nordic part of the logistics business and the uncertainty related to estimates of future cash flows, the Group's impairment tests of goodwill have been a key audit matter.

We evaluated key assumptions in management's impairment models, including growth, margins and discount rates based on prognoses approved by management and available market and industry information. Further, we considered the mathematical accuracy of the models and the sensitivity of the assumptions applied. We assessed the consistency of the application of key assumptions and evaluated the Group's accuracy in previous years' impairment tests.

We refer to 3.1 in the accounting principlesnote about estimated impairment of assets and note 8 on intangible assets

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 15 March 2018
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

WE MAKE EVERYDAY LIFE SIMPLER AND THE WORLD SMALLER

SUSTAINABILITY REPORT2017

Contents

This is Posten Norge

Posten Norge is a mail and logistics group which aims to simplify and increase the value of trade and communication for people and businesses in the Nordic region.

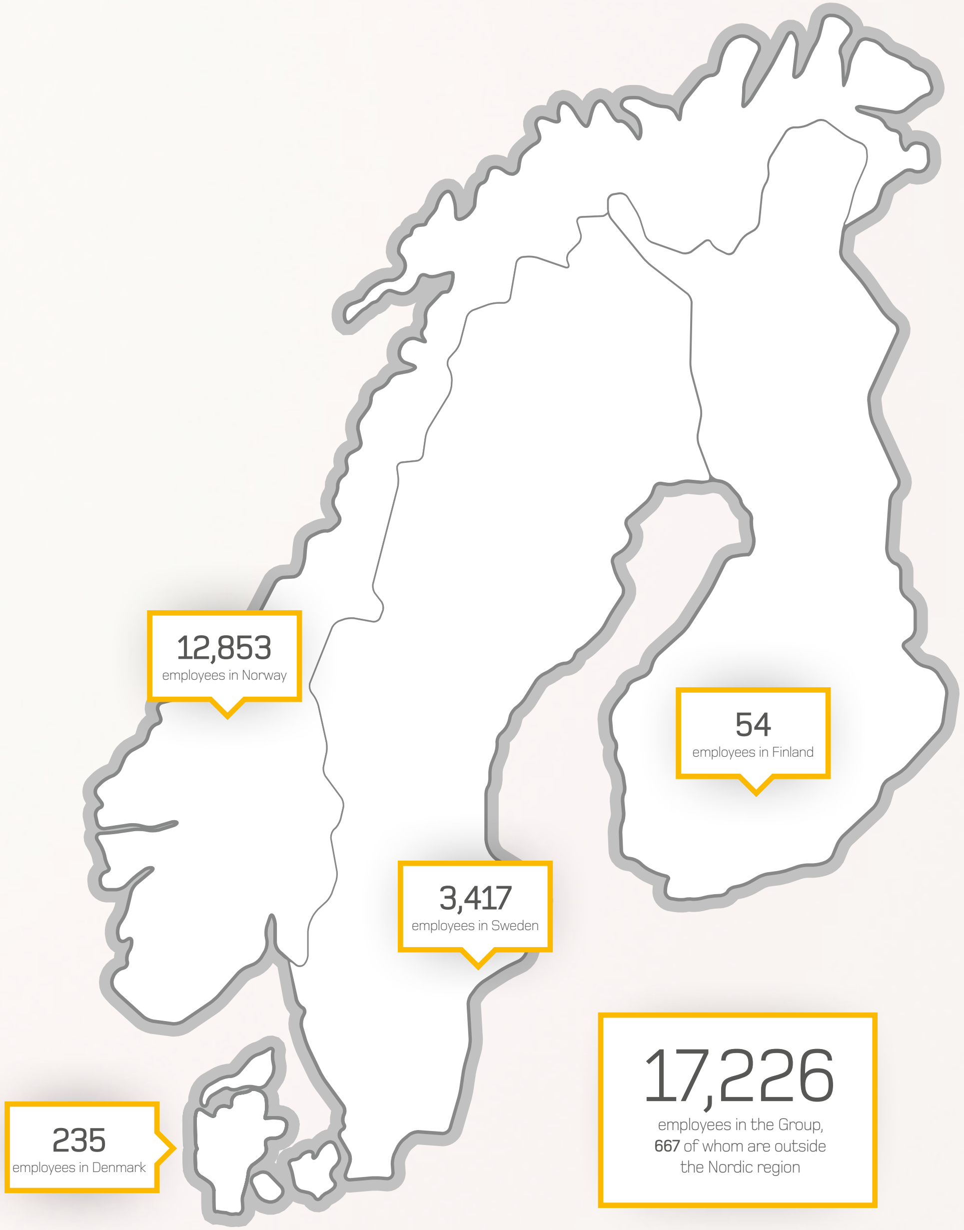
Wholly owned business in: Norway, Sweden, Denmark, Finland, Slovakia, Belgium, the Netherlands, the United Kingdom, France, Germany, Greece, Hong Kong and Italy. **Head office:** Oslo, Norway

We have a presence in most countries through our partners.

Posten Norge has two brands in the marketplace

The Posten brand for the entire Norwegian population: Posten delivers mail and packages to the private market in Norway, emphasising security, flexibility and predictability. We offer a variety of delivery methods and good digital self-service solutions.

The Bring brand for all businesses in the Nordic region: Bring handles large and small consignments in the Nordic region and to the rest of the world. New technology and expertise enable Bring to develop future-oriented solutions that improve our customers' competitiveness.



New strategy

In 2017 the Group developed a new strategy for the coming few years. The guideline for this work was "customer-oriented, simplified and profitable". This is reflected in our new Group structure, our business strategies and our strategic platform: vision, purpose and main goals.

Vision

We make everyday life simpler and the world smaller.

Purpose

We aim to simplify and increase the value of trade and communication for people and businesses in the Nordic region.

Our values

Our values present us as a group that can be relied upon in all respects, a group for which we are proud to work. These values help build our common culture and guide us in all our decisions. Established forms of co-operation between managers, employees, governing bodies, owner and the authorities will reflect our values:

• Integrity • Respect • Co-operation • Openness • Courage

Future development

In a world where change occurs at an ever-increasing pace, we are committed to innovating in multiple time frames: while we solve challenges today, we also have an eye on the needs of tomorrow and the future.

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

Main goals

Our main goals mirror our business requirements and ambitions for the business, and were revised in 2017

Engaged and competent employees	Innovative and sustainable development
Satisfied and loyal customers	Cost-effectiveness and profitable growth

A WORD FROM OUR CEO

A long-term vision in changing times

Change is part of everyday life at Posten and Bring. Our ability to change is part of our DNA – without it, we wouldn't be here today. Posten has transformed itself more in the last 20 years than in the first 350 – and this change in pace seems only to be increasing.

Photo: Håvard Jørstad

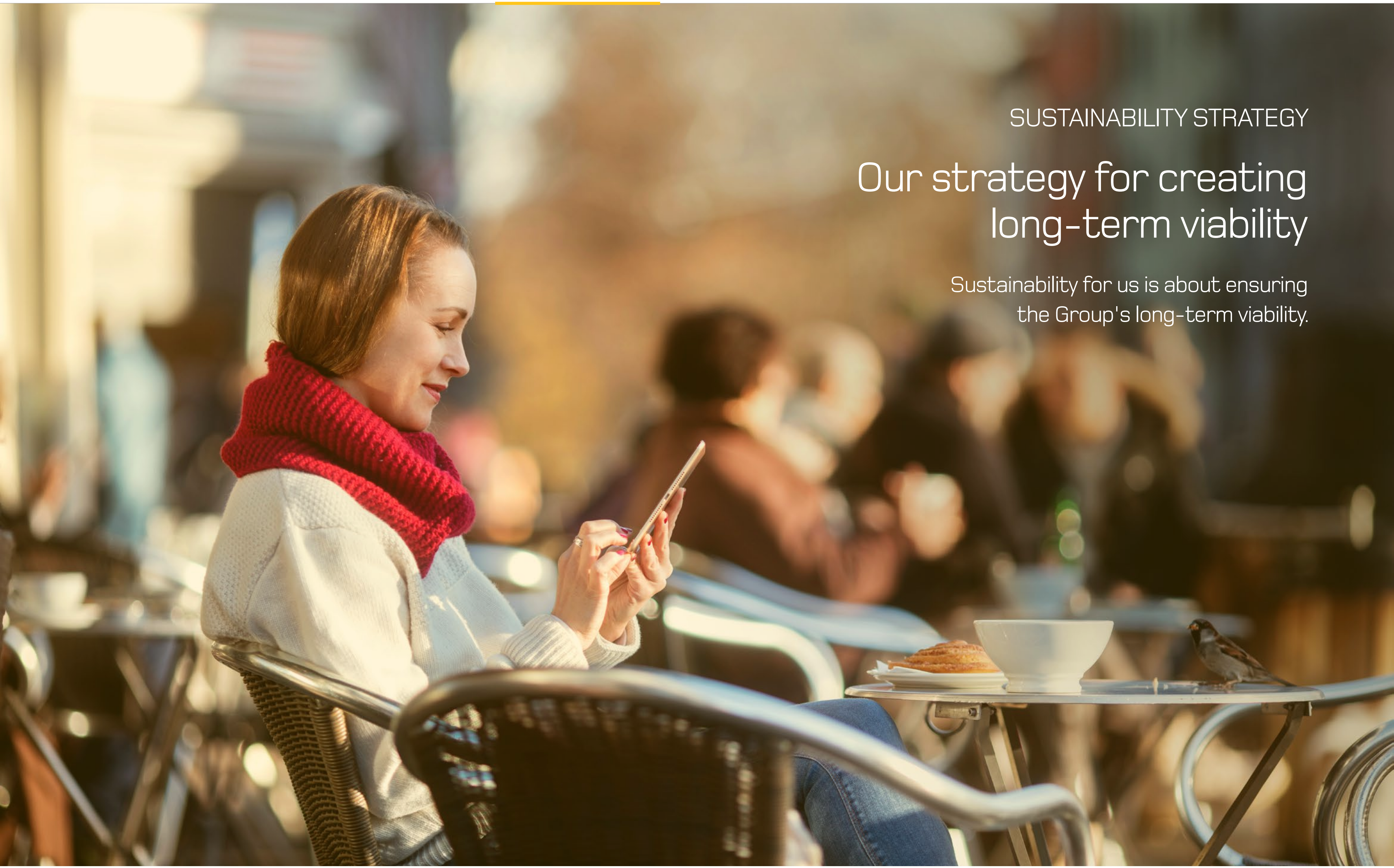
In a rapidly changing world the timeframe for strategic plans needs to be shorter than before. To balance this it's important for us to keep an eye on our long-term economic growth. Sustainability for Posten and Bring means exactly this: our long-term viability. In an age of digitisation, one could be forgiven for thinking that technology and capital are the most important things for a company's survival. Our sustainability report, however, shows how we rely on interactions between all of our resources in order to remain a relevant and preferred supplier in the long term. It describes in other words, our employees, relationships and partnerships, networks and expertise, as well as our financial capital and ability to change.

In 2017 we equipped the organisation to better meet – and stay ahead of – the changes that are taking place. We also updated our strategy. "Customer-oriented", "simplified" and "profitable" have been keywords in guiding our work. And we have a new vision to give us a clear direction: "We make everyday life simpler and the world smaller". This vision articulates how we should evolve, how we should work for the benefit of our customers and how we should make ourselves more attractive to partners.

We have a lot to be proud of. Absenteeism continued to decrease in 2017 as the result of a long-term, goal-oriented exercise. This has been very valuable for individuals, the Group as a whole and society. Every day, 540 more fit and healthy employees now turn up for work than in 2006. This represented a saving of NOK 220 million in 2017. The Group continues to decrease its CO2 emissions. We hope to set a green example in the industry, leading the way with the help of new solutions. In 2017, we set ourselves a new and highly ambitious goal of only using only renewable energy sources in our vehicles and buildings by 2025. We have Norway's largest electric vehicle park, which includes approximately 1,180 electric vehicles, and we continue to increase our use of biogas vehicles. Last year we opened several new logistics centres which use innovative solutions to elevate their environmental profiles. The hub of our modern logistics network – the Oslo Logistics Centre at Alnabru – has led to approximately 10,000 fewer driven kilometres every single day.

We are keen to learn from others as well as from our own experience. The sustainability report provides an annual summary of the work we are doing in this area as we continue to measure, evaluate and learn. This is essential for keeping pace and ensuring our ability to complete the task. Tempo is the keyword for 2018. We shall continue to evolve and change to enable ourselves to create long-term value for all of our stakeholders.

Our sustainability report shows how we rely on the interaction between all of our resources in order to remain a relevant and preferred supplier in the long term.



SUSTAINABILITY STRATEGY

Our strategy for creating long-term viability

Sustainability for us is about ensuring the Group's long-term viability.

When it comes to creating value and ensuring long-term viability, the Group's most important resources are our employees, relationships and partnerships, our network and expertise, our ability to change and our financial capital. These resource areas are defined as capital areas in our sustainability report.

To ensure that we report on the most relevant areas for long-term value creation, we have carried out a materiality analysis. Our materiality analysis is based on a broad definition of sustainability and is linked to the Group's strategy and management system. Where previously we discussed environmental and social considerations, this latest analysis addresses the Group's long-term viability and its ability to create value. This change was introduced because important stakeholders, such as the owner, business customers and capital managers, who increasingly ask for more non-financial information.

The Group's Materiality Analysis was carried out in 2015 and forms the basis for 2017 reporting. The analysis was carried out following interviews with twelve key persons in the Group and a working meeting with the Group's sustainability council. The council contributes to the further development of sustainability reporting and is composed of experts from within the Group who can provide input and agreement on the road ahead.

The capital areas – our resources – provided the basis for defining which critical success factors (GRI aspects) should be included in the materiality analysis. The analysis resulted in thirteen priority areas we believe have the greatest importance for our value creation and for our most important stakeholders. We have also decided to report on supplier management, as this element is of increasing importance for the Group.

Furthermore, we have linked the recommended and recognised reporting template from the Global Reporting Initiative (GRI) to these success factors and carried out an analysis in order to define which GRI indicators are linked to the various aspects that we are reporting on.

The GRI template is an international standard that is not individually customised to Posten. Therefore, we have also included indicators defined by the Group as being important to us but which are not currently part of the GRI template.

This year, Posten has moved from the GRI G4 reporting standard to the GRI Sustainability Reporting Standards (GRI Standards). The differences include a simpler reporting structure and more consistent, clearer language used in the guidelines for defining individual indicators. Among the advantages of the change is a reduced scope for interpretation of individual indicators, which should result in increased comparability between dissimilar companies. Posten has not changed the scope of its reporting in moving from GRI G4 to the GRI Standards.

In this year's reporting, we have chosen to link our GRI indicators to the UN's Sustainable Development Goals (SDG). The UN has set certain goals to be achieved by 2030, including: eradicating hunger and poverty, reducing inequality in and between countries, strengthening human rights and gender equality, and protecting the planet and its natural resources. It is important that we at Posten also help to support this work.

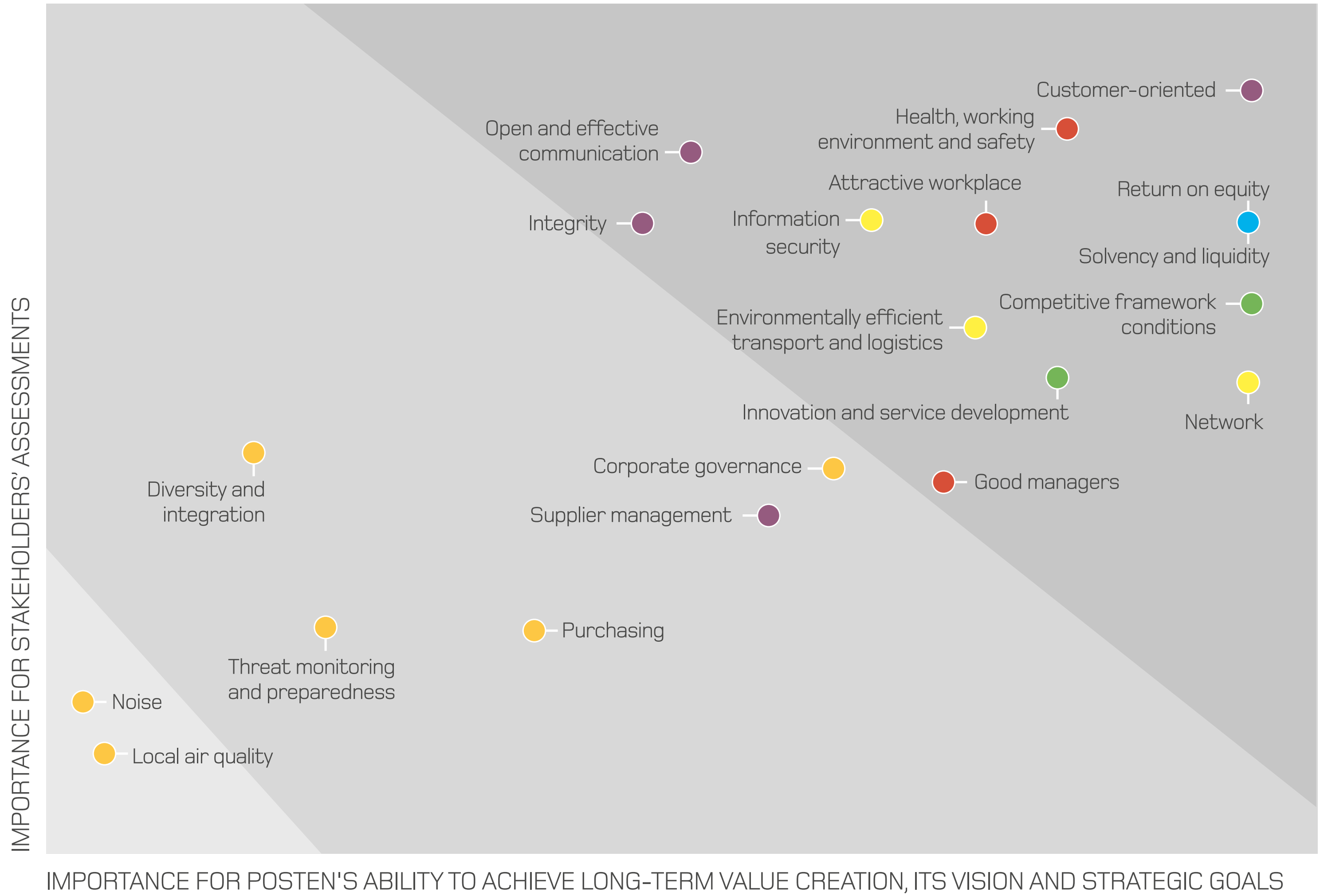
The Group's stake-holders are demanding a more systematic approach to sustain-ability and expect Posten, as a major Norwegian public-sector player, to work methodically on this.

Materiality Analysis

The area on the right shows the fourteen areas of greatest importance for the company's ability to create value over the long term and of greatest importance for stakeholders.

The critical success factors (GRI aspects) are categorised by our capital areas.

- Our employees
- Our relationships and partnerships
- Our network and our expertise
- Our ability to change and adapt
- Our financial capital



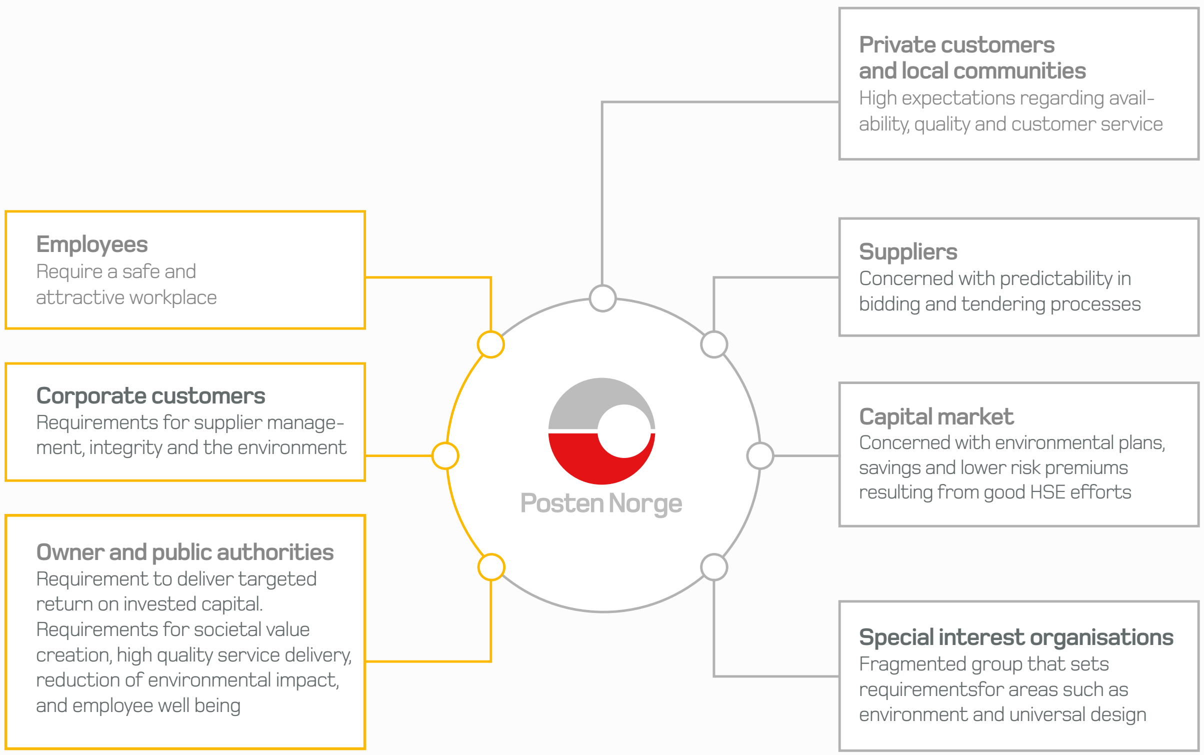
Our key stakeholders

Defining our key stakeholders has been a central element of the materiality analysis, since these stakeholders are involved in establishing the framework for our work on sustainability. The stakeholders each have their own requirements for and expectations of the Group.

Our main key stakeholders were identified as being the owner and public authorities, business customers, and present and future employees. In addition, private customers and local communities, capital markets, suppliers and interest groups are central to the Group's work on corporate social responsibility and sustainability.

The Group also conducts dialogue with other stakeholders, such as trade unions, trade and employers associations, political parties, supervisory bodies, competitors and the media. We are in dialogue with our stakeholders in various formal and informal arenas. The frequency of these meetings varies according to the needs and requirements of the stakeholders.

In view of the Group working on a new corporate strategy in December 2017, a **new materiality analysis** will be implemented which will be linked to this new strategy. This will form the basis for sustainability reporting in 2018.



Our five capital areas

These are our most important resources for ensuring the Group's long-term viability. They also determine which GRI aspects we report on to ensure the good development and management of resources.

Our employees

Our relationships and partnerships

Our network and expertise

Our ability to change

Our financial capital

Our employees

The Group's most important resource is its employees. A health-promoting work environment, the right composition of employees and managers and especially good managers are essential for achieving the financial demands of the owner. There are three GRI aspects under this capital area which we need to report on.

Health, safety and working environment

GRI indicators: 403-1, 403-2, 406-1

Attractive workplace

GRI indicators: 401-1, 401-2, 405-1, 202-1

Good managers

Own indicator: Employee satisfaction (not carried out in 2017)

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Health, safety and working environment

GRI indicators: 403-1, 403-2, 406-1

A health-promoting work environment, where none of our employees become injured or ill as a result of their work, continues to be an important goal for Posten. Health, safety and working environment (HSE) are not secondary factors: they are integral to the Group's work. By working systematically and purposefully with HSE, sickness absence has declined, fewer of our employees have become disability, and the number of personal injuries has been markedly reduced. The result is clear: compared to 2006, the number of fit and healthy employees now turning up for work every day has increased by 540.

The Group has been developing and improving its tools, procedures and methods for a number of years in order to reduce injuries and sickness absence. The main key to us achieving such good HSE results can be found in our dedicated and competent employees and managers who place HSE at the top of the agenda every day. We see that when attendance increases and more of our employees are at work, we experience fewer operational challenges. Productivity and quality rise, employee satisfaction improves and we achieve significant cost savings. Sickness absence and injuries are expensive. The decrease in sickness absence and the number of injuries in 2017 resulted in a cost saving of NOK 220 million for the Posten Group, compared with 2006.

How we work

Development work and the long-term strategic work of HSE are taken care of by a centralised expert unit. Line management receives assistance from the central unit as well as local support from within the subject area. HSE is the first item on the agenda at all management and Board meetings, which helps to put HSE on the agenda across the entire company.

HSE results are reported systematically across the whole Group. Every month, KPIs (key performance indicators) are reported to Group management. These include key figures for sickness absence, injuries, disabilities, near accidents and undesirable incidents. The Group's Board of Directors receives reports and analyses on HSE results at all Board meetings. There is also good three-party collaboration between management, union representatives and safety representatives.

Interaction between relevant stakeholders and the authorities is important for the further development of our HSE work and for solving the major challenges facing the Group. In 2017, Posten continued its active collaboration with those actors supporting us in our efforts to create a better working environment. Posten continually works to improve and further develop services offered by the occupational health service. Evaluation takes place through monthly reports, weekly status meetings and half-yearly collaborative meetings. The divisions are followed up on a quarterly basis to see whether they make use of the financial support schemes included in the IA agreement (inclusive workplace) for use of the occupational health service and facilitation grants. For many years the Group has followed up inspections undertaken by the Norwegian Labour Inspection Authority very closely, which has added to the improvement of our HSE work, both locally and centrally, and to our HSE system.

Stakeholders

Business customers: Set requirements concerning systematic HSE management and often include the right to audit HSE work in contracts.

Owner and authorities: Legal requirements. Expect systematic HSE work.

Employees: Crucial for ensuring attractive workplaces and work attendance in a labour-intensive business with a high pace of change.

Investors and banks: Concerned with cost savings and lower risk premiums resulting from good HSE work.

Employee voices are important

GRI indicator 403-1: Employee representation in formal HSE committees with representatives from management and employees.

It is important for Posten that employee working conditions are taken seriously and, as such, we rely on feedback from employees. Close collaboration with safety and union representatives is a prerequisite for achieving our goals for the working environment. Collaboration strengthens adaptability and provides an opportunity to develop collective solutions and to embed decisions among the workforce. Three-party meetings are regularly carried out at all levels of the organisation. 96.1 per cent of the Group's permanent and temporary employees work in sections of the business covered by formal health and safety committees (work environment committee, tripartite collaboration etc.). The committees offer advice and monitor measures which promote health and safety. Posten only has figures on its own employees in this regard.

Posten works systematically and continuously on the prevention and monitoring of substance abuse and gambling addiction. The responsibility for both prevention and follow-up work lies with managers. To increase the competence of the managers, a training concept has been developed that will enable managers to proactively address risky drug use and gambling. This was the theme of the annual HSE manager training in the Mail Division in 2017. Posten also piloted the use of electronic key cabinets throughout 2017, where a driver must blow into an alcolock to retrieve keys. The aim is to prevent our drivers from operating their vehicles while under the influence of alcohol.

The number of personal injuries continues to decline

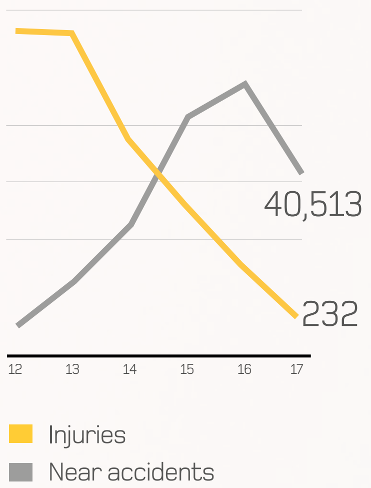
GRI indicator 403-2: Type and frequency of personal injuries, occupational diseases, lost working days and absenteeism, and total number of work-related fatalities by region and by gender.

Systematic work over time has yielded good results, leading to a marked decrease in the number of personal injuries at Posten. We have achieved good results by focusing not only on causes, systems and procedures, but also on individuals, their attitudes and their behaviour.

Posten records personal injuries based on the Federation of Norwegian Industries' standard. Lost-time injuries requiring medical treatment are included in the H1 ratio, while H2 injuries are all other personal injuries inclusive of H1 injuries. The number of recorded lost-time injuries has shown a clear and positive decline since measuring commenced in 2006. In 2017, the number of personal injuries declined by 17 per cent: a total of 231 personal injuries (H2) were recorded in the Group, compared with 278 personal injuries in 2016. The number of lost-time injuries requiring medical treatment (H1) was reduced from 122 in 2016 to 108 in 2017. The Group's H2 figure ended at 8.4, which is an improvement on 2016's figure of 8.7. The result is 0.1 higher than the goal set for H2 in 2017. The Group is continuing its commitment to work safety and the reduction of personal injuries by setting an H2 goal of 7.4 for 2018.

Injuries and near accidents

Figures



In 2017, employees in the Posten Group recorded 40,513 near accidents and adverse incidents. This is equivalent to over 2.5 recordings per employee. The registred near accidents and adverse incidents means we are informed of risks and dangerous conditions and situations in the workplace before someone gets hurt. This gives us an opportunity to implement preventive measures and thus reduce the risk of injury. Other essential tools in Posten's safety work are the group-wide HSE Safety Standard, safety audits of operational units, investigation of all serious incidents and accidents, and safety discussions between managers and employees.

The HSE Safety Standard is a mandatory checklist for all of the Group's managers and comprises control points covering everything from the securing of buildings and goods to those areas most important for creating a safe working environment. The Standard is used every year as the basis for self-evaluation and audits. Self-assessment of the HSE Safety Standard was conducted throughout the Group for the fifth consecutive year, and 448 managers responded when asked whether they meet the requirements of the Safety Standard. Additionally, in 2017, 20 central audits were conducted. Results from self-assessments and audits showed an increase in the number of units achieving an "Approved" level.

Any serious incident where employees have been injured or where damage could have occurred shall be investigated, and reports are used for training. In 2017, 75 investigations were conducted. All investigation reports conclude with a learning page. This is then supplemented with images, a description of the event and learning elements and is used for notices or for presentations at team and departmental meetings to provide valuable knowledge about how accidents can be prevented.

A robust safety culture concerns attitudes, conscious choices and the proper and systematic use of tools. Individual safety discussions are a group-wide instrument for increasing individual understanding of the risk of injuries and accidents. The discussion should be a dialouge between manager and employee, addressing important safety challenges in the individual's everyday work. The safety discussion is carried out annually for employees within selected job families and is one of Posten's most important tools for building a robust safety culture across the whole Group.

Injuries, fatalities and sickness absence

	H1 value	H2 value	Fatalities	Sick leave percentage
Posten Group	3.9	8.4	1	5.8%
Posten Norge AS	3.1	5.8	0	6.5%
Mail Division	3.3	8.8	0	6.3%
Logistics Norway Division:	5.4	8.3	1	6.0%
Logistics Nordic Division	3.1	8.6	0	3.7%

Injuries, fatalities and sickness absence in Posten Norge by gender

	H1 value	H2 value	Fatalities	Sick leave percentage
Women	3.1	6.6	0	8.1%
Men	3.1	5.3	0	5.7%

Another crucial safety measure is the work to disseminate information and knowledge about the treatment of dangerous goods – that is, materials having properties that could pose a danger to human life and health, material worth and the environment by way of a sudden accident. In 2017, Posten focused on the training of operations personnel, as well as on the update and implementation of improved process descriptions for dangerous goods.

Sickness absence at a record low level

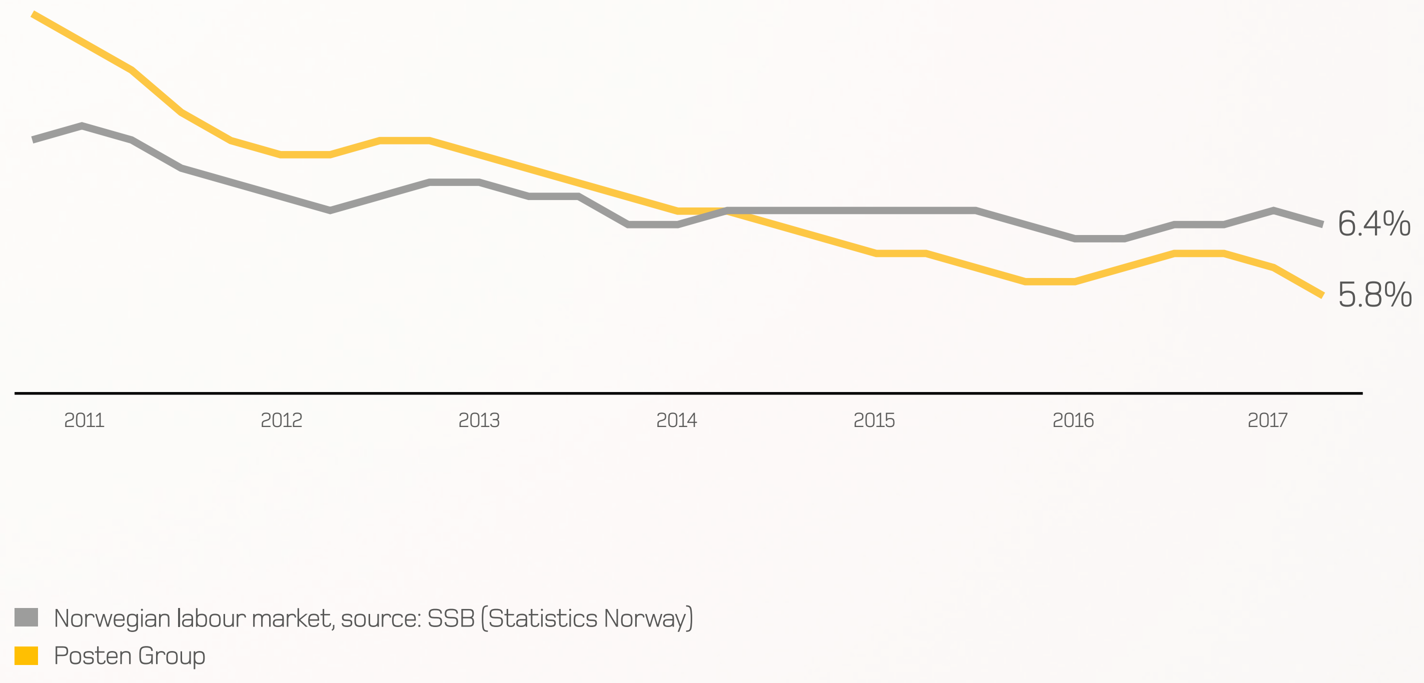
GRI indicator 403-2: Type and frequency of personal injuries, occupational diseases, lost working days and absenteeism, and total number of work-related fatalities by region and gender.

Sickness absence in the Group ended at a record low level in 2017.

The 12-month rolling trend started at 6.1 per cent at the start of the year. During the spring months, sickness absence started to improve and eventually ended the year at 5.8 per cent. This is 0.2 percentage points lower than the target for the year, and the lowest annual result measured in the Group. The improving trend in sickness absence in recent years means that the level of sickness absence across the Group is lower than that in the Norwegian labour market. The sickness absence target for 2018 is set to 5.7 per cent. At the same time as the level of sickness absence has declined, the level of disabilities across the Group has remained at a stable low level. The disability percentage ended at 1.1 per cent in 2017, which was the target level set for the year. The 2017 target will be carried into 2018.

Sickness absence in the Norwegian labour market and the Posten Group

12-month trend as a percentage



The good sickness absence results have been achieved at the same time as the Group has undergone several restructuring and production changes. Throughout the Group, systematic and purposeful work has been ongoing to prevent these changes from leading to an increase in sickness absence. At the same time, health-promoting and preventive work has continued, and efforts to reduce recurring and high rates of sickness absence have been intensified.

For several years now, the Group has prioritised efforts towards employees having the highest sickness absence and has been engaged in getting them back to work. An important part of this work is the "It helps" methodology, which targets employees who have been absent through sickness for 24 shifts or more every year for the past three years. The work of "It helps" has been very effective. The number of employees with this frequency of absence was reduced by 63 per cent at the end of 2017 compared with 2010. There was a 15 per cent reduction in the number of employees with this frequency of absence from 2016 to 2017. In order to get employees with recurring and high rates of sickness absence back to work, Posten partnerships with the occupational health service and the Norwegian Labour and Welfare Administration's (NAV) working life centres. In addition, much work has been done on management support and the increase in competance levels of managers and HR, with the realisation that close and systematic follow-up by supervisors is key to the success of this work. This will be continued and intensified in 2018, when the themes of this year's HSE management training in our largest divisions will be absence follow-up and mental health.

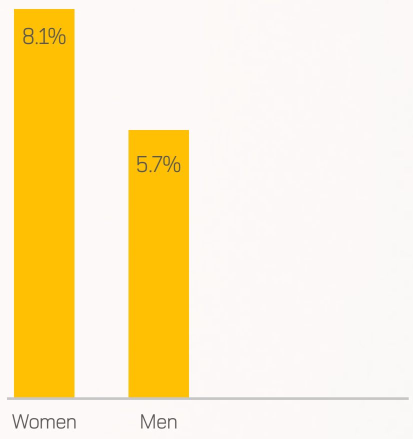
At the same time as Posten is working to reduce recurring and high rates of sickness absence, we are also focusing on preventive work. We continue our commitment to our health promotion programme, and our managers and the occupational health service continue to focus on proactive and preventive work. Posten is working to raise employees' competence regarding their own health in order to create a health-promoting working environment. The Managing Health course has been developed in partnership with the occupational health service. This course focuses on ergonomics and acquiring coping skills, and is to be conducted every three years. Participants get basic information about the body, with a focus on muscles, back and neck, as well as the use of support aids.

There is still reason to believe that the systematic use of tools and measures reduces sickness absence. Systematic follow-up with employees on sick leave makes the processes more predictable for all involved parties. The use of Postmodellen ("the Posten Model") – Posten's procedure for sickness absence follow-up – has been and will remain an important tool. In 2018, a revised and improved model will be implemented so that we can achieve our goal of further improvement of group-wide sickness absence.

The table shows an overview of total sickness absence in the Posten Group, by gender.

Sickness absence

As a percentage according to gender



Posten is a racism-free zone

GRI indicator 406-1: Number of incidents of discrimination and measures initiated in connection with these.

GRI indicator 405-1: Diversity in management bodies and among employees.

Integration and diversity is one of the Group's focus areas within corporate social responsibility. This entails the Group having an outward-facing, racism-free profile and taking an active role in integration work internally and externally. In collaboration with Norwegian People's Aid, Posten has been a racism-free zone since 2001. The Group's whistleblowing scheme handled no cases relating to discrimination during 2017.

Posten has set itself ambitious goals for diversity leading up to 2020. The aim is that at least 17 per cent of employees in the Norwegian section of the Group and 9 per cent of employees in managerial, corporate staff and administrative positions should have an immigrant background. Currently, our diversity reflects society in terms of overall composition, and we wish to continue in this direction. Our 2020 goal is based on a re-evaluation of the population. Diversity in managerial, corporate staff and administrative positions is lower and the goal set is based on a staffing analysis. In 2017, 15.8 per cent of employees in the Norwegian section of the Group had an immigrant background: an increase of 1.3 percentage points since 2016. For positions in management, staff and administration, the proportion was 6.7 per cent. The proportion of managers from an immigrant background has risen from 4.6 per cent in 2016 to 5.2 per cent in 2017. None of the representatives on Posten's Board have an immigrant background.

"You make a difference" is an internal trainee programme targeting employees in our operational processes that have higher education and/or managerial experience they are not applying in their current position. Participants must have a family background from outside of the Nordic region. Four participants were chosen for the programme in 2017. The programme, which lasts for one year, involves employees being seconded to different parts of the Group and receiving relevant training as necessary. "You make the difference" is an important part of Posten's diversity work, and the programme will continue in 2018.

In 2017, Posten's own mentorship programme for promoting integration among unemployed immigrant women ran for the fifth time with 19 participants. Each of the women receive their own mentor and meet once or twice a month to discuss a variety of topics. The programme is intended to give the women a greater understanding of Norwegian working life and to assist in the job application process. The mentorship programme was conducted in collaboration with Moving Mamas – a social entrepreneurship programme working with unemployed immigrant mothers. For the first time, the participants in the mentorship programme were offered an 80-hour Norwegian course. Five of the participants chose to follow the course.

Attractive workplace

GRI indicators: 401-1, 401-2, 405-1, 202-1

Creating attractive workplaces for both existing and new employees is extremely important to the Group. We believe that in sum our four main goals contribute in creating an attractive workplace. An attractive workplace invites the more committed and talented individuals. We are committed to developing our existing employees and attracting the skills we need today and in the future.

How we work

The task of creating attractive workplaces is undertaken by all of Posten's employees and managers working together on a daily basis. It is expressed through employee interaction with our customers, through our digital customer interface and in the way we are presented in the media.

The marketing and communication departments in Communications and Strategy are responsible for strategic brand attractiveness, and work, through their marketing and information channels, to give an impression of Posten as a modern, future-oriented business with its customers and employees close to heart. An active press team works to present talented employees and interesting workplace stories to the media. We realise how individual employees can help to build trust and a good impression of Posten when they express themselves on current affairs.

Media monitoring agency M-Brain analyses Posten's annual media exposure. This helps to establish the basis for evaluating the effectiveness of the Attractive Workplace initiative. Overall for 2017, there were more positive (32%) than negative (30%) media notices concerning Posten. Highlighted in the media as one of Posten's strengths was the subject of employee wellbeing.

In 2017, the Group formally opened new logistics centres in Narvik, Trondheim and Oslo and marked the occasions by inviting customers, partners and employees. The new logistics centre at Oslo was officially opened by HRH Crown Prince Haakon. Parties were held for employees following the official opening events in Oslo and Trondheim.

In 2017, Bring was a logistics partner to the UCI World Road Championships in Bergen, and many employees took part in logistics deliveries for the cycling championships. In addition, a number of activities were organised to create engagement and a feeling of pride among employees.

Posten is a sponsor of the Norwegian Handball Federation and offers tickets for international handball matches in Norway for both the women's and men's teams. These activities are popular among the workforce.

Stakeholders

Employees: Crucial for attracting and retaining suitable employees. Has an impact on efficiency.

Business customers: Can affect the quality of services.

Posten and Bring are proud sponsors of the Norwegian Handball Federation.

In the organisational survey of 2016, employees said that they felt positively about Posten sponsoring handball, and nearly half said that they felt proud to work in the Group because of the sponsorship.

On the basis of the Group's various undertakings as part of the Attractive Workplace initiative and their results, the work is deemed to be effective in achieving overall goals.

Composition of governing bodies and the workforce

GRI indicator 405-1: Composition of governing bodies and distribution of employees by employee category determined by gender, age group, minority group and other diversity indicators.

As of 31 December 2017, no members of the Board are from a minority background. Of the Board's nine representatives, four are female and five male. One representative is in the 30-50 age group and the remaining eight are over 50 years of age.

At the close of 2017 there were 15,631 permanent employees in the Posten Group. In addition, the Group has 1,595 temporary employees. The Group has employees in 14 countries, though 79.3 per cent of our permanent employees work in Norway. After Norway, the countries where most of our permanent employees work are Sweden (15.6 per cent) and Slovakia (2.1 per cent). Overall, there has been an 8 per cent decrease in the number of permanent employees from 2016 to 2017, with the biggest decline happening in Norway. This is largely due to the discontinuation of postal deliveries on Saturdays, as well as the transition to a single mail stream.

The proportion of permanent and temporary female employees in the Group stood at 32.9 per cent in 2017, and 28.8 per cent of the Group's managers are women. Four men and five women (including our female CEO) sit in the Group's management team, resulting in a female representation of 55.6 per cent. The proportion of women in the Group as a whole stands at 36 per cent, and among the managers it stands at 30 per cent. Corporate HR and HSE staff monitor the Group's female representation and aim for the gender balance among managers to reflect that of the Group as a whole.

In 2017 Posten took part in Storebrand's FiftyFifty2017 initiative. The programme has focused the spotlight on the unrealised potential that lies in an equal and diverse workplace. Over the course of four workshops held during 2017, more than 100 female managers and management talents from 12 different companies worked together on specific measures to create awareness around an important social challenge. Posten

Composition of the Board by age and gender

Age range	Men as %	Women as %	Total number
30 to 50	0.0%	100%	1
Over 50	62.5%	37.5%	8
Minority background	0%	0%	0
Total	55.6%	44.4%	9

Composition of permanent and temporary employees by function and age

Age range	Managers	Employees	Total
Under 30	1.6%	18.3%	17.3%
30 to 50	45.1%	38.6%	39.0%
Over 50	53.2%	43.1%	43.8%
Total	100.0%	100.0%	100.0%

Composition of full- and part-time employees by gender

Gender	Full-time	Part-time	Total
Men	9,743	1,814	11,557
Women	3,909	1,760	5,669
Total	13,652	3,574	17,226

contributed with ten participants to the programme. The participants also carried out several internal debates and discussed the subject of gender balance in management with the CEO and HR Director of the Posten Group.

In 2017, 47.5 per cent of permanent employees were over 50 years of age, and 40 per cent were in the 30-50 age group. This guarantees the Group access to a stable workforce.

Employees in the Group

Country	Permanent		Temporary		Total
	Men	Women	Men	Women	
Norway	8,089	4,301	329	134	12,853
Sweden	1,709	731	657	320	3,417
Greece	8	7	0	0	15
The Netherlands	34	10	7	3	54
Belgium	3	1	0	0	4
The United Kingdom	47	20	0	0	67
Denmark	164	66	4	1	235
Hong Kong	1	2	0	0	3
Italy	2	1	0	0	3
Russia	0	4	0	1	5
France	32	11	5	1	49
Finland	32	20	1	1	54
Germany	3	1	0	0	4
Slovakia	304	28	126	5	463
Total	**10,428**	**5,203**	**1,129**	**466**	**17,226**

All data on employees is taken from the HR system and is valid as of 31 December 2017. The figures do not include externally paid workers.

Equal pay and equal opportunities

GRI indicator 202-1: Conditions of standard starting salary by gender compared with local minimum wage rates at sites with significant operations.

Nordic countries do not operate national minimum wage systems. Wage levels and starting wages are governed by the relationship between union representatives and the employer. 96.1 per cent of the Group's permanent and temporary employees are employed in a Nordic country. 95 per cent of the Group's permanent employees work in a company that is covered by one or more collective wage agreements. On average, when looking at all employees without managerial responsibility, men and women at Posten Norge AS earn the same. Women in the management employee group earn, on average, 0.6 per cent more than men.

GRI indicator 401-2: Benefits for full-time employees that are not offered to temporary or part-time employees, by site of significant operation.

99.4 per cent of employees in the Group work for a company in which the same benefits are offered to temporary employees and permanent employees. Exempt from this are employees of Norwegian companies working less than 20 per cent of normal working hours, who are not covered by pension savings agreements or disability pension agreements. This area is regulated by settlements and agreements or agreed by the individual company.

Restructuring contributes to increased turnover

GRI indicator 401-1: New employments and staff turnover.

The Group has adopted rules of action that govern important aspects of local employment pertaining to recruitment processes, equality, anti-discrimination and intercompany mobility.

In 2017, the Group recruited 3,324 new employees, 77.8 per cent of whom were employed in full-time positions.

New employees in Norway by age and gender

Number and percentage of employees in each category

Age range	Men	Women	Total
Under 30	244 (23%)	113 (25%)	357 (24%)
30 to 50	238 (7%)	93 (7%)	331 (7%)
Over 50	275 (7%)	173 (7%)	448 (7%)
Total	**757 (9%)**	**379 (9%)**	**1,136 (9%)**

New employees outside of Norway by age and gender

Number and percentage of employees in each category

Age range	Men	Women	Total
Under 30	753 (79%)	479 (95%)	1,232 (84%)
30 to 50	635 (39%)	213 (38%)	848 (39%)
Over 50	80 (14%)	28 (17%)	108 (15%)
Total	**1,468 (47%)**	**720 (58%)**	**2,188 (50%)**

* Included in the term "new employees" are employees who have been transferred from one company to another within the Group.

The Group had a staff turnover of 18.4 per cent in 2017. The turnover rate among male employees was 1.9 per cent higher than among female employees. The combined turnover rate for employees in Norway was 15.1 per cent, with the rate among female employees being 0.8 per cent higher than among male employees. The Group is engaged in continuous restructuring, and we regard this rate of turnover as being necessary to operate staffing management in line with market developments.

Turnover in Norway by age and gender

Number and percentage of employees in each category

Age range	Men	Women	Total
Under 30	350 (32.6%)	165 (36.9%)	515 (33.9%)
30 to 50	418 (13.1%)	208 (15.6%)	626 (13.9%)
Over 50	480 (11.5%)	317 (11.9%)	797 (11.7%)
Total	**1,248 (14.0%)**	**690 (14.8%)**	**1,938 (15.1%)**

Turnover outside of Norway by age and gender

Number and percentage of employees in each category

Age range	Men	Women	Total
Under 30	279 (29.2%)	153 (30.2%)	432 (29.6%)
30 to 50	443 (27.2%)	118 (21.0%)	561 (25.6%)
Over 50	198 (35.7%)	35 (21.0%)	233 (32.3%)
Total	**920 (29.3%)**	**306 (24.8%)**	**1,266 (28.0%)**

Turnover within the Group by age and gender

percentage of employees in each category

Age range	% Men	% Women	Total
Under 30	31.0%	33.4%	31.8%
30 to 50	17.9%	17.2%	17.7%
Over 50	14.4%	12.5%	13.7%
Total	**18.8%**	**17.6%**	**18.4%**

*Figures include voluntary and involuntary resignations, as well as retirees

STAKEHOLDER | EMPLOYEES

MURAT KUTLUAY, a civil economist with Turkish parents, was working night shifts at the Karihaugen distribution centre when he applied for the "You make a difference" programme – the Group's internal trainee programme for employees with immigrant backgrounds looking for experience in administrative and managerial positions in the Posten Group. Its aim is to increase diversity within the management, corporate staff and administrative functions. The programme manages secondment to various parts of the Group for a period of one year.

"In what way is Posten's work on sustainability important to you?"

"Posten's diversity work, through its 'You make a difference' programme, led to a turning point in my career. I was seconded to an analyst position in the Finance Department in the E-commerce Division, and then moved to the Sales Development and Marketing Department in the Logistics Division as a temp. I was offered a permanent job there as a senior analyst in April 2017. It was a dream come true. Among other things, I compile sales reports and analyses and really get to put my education to use. I'm so happy with my job. I've always liked the Posten culture – it's very inclusive and welcomes suggestions and input. People are knowledgeable and friendly. You just have to ask. I have many people to thank for giving me such a priceless opportunity."


Photo: Birger Morken

Posten's diversity work, through its 'You make a difference' programme, led to a turning point in my career.

MURAT KUTLUAY
Senior Analyst in the E-commerce and Logistics Division

Good managers

Own indicator: employee satisfaction

Good managers are crucial in unlocking potential from our 17,226 employees, thereby enabling them to thrive and perform to the best of their ability. We currently have 1,027 managers with personnel responsibility, all of whom play an important role in implementing the Group's strategy and in the realisation of our goals.

People are motivated by several factors, such as feelings of self-efficacy, autonomy, support and recognition as well as having meaningful tasks to perform. Good managers distinguish themselves by being conscious of these factors and exercising their leadership accordingly. Good leadership results in better performance, better collaboration and lower avoidable turnover, which influence both efficiency and goal achievement. As such, the recruitment and development of good managers is a priority area for achieving the Group's goals.

How we work

The recruitment and development of good managers are part of the long-term strategic work of organisational development, but the most important development takes place in day-to-day operations, in which managers play an important role. A centralised expert unit in organisational development is developing group-wide structures and content and contributing to the implementation of measures in line management.

Line management, including Group management, are regularly updated on this organisational development work, when progress on key measures is presented. An example of this is the annual reporting of manager capacity and capability.

The Group's managers should practise leadership that balances involvement and control. They should be role models in terms of how they conduct themselves and must bring the Group's values to life. Our managers are characterised by being visible and clear, taking and allocating responsibility, and developing and inspiring employees. The success of this is measured through the organisational survey. The survey was not conducted in 2017, but will be carried out annually from 2018.

Systematic employee reviews, known as PLUSS reviews, are held between manager and employee at least once per year. Managers are responsible for conducting dialogue with employees on key measures and subjects that affect working processes and the working day in peripheral units.

The Group continues to work systematically on developing management teams and individual managers at different levels as needed. In 2017, 190 employees participated in the Group's various management development initiatives: 16 in the Confident Manager relationship development programme and 67 in the first-line management programme. 40 participated in the Group's middle management programme and 51 in the senior management programme. The senior management programme is carried out as required, based on the implementation of strategy and various

Stakeholders

Owner and authorities: Relevant to Posten's goal achievement.

Business customers: Good management can affect the quality of services delivered to customers.

Private customers and local communities: Good management can affect the quality of services delivered to customers.

Employees: Critical for motivation and performance. Crucial for attracting and retaining suitable employees.

initiatives: previously in 2013/14 and again in 2017/18. Team-building has been carried out in response to requests from the divisions and staff sections.

The Group works to identify leadership talent in order to ensure a good pipeline of managerial candidates. This is achieved through PLUSS reviews, manager reviews, the Group's common CV database and other means. The Group uses a digital application for conducting PLUSS reviews. In addition, ambition and willingness to be mobile organisationally and geographically are mapped.

The Aspiring Managers (Lederspirer) programme aims to recruit first-line managers from among our own workforce. One programme was completed in 2017 with a total of seven participants.

The Group's two-year trainee programme ran for the 18th time. The trainee programme is part of Posten's long-term focus on management development and recruitment of critical expertise. Five Group trainees started in 2017. Four university and university college internships were completed in the autumn of 2017.

Our relationships and partnerships

Delivering as agreed, dialogue, high integrity and good supplier management are key to developing, maintaining and strengthening relations with our business contacts and partners. Good relationships with our owner, customers, partners and suppliers are fundamental to profitable growth. There are four aspects in this capital area which we need to report on.

Customer-oriented

Own indicators: Delivery quality and customer satisfaction

Open and effective communication

Own indicator: Reputation

Integrity

GRI indicators: 205-1, 205-2, 205-3, 206-1 and 418-1

Corporate social responsibility in the supply chain

GRI indicators: 308-1, 308-2, 414-1, 414-2, 102-43, 102-44

SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Customer-oriented

Own indicators: Delivery quality and customer satisfaction

Customer orientation is about understanding the customer's business and how we can help strengthen their competitiveness. It's about creating the best possible experience for our customers and their customers in turn. Being a customer should be a simple process regardless of interface and we should deliver as agreed. Development of our value chain, services and digital solutions should be customer-driven.

We hold our customers' brands in our hands every day when we deliver across the entire Nordic region. It is a great responsibility and commitment.

We are constantly looking for improvements and opportunities to develop new solutions, whether large or small, that will make life easier and create increased value for our customers. Our customer promises are: for Posten – "We live to deliver" and for Bring – "Finding new ways".

How we work

Net Promoter Score (NPS) is the Group's most important metric for listening to and understanding customers as we measure our customers' and their customers' experience of services and enquiries. The measurements include questions relating to loyalty to the brand and satisfaction with the actual point of contact with the customer. The Net Promoter Score allows both business customers and private customers to give feedback to the Group on their overall experience of the company. Results and customer feedback are followed up by line staff and provide the basis for continuous, customer-oriented improvement in the organisation, and are also important means of gauging how the company is meeting customer expectations and needs.

It is important for the Group to have good quality deliveries, not just to fulfil the owner's licence requirements but also to maintain our customers' confidence in us. We therefore measure the quality of letters and parcels on an ongoing basis to monitor the delivery quality of Posten's distribution network. The measurements contribute to ensuring a robust distribution network across the entire country. The measurement of letter quality takes place in accordance with a European standard using test mailings and is performed by an external company.

The Group does not undertake its own customer surveys concerning social and environmental issues. For the Posten sales team, corporate social responsibility is a topic that is taken up as and when requested by customers. Health, safety, environment and quality are on the agenda at all operational meetings, both internally and externally with customers and suppliers.

Bring's customers are increasing their focus on corporate social responsibility. The E-Commerce and Logistics Division and the International Logistics Division of Posten Norge AS are ISO 9001:2015-certified in the following business areas:

Stakeholders

Owner and authorities: Indicator of quality. Interested in Posten's value-adding function in the districts. Legal requirements relating to coverage and availability.

Business customers: Posten increasingly contributes to delivering on its customers' customer promises (interview). Important competitive advantage when choosing Posten as a partner.

Private customers and local communities: Affected on a daily basis by Posten's service, reliability and reputation.

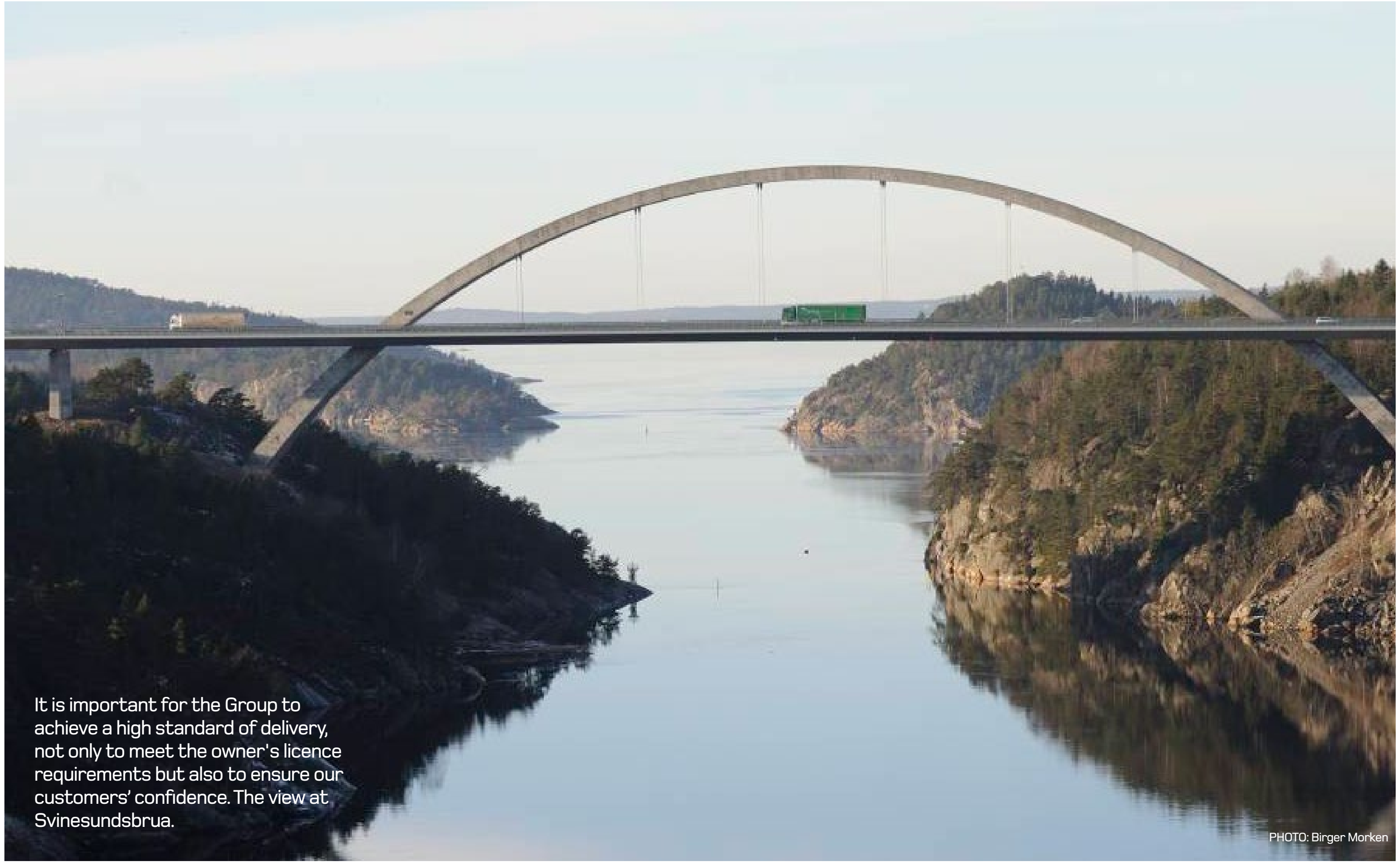
Employees: Linked to pride, efficiency and contentment.

E-Commerce and Logistics Division: National Distribution Centre Network and Transport for Parcels and Goods

International Logistics Division: Subsidiary Bring Cargo AS

- International forwarding: Air, sea, rail and road
- Industry and offshore

Bring Cargo AS is also certified in accordance with Achilles, and Industry and Offshore follows NorSok S006N and the Norwegian Oil and Gas Association's guideline No. 116. The certifications stipulate the requirements within the areas of health, working environment, safety, the external environment and quality.



It is important for the Group to achieve a high standard of delivery, not only to meet the owner's licence requirements but also to ensure our customers' confidence. The view at Svinesundsbrua.

PHOTO: Birger Morken

Good customer satisfaction

Own indicator: Results from customer satisfaction surveys

In 2017, 25 per cent of those who received an NPS invitation gave feedback on their experience following contact with customer services or telesales, on using self-service (Mybring) or upon completion of a delivery.

We work continuously to improve our contact points. Customer expectations of quality and service change over time, and at the same time the Group is undergoing changes that can directly and indirectly affect experience and feedback there and then.

On an overall level, total customer satisfaction with the various contact points in 2017 was on a par with the previous year, with the exception of customer services, which experienced lower levels of satisfaction at times during the year just gone. These periods coincide with the introduction of, among other things, new distribution centres and IT systems. The quality of service experienced by customers in encounters with our delivery drivers remained at a stable, high level on a par with the previous year's results. Seen in the context of the Group wanting to strengthen customer loyalty and satisfaction, the results do not quite achieve our 2017 targets because individual areas performed at a level lower or equal to the previous year overall.

Units involved at the respective contact points have established or are establishing relevant goals for different levels within the organisation in correlation with source data and insight into relevant developmental factors.

Customer opinion is continuously monitored within those units defined as active contact points, and they are implementing ongoing appropriate measures or addressing general conditions which need to be prioritised. The aggregated results and the plunge in the polls were reported in 2017 to Group management and quarterly to the Board. At the end of 2017, a new KTI (customer satisfaction) evaluation was also carried out at relationship level.

Reporting to Group management will move from quarterly to monthly in 2018 in line with closer KPI monitoring and an increased focus on customer orientation, using overarching KTI activities at relationship level as well as NPS evaluations at contact points. The background to this is that Group management has defined overarching KPI targets in addition to earlier follow-up at contact point level. This also coincides with new strategy and the Group's new main goals in relation to satisfaction and customer loyalty.

Good delivery quality

Own indicator: Delivery quality

We achieved an 85.4 per cent delivery quality for A-mail (overnight forwarding) in 2017. This was 0.4 percentage points above the licence requirements of the owner but 0.7 percentage points lower than the previous year. Other licence requirements linked to domestic quality targets were also fulfilled. For B-mail, we achieved a four-day delivery quality of 96.6 per cent compared with the licence requirement of 85 per cent. For parcels covered by the licence requirement, we achieved a four-day delivery quality of 88.6 per cent, which was also better than the licence requirement of 85 per cent.

From 2018 onwards, A and B mail streams will be merged into one letter stream, with a delivery time of two days. The licence requirement for the new letter stream is 85.0 per cent.

Delivering on our targets for delivery quality is very important to the Group and we will continue to work systematically to maintain and improve the standard in 2018.

STAKEHOLDER | BUSINESS CUSTOMERS | AGA

AGA is northern Europe's largest industrial gas company and operates in the Nordic countries and Baltic states. It has used Bring for its distribution in Norway for 17 years. Drivers delivering gas must both pass a written exam that has been prepared by AGA and participate in annual safety meetings. They wear flame-resistant uniforms and always carry protective glasses and gloves in their vehicle. They are forbidden to use mobile phones inside the vehicle and are not allowed to be accompanied by passengers or animals.

"In what way is Posten's work on sustainability important to you?"

"Health, safety and environment are priority areas for AGA AS. We are committed to the responsible treatment of both people and the environment. These are important criteria when it comes to choosing a partner for the delivery and distribution of products to our customers throughout the country. Because Bring values this as highly as we do, it is easy for us to understand each other's priorities and choices when working together."

Photo: Håvard Jørstad

There are stringent safety requirements for drivers delivering gas for AGA.

We are committed to the responsible treatment of people and the environment. These are important criteria when it comes to choosing a partner for delivery and distribution to our customers.

GEIR MORTEN HOVEN
Head of Cylinder Operation Norway at AGA

Open and effective communication

Own indicator: Reputation:

Open and effective communication is crucial in developing a good reputation and creating understanding of the choices that the Group makes, and it also contributes to developing solid relationships with key stakeholder groups. Reputation and ability to change can be negatively affected if the stakeholders' informational needs are not met. Employees, customers, investors, owner and authorities, partners, suppliers and interest organisations require insight into the way Posten operates. Internal communication has a very important role in restructuring processes, and it is a critical success factor for creating understanding and providing energy to realise goals and strategies.

How we work

Communication work should support the Group's business strategies and goals, as well as foster a good reputation, strong brands, satisfied customers and proud employees. The Communications Department is responsible for group-wide internal and external communication channels and the Group's annual report and sustainability report. The Group has an active press team acting as a contact point for the media.

The Group's marketing department is responsible for the Group's communication with potential and existing customers and endeavours to adhere to the Norwegian Marketing Act in all marketing communication with the Group's 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 the central Communications Department.

The overall impression rating of Ipsos's annual profiling survey on major Norwegian companies is used as a measurement parameter for gauging Posten's reputation.

In 2017 we worked actively on both internal and external communication initiatives. Among other things, our CEO has a blog in which she regularly discusses key strategic themes and provides direction for the Group's work. The CEO has also completed 15 trips visiting units in the Group, often combined with customer visits.

The Group has quarterly meetings with its owner, the Norwegian Ministry of Trade, Industry and Fisheries, in which we report on the Group's development, corporate social responsibility and current affairs. Where necessary, the Group has contact with politicians from the Storting to update them, for example, on Posten's situation and development, and we participate in relevant hearings. We have ongoing, or more occasional, contact with industry organisations and interest groups.

In 2017, the Group published a book on Posten's development over the past 20 years entitled "Den store forvandlingen. Posten i en digital tid" ("The great transformation. Posten in the digital era"). The book

Stakeholders

Owner and authorities: Require information about whether Posten is meeting its required rate of return and fulfilling its social responsibility.

Business customers: Dialogue is a prerequisite for customer orientation. Require simplicity when dealing with Posten.

Private customers and local communities: Require simplicity when dealing with Posten.

Employees: Linked to pride in the company and potential restructuring processes.

Suppliers: Predictability in tender competitions.

Investors and banks: Clear information is crucial for analyses and decisions linked to lending, as well as insurance and pension premiums.

documents part of Norway's industrial and restructuring history through a number of major and minor changes. The internet began a continuous process of change, which has changed Posten more over the last 20 years than during the whole of its first 350 years, and which continues to affect the Group's development. The book has played an important part in creating awareness of Posten's situation and need to change, as well as creating a sense of pride internally in the reorganisation that has taken place. The story of the past has also created increased interest in Posten's future.

One of the ways in which we look after the stakeholder group of investors and bankers is by inviting them to quarterly presentations of the results, which are also streamed live on publication of the half-year and annual results.

Dialogue with business customers is structured through the NPS tool, which continually measures customers' experiences with services and enquiries. In addition, an annual customer satisfaction survey is carried out. Read more about this in the "Customer-oriented" section of the chapter "Our Relationships and Partnerships".

Dialogue with business customers also takes place proactively through the account manager in order to ascertain service requirements and chiefly through customer services, as and when incidents arise. Dialogue with private customers takes place at delivery depots as well as through customer services.

Communication with employees takes place through the Group's joint communication channels and through line management. The Group attaches importance to reaching employees effectively wherever they are. For the past few years we have actively employed social media, and the number of followers is growing constantly. The Group's Facebook page for employees currently has 8,700 followers, and we aim to increase this number going forward. The Group has a separate SoMe strategy providing employees with guidelines for use. All employees help to build Posten's reputation as an employer when they express themselves through social media.

A reader survey was carried out in 2017 for the in-house magazine Vi i Posten og Bring ("We are Posten and Bring"). Readers gave good feedback on the usefulness of the publication and also provided input on changes that will be followed up in 2018.

The Group implemented some major restructuring processes in 2017 which resulted in a new group structure and the move to a single letter stream. We are committed to ensuring predictability during such processes by explaining them and keeping people updated on their progress. At the same time, we use line management and the intranet to explain the rationale for the end result. A project team continuously evaluates informational need during restructuring processes.

Line management plays a very important role in ensuring open and effective communication. The purpose of our senior management programme in 2017 was to prepare managers for communicating and encouraging ownership in the Group's new direction and strategy. The participants assessed the usefulness of their experience at the end of the programme and the feedback was good.

On the basis of these collective initiatives and associated feedback, Posten considers that the work on open and effective communication helped to achieve the Group's goals in this area in 2017.

Maintains its good reputation

Own indicator: Reputation

In 2017, 231 companies, agencies and organisations were assessed on overall impression, as well as on environmental awareness, corporate social responsibility and ethics, finance and profitability, and advertising and information. The survey is based on a selection that is representative of the nation as a whole.

Posten was placed 23rd on overall impression: 60 per cent of respondents had a positive impression compared with 68 per cent in 2016. Posten maintains its positive reputation, but this is a signal from the Norwegian people that the Group needs to work harder to maintain and strengthen its position. Major restructuring of mail operations, such as the discontinuation of Saturday postal deliveries and the merging of A and B mail streams, could be perceived negatively. It could also lead to Posten being perceived as less visible in people's everyday lives. Bring was included in the poll for the second time and also experienced a drop in position. 58 per cent had a positive impression of Bring, placing it at 27th position on the list – a drop of 14 places from last year.

Integrity

GRI indicators: 205-1, 205-2, 205-3, 206-1 and 418-1

The Group's integrity standard is the collective term used in Posten's company guidelines to describe the areas of corruption and other financial fraud, lawful competitive behaviour, social dumping, privacy and information security.

The Group constantly focuses on maintaining a high standard of integrity. We demand the same from our subcontractors and partners in that they must commit themselves to observing the Group's Code of Conduct for Suppliers. High demands on integrity internally and externally help raise the standards for our entire industry, contributing to good relationships with key partners.

Inadequate compliance with the integrity standard could result in significant loss of reputation and financial consequences. Investments in internal training and knowledge are therefore crucial to ensure compliance. We also make a point of monitoring that our subcontractors and partners adhere to our integrity standard.

How we work

The overall principles for integrity-related work are outlined in the Group's code of conduct, an integrity handbook and in separate Group policies. These principles are then put into operation via regulations and Group-wide tools, including instructions.

The Group has a clear and pronounced stance on the areas covered by the integrity standard.

The Group distances itself completely from all behaviour that may be affected by corruption legislation, and has a zero tolerance of corruption.

We have clear guidelines relating to marketing behaviour in that we should act as an individual player in all marketing decisions that could affect competition, and in that we should not abuse our position in those markets in which the Group could be deemed to have a dominant position.

Concerning the treatment of personal data, our approach is to demonstrate transparency of how the information is treated, and that it should be handled in a proper and secure manner, and only to the extent necessary for the purpose of achieving specific objectives that are factually justified.

When it comes to the subject of social dumping, the Group takes the clear position that it should not happen in our business. As an employer, we will ensure compliance with employees' rights in legislation, collective agreements and international conventions. The main risk associated with social dumping is related to the use of subcontractors. As such, we actively audit our subcontractors.

In the acquisition of concerns/companies, on the establishment of joint-owned companies (joint ventures) and on the conclusion of new agreements with partners in countries or industries where there could conceivably be a risk of violation of our integrity standard, an Integrity Due Diligence assessment should, as a rule, be carried out. The Group's Integrity Due Diligence regulations contain specific rules for conducting such an assessment.

The integrity standard is expressed through an integrity programme which was developed by the Group.

Stakeholders

Owner and authorities: Requirements set down in legislation and expressed expectations.

Business customers: Set down clear requirements concerning the monitoring of integrity in their invitations to tender and at contract signing.

Suppliers: Expect fairness during the processing of tenders and in collaborative relationships.

The integrity programme was adopted by Posten's Board of Directors in October 2011. In 2015, an assessment of the integrity programme was made against best practice and the Board carried out a further review of the programme.

All of the Group's operations are obliged to implement the programme to ensure that its managers and employees safeguard the Group's integrity standard.

Our manuals and policies are accessible tools for all the Group's managers and employees in the ongoing work to ensure integrity. The code of conduct and integrity handbook are available in Norwegian, Swedish and English. The decision whether to translate these into other languages is currently under consideration.

Managers and other key personnel receive regular information and training on the integrity standard to ensure a high level of competence internally within the organisation. The requirements and expectations expressed therein apply to anyone acting on behalf of the Group. This includes all managers, employees (irrespective of whether they are temporarily or permanently connected to the Group's operations) and the Group's partners, such as consultants, agents, sales representatives and distributors.

The legal director has overall responsibility for ensuring that the integrity standard has the proper content and that it is known within the Group. This involves creating and maintaining Group-wide instruments, such as guidelines, e-learning programmes, manuals and training courses. The instruments should contribute to increased understanding of and compliance with the standard. A network of local resources in each division and subsidiary ensures that there is adequate information about Group-wide measures and that these are implemented locally.

Group management is updated on the status, risk profile and ongoing initiatives in the work related to compliance with the integrity standard every six months.

We regularly assess whether integrity-related work is effective enough, including whether the guidelines are clear enough and whether they are sufficiently well-known within the Group. This assessment is carried out annually, together with the annual risk analysis, and includes measures such as an electronic survey for employees. See more about this below.

The legal director is also responsible for administering and operating the Group-wide whistleblowing scheme. This scheme was established in 2008 and is available to all Group employees regardless of their country or the company with which they are associated. It is not specifically set up to allow employees other than those from within the Group to raise concerns through this channel, but if reports are received from elsewhere, they are treated according to the scheme's guidelines in so far as these are appropriate.

If employees experience, discover or suspect questionable conditions, they are encouraged to notify their immediate superior. Where this is not possible or feels too difficult, any employees of the Group may contact the company's whistleblowing scheme. It is possible to make an anonymous report.

In light of the #Metoo campaign, Posten has also placed the issue of sexual harassment on the agenda. This shall not happen in our workplaces and employees are reminded where they can turn if they wish to raise their concerns. So far there have been no notifications of this type through the Group's whistleblowing scheme.

Managers have a particular responsibility for setting a good example and for creating a culture in which employees are able to share their concerns and dare to speak out regarding any breach of rules or unacceptable behaviour they become aware of.

The scheme is readily accessible to all of the Group's employees and can be contacted by e-mail, phone or post. Procedures have been put in place to ensure proper case handling with regard to both the whistleblower and the matter or person that is the subject of the disclosure. An important part of these procedures is ensuring that the whistleblower will not be subject to retribution following disclosure.

The legal director reports in individual cases to the CEO, and can – when deemed necessary – report directly to the Chair of the Board of Directors. The Group's whistleblowing scheme reports half-yearly to the Board of Directors' audit committee, to the internal control committee and to the CEO. The report details the number and type of cases, the results of each case and the measures and activities initiated and completed. In addition, an annual statement is given to the Group's Working Environment Committee.

Identification of integrity risks

GRI indicator 205-1: Operations assessed as being at risk of corruption.

As part of the process for assessing the risk of violation of the corruption rules and additionally of our integrity standard, last year, as in previous years, an anonymous survey was carried out.

The survey addressed the themes of corruption, competition law, whistleblowing and privacy and was somewhat more detailed than the surveys carried out in previous years.

The survey was sent to 540 individuals, of whom 75 per cent (405 individuals) completed the survey. The respondent group consisted of Group management, level three managers and employees in all four of our corporate staff sections (HR, Economy & Finance, IT and Strategy and Communications).

The Group has also had occasional assignments involving transportation in countries where corruption is more widespread, which in itself could pose a risk. The Group is aware of this risk and has concentrated efforts on providing guidelines and training to this part of the business.

In 2017, the Group conducted, in collaboration with external advisers, an extensive internal control project concerning integrity in the Group's operations outside of the Nordic region. The project was selected by the Board's audit committee based on a report from the internal control committee, which again based its report on an earlier risk analysis. A focus area for the project was supplier compliance with the Group's ethical standards. In the wake of the project, adequate measures will be taken to improve the existing ethical framework, including the routines for and monitoring of this part of the business. Where it is also relevant to Nordic operations, the corresponding measures will be taken.

The basis for the overall risk assessment relating to compliance with integrity-related themes also includes the experiences and observations of the Group's legal advisors through ongoing consultancy, general and specific training and other contact with the Group's units and suppliers.

The result of the risk analysis related to corruption and other areas surrounding the integrity standard is included in the Group's overall risk analysis, which is presented to the Board in June and December each year.

The analysis carried out in 2017 indicated that the programme is effective. This shows, for one thing, that the integrity programme is generally well-known within the Group. Furthermore, there were no confirmed corruption incidents in 2017. However, as explained above, some improvements could be made to the ethical framework, and some measures could be taken to reinforce knowledge about the programme.

The analysis further indicates that the most obvious integrity risks within the Group continue to be cross-border transportation, unlawful anti-competitive collaboration and the processing of personal data.

Communication and training

GRI indicator 205-2: Communication of and training in policies and procedures for anti-corruption.

The Group has an integrity programme to help strengthen the Group's ethical standard and understanding of subjects relating to integrity. The integrity programme emphasises the following subjects: corruption and other financial irregularities, lawful competitive behaviour, social dumping, privacy and information security. With these subjects as their basis, various tools have been developed for employees and selected partners. These tools should enable the Group's managers and employees to actively take ownership of and live up to our integrity standard.

The integrity programme is based on the Group's code of conduct adopted in 2006, and in addition to the latter it includes an integrity handbook and an e-learning programme, etc.

The code of conduct and integrity handbook were distributed to all Group employees in 2011 and 2012.

All new employees receive the code of conduct and integrity handbook when they start work at the Group.

Our partners must undertake to comply with the Group's Code of Conduct for Suppliers, which stipulates, among other things, that corruption is not acceptable and that suppliers should actively work against all forms of corruption. We refer to the "Corporate social responsibility in the supply chain" section regarding this.

The Group makes an ongoing evaluation of possible updates to the ethical framework, including the code of conduct and the integrity handbook. These documents will be updated in 2018, after which they will be communicated to the rest of the organisation.

Our e-learning programme on integrity is designed to be suitable for all employees in the Group. It does, however, have a primary target group of those employees most likely to encounter the type of risk dealt with in the integrity programme. The primary target group essentially includes all job categories except for those of postal and distribution centre employee. The vast majority within the primary target group have completed the e-learning programme on integrity.

The e-learning course is on permanent offer to the Group's employees and managers and can be completed individually or in groups. The latter happens in practice by the manager registering as a course participant in the e-learning portal, and thereafter conducting the course in meetings with their group/unit. We are not currently capable of recording which employees undergo the e-learning programme in a group setting. As such, we have no exact figures for how many individuals actually completed the e-learning course in 2017. In 2018 we will look more closely at setting up a method to record these figures.

Records show that the e-learning course on integrity was conducted 134 times in 2017, on either an individual or a group basis. Of the 134 courses conducted, 27 were completed by employees working for partners participating in the Post i butikk concept – post-office counters located in shops. The relatively low number is partly due to the majority of employees within the target group having already completed this training, and partly due to the primary focus of 2017 being on group education and training in the privacy policy.

Managers, staff employees, sales, marketing and other key personnel need to undergo training that is more advanced than the e-learning course. For this reason, courses were developed specifically for this target group and designed to be delivered in a classroom setting. These courses are based on the integrity handbook and e-learning course but go into more detail and prioritise discussions about relevant dilemmas that may arise. The main focus of training in 2017 was the forthcoming EU privacy regulations. In total, about 350 people in staff positions and divisions have received training. There will continue to be a focus on training in and awareness of the privacy regulations in the future.

As mentioned, one of the subjects of the integrity programme is lawful competitive behaviour. To ensure that all employees have sufficient knowledge of the competition rules and adhere to them, a separate handbook was created in 2013, entitled: Posten og Brings 10 konkurranserettsbud ("The 10 Commandments of Competition Law at Posten and Bring"). The handbook is available in both Norwegian and English, and it is also accessible on the Group's intranet. The Group makes ongoing assessments of the need for any updates to the competitive behaviour guidelines.

No incidents of corruption revealed

GRI indicator 205-3: Confirmed corruption incidents and implemented measures.

There were no confirmed incidents of corruption within the Group in 2017.

No fines for non-compliance with competition legislation

GRI indicator 206-1: Judicial reactions to anti-competitive behaviour and antitrust and monopolistic practices

The Group received no fines or sanctions for non-compliance with acts and regulations relating to competition law during 2017.

No complaints for violation of privacy regulations

GRI indicator 418-1: Confirmed complaints concerning violation of customer privacy and loss of customer data.

The Group's services necessitate the processing of personal information about customers and third parties. The Group sees compliance with privacy regulations and the protection of personal data as important means of building trust with our customers and mail recipients and of strengthening our position as a trusted third party in a competitive market.

The Group is very attentive to compliance with privacy regulations. It pays particular attention to ensuring that processing is limited to necessary and factual information only and that, at the same time, it practises transparency in its treatment of personal data. Our privacy strategy supports rapid technological advancement, and we have a continual focus on information security and on the integration and management of privacy into all development phases of IT systems and solutions. During 2017, the Group placed particular emphasis on developing procedures to ensure effective compliance with privacy regulations and on implementing training initiatives.

The Group received no complaints relating to violation of privacy regulations in 2017.

We refer to the information security section in "Our network and expertise" for reporting on indicators which deal with the loss of customer data..

Future integrity work

Our main focus during 2017 was on anti-corruption and preparations for the new EU privacy regulation, as well as further development of the risk analysis methodology.

Our work with the integrity programme will be continued and fortified during 2018. In the wake of the internal control project undertaken during 2017, adequate measures will be taken to improve the existing ethical framework, including the procedures for and monitoring of this part of the business. We will continue to place great emphasis on developing and optimising procedures and frameworks in order to ensure a systematic approach to compliance with privacy regulations.

In addition to the Group's own solicitors, a network of resource persons within the divisions also assists with communicating and implementing the integrity programme at a local level. These local resource persons are important for ensuring good knowledge of the integrity programme throughout the Group. Our priority will be to maintain and strengthen this network in the new organisational structure during 2018. This also applies to resource persons who deal with reports received through the Group's whistleblowing scheme.

STAKEHOLDER | SUPPLIER | CARGONET

CARGONET is Posten's supplier of rail freight services and Norway's largest carrier of freight on the rail network. CargoNet works actively with Posten on solutions for facilitating and increasing freight on the rail network.

"In what way is Posten's work on sustainability important to you?"

"Posten's commitment to sustainability highlights how important it is for us as a supplier of transport services to continually develop our environmentally friendly solutions. Posten's growth on the rail network sets a new standard for the industry."

CargoNet is Norway's largest carrier of freight on the rail network.

"Posten's growth on the rail network sets a new stand-ard for the industry."

KNUT BRUNSTAD

Sales Director at CargoNet

Corporate social responsibility in the supply chain

GRI indicators: 308-1, 308-2, 414-1, 414-2, 102-43, 102-44

The Group is exposed to reputational risk associated with suppliers and subcontractors who largely represent Posten when they perform work for the Group; for example, post-office counters in shops and subcontractors providing transport. The Group's suppliers thus affect the company's ability to deliver its customer promises and other strategic goals. As a major player, the Group has the opportunity to influence industry standards and conditions in a positive manner by working on corporate social responsibility in the supply chain. One goal is for the Group's ethical standards for suppliers to be met through preventive work, risk assessments and checks of its suppliers.

How we work

The centralised expert unit for HSE and corporate social responsibility ensures systematic group-wide solutions and coordinates work on corporate social responsibility in the supply chain. Suppliers with group-wide agreements are monitored by the purchasing department. Transport suppliers are monitored by the relevant divisions and business areas. Divisional coordinators manage local coordinators in any business contact with transport suppliers and ensure local underpinning.

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 that have signed an agreement with the Group must sign the Ethical Standards for Suppliers document, which gives 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.

Dialogue with both existing and potential suppliers is central to the Group's purchasing procedures. Posten conducts both written and verbal dialogue in the form of workshops as part of its standard procurement process. When in 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 meeting the Group's purchasing requirements in a satisfactory manner. This applies both before a contract is concluded and during the contract's term.

Stakeholders

Business customers: Major companies set requirements for systematic monitoring. They expect partners acting on behalf of Posten to comply with their standards.

Owner and authorities: Expect acceptable behaviour and zero social dumping. This is important, as suppliers that represent Posten also indirectly represent the owner.

Suppliers: Require predictability and control.

Targeted work against labour market crime

GRI indicator 414-2: Substantial actual and potential negative consequences to society in the supply chain, environmental criteria, labour practice criteria and human rights criteria in the supply chain, and implemented measures.

A total of 80 suppliers submitted self-reporting for the first time in 2017 and a further 13 updated existing self-reporting. All of these have been assessed on compliance with the Group's ethical standards for suppliers, including HSE, employee rights, human rights, business practice and the environment. Within priority categories (transport services, cleaning, work clothes and building/construction), 48 per cent * of suppliers have submitted self-reporting. These vendors account for 61 per cent of the total costs associated with the priority categories. Within the car transport category, which in particular relates to the core business of the Group, 58 per cent have submitted self-reporting. These suppliers account for 70 per cent of the total cost of transport services in the Group.

The Group has also continued its work to combat labour market crime within the transport industry, with a particular focus on the courier and express transport segment.

Unannounced inspections linked to the Group's minimum requirements for ethics and the environment have been carried out at six different locations in the Nordic region. A total of 69 drivers and 18 assistants were checked and interviewed. These were affiliated to 35 different carriers which have contracts with various Group companies. Carriers that were registered as having potentially violated the Group's requirements were followed up with audits.

17 road transport suppliers and one IT supplier were audited in relation to compliance with the Group's ethical standards for suppliers. For 89% of the audited suppliers, improvement plans for compliance with the Group's requirements were agreed. Audits and checks are approved by the Group's council for revisions and inspections. The council comprises the Group Director for HR/HSE, the Director for HSE and CSR,

The Group performs regular checks on its suppliers. Violations of the Group's requirements are closely followed up.

PHOTO: Håvard Jørstad

the Director of Procurement and the Legal Director. The council is presented with risk assessments of the supply chain which it uses to define risk-reducing measures.

New processes for corporate social responsibility in the supply chain were developed in 2017 and these will be implemented in 2018. These include, for instance, new routines for background checks on carriers in advance of contract conclusion.

In 2017, an internal audit of the procedures and practices for purchasing transport services from third parties outside the Nordic region was conducted. The audit resulted in an improvement proposal which is to be implemented in 2018.

Road transport – the greatest environmental challenge

GRI indicator 308-2: Significant actual and potential negative environmental impact from labour practices in the supply chain and implemented measures.

A total of 80 road transport suppliers submitted self-reporting relating to compliance with the Group's environmental requirements. 14 road carriers (17%) reported a deviation from the Group's minimum requirements relating to EU emissions standards (minimum Euro 5). No road carriers (0%) reported deviations from the Group's age requirements for light vehicles (maximum age of five years for vehicles under 3.5 tonnes).

The most substantial negative environmental impact identified among the Group's transport suppliers originates from road transport. Road transport accounted for 61 per cent of total emissions in the transport supplier chain in 2017, air transport accounted for 17 per cent, ferry transport 19 per cent and rail transport 3 per cent.

The emissions relate to: emissions of greenhouse gases that contribute to global warming, predominantly carbon dioxide, methane and nitrogen dioxide; emissions of air pollutants that contribute to a poorer local environment, such as nitrogen oxides, particulate matter, carbon monoxide and hydrocarbons; and finally, traffic noise. No contractual agreements were terminated with any suppliers on the basis of environmental impact.

Criteria for the selection of suppliers

GRI indicator 414-1: Percentage of new suppliers selected based on criteria for social impact, human rights criteria, labour practices and environmental criteria (308-1)

For all 35 acquisitions implemented by Group Procurement in 2017, a requirement in the pre-qualification phase was 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 at **postennorge.no**.

Majority of suppliers provide transport services

Of our 902 suppliers with a turnover in excess of NOK 2 million in 2017, more than half supply primarily transport services. The operation having the most suppliers and the largest procurement in 2017 was the Logistics Norway Division. Other major categories are support for special transport equipment and IT.

* All percentage calculations are based on a list of suppliers having turnovers in excess of NOK 2 million per year/during 2017.

Our network and expertise

Our network is Posten's lifeblood. Knowledge of how we optimally exploit the various networks is decisive for our strategic success. The Group relies on good operating models for optimising its distribution and logistics network and, not least, for enabling a reduced environmental impact on society. At the same time, Posten is becoming increasingly reliant on technology. Technology is a crucial factor in the stable operation and development of our network and value chains. There are three aspects in this capital area which we need to report on.

Emissions-free and efficient transport, and logistics

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

Network

Self-reporting

Information security

GRI 418-1

Emissions-free and efficient transport, and logistics

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

The largest source of greenhouse gas emissions in Norway is the transport sector, while at the same time freight forwarding is fundamental to almost all value-adding activities. If Norway is to meet the EU's expectation of a 40 per cent reduction in greenhouse gases in the sectors not subject to quotas by 2030, the major part of the reduction must happen in the transport sector. As one of the Nordic region's largest transport operators, Posten's CO2 impact is considerable.

Consequently, the environment is one of the Group's most important areas within corporate social responsibility, and its two biggest climate challenges are reducing CO2 emissions from heavy goods vehicles and minimising local pollution. Our biggest initiative, therefore, involves phasing out heavy goods vehicles that use fossil fuels and electrifying vehicles used in urban areas.

How we work

The Group's environmental vision is "to work purposefully towards environmentally efficient operations and sustainable development" and this supports one of the Group's main goals: sustainable and innovative development. The Group is actively working to reduce the extent of its environmental impact and has reduced CO2 emissions continuously over the past eight years. In 2016, the company met its environmental target of a 40 per cent reduction in CO2 emissions by 2020. As a result, the Group decided on a new and highly ambitious environmental goal in 2017 to be using only renewable energy sources in its vehicles and buildings by 2025.

The climate account results shows a 6 per cent reduction since 2016, which equates to a CO2e of 26,565 tonnes. A large proportion of the reduction is due to the discontinuation of unprofitable shipments and Saturday deliveries. More stringent requirements for HVO feedstock and national requirements for increased biofuel use have resulted in increased HVO prices. This price rise led to us using a fuel mix with less HVO and less pure HVO in Norway in 2017.

The centralised expert unit for HSE and CSR ensures systematic group-wide recycling of good solutions and a unified approach. A group-wide environmental network that consists of environmental resource persons from all business areas also ensures that experience and best practice are shared across the organisation. The expertise we need in specific areas is secured through external partners and suppliers.

A climate reporting system is used for the entire Group to record its total climate impact. The Board of Directors and Group management team are regularly updated on the status and risk profile of environmental work and any ongoing initiatives. Environmental work is also defined in a separate environmental policy and strategy supported by action plans in the business areas. This was updated in 2017 to accommodate new environmental goals. The Group works in accordance with

Stakeholders

Owner and authorities: Obligated through ownership report to make its operations more environmentally friendly.

Business customers: Major customers (ASKO, IKEA, oil and gas) are committed to the environment and stipulate requirements.

Private customers and local communities: Customers notice environmental efforts, something which is visible in IPSOS MMI's reputation polling. Posten is in 6th place in the section concerning environmental awareness. Customers in Sweden are perceived as being interested in the environment.

yearly environmental action plans in the business areas and the work is followed up through quarterly reports, business reviews, management KPI charts and PLUSS reviews. Goals for the Group and the business areas are drawn up on a yearly basis as well as up to 2020. The environmental goal is also followed up through the senior management KPI chart.

The Group wants to be socially responsible by being an active driver in reducing its own emissions, but it also wants to drive development towards a green shift. Good and close co-operation between businesses, organisations and the authorities is therefore extremely important. The Group has worked together with Zero in Norway and the 2030-secretariat in Sweden for a number of years. It is also a partner in a project to establish the environmentally efficient distribution of goods in Drammen city centre and Stockholm and participates in the international EU project FREVUE together with SINTEF.

The Group is actively working to establish a market for larger electric vans by sharing its own experiences with electric vehicles and through participation in Zero's Emissions-free Utility Transport project. It also has ongoing dialogue and collaboration with various actors, such as TINE, NHO (the Confederation of Norwegian Enterprise) and TØI (the Norwegian Centre for Transport Research) and has held lectures on the environment on several occasions, both in Norway and Sweden, and in addition has participated in Sweden's Almedalen week. The Group is also participating in Næring for klima, an environmental partnership between Oslo municipality and the business community. Klimatpakten is a similar partnership operating in the City of Stockholm, and the Group is also participating in this. The Group is a member of the International Post Corporation, which promotes international collaboration within the industry and is also a member of Nordic Swan's purchasing club and Grønt Punkt.

The Group is actively working to establish a market for larger electric vans.

PHOTO: Håvard Jørstad

Reducing greenhouse gas emissions and polluting less

GRI 305-1: Direct emissions of greenhouse gases (CO2e)

2017 has been a challenging year for reducing emissions from heavy goods vehicles. The Group had previously invested in ten tank facilities in order to make use of HVO (hydrogenated vegetable oils). This is a second-generation fuel consisting of vegetable oils and waste certified in accordance with the EU's sustainability criteria. The arguments against first-generation biodiesel (e.g. that using raw materials like oil seed rape and sugar cane takes up valuable land and pushes up food prices in poor countries) do not apply to HVO. The Group refrains from using palm oil or palm-oil based raw materials, which has resulted in a reduced supply of raw materials and increased prices. Requirements for increased biofuel use and reclassification of the raw material PFAD from a waste product to a by-product have made it challenging to obtain sustainable raw materials certified under the EU sustainability criteria. In 2017, the Group used 0.7 million litres of renewable diesel based on waste cooking oil from tank facilities located at our new Alnabru Logistics Centre.

The Group has 93 biogas vehicles in Stavanger, Oslo and Jevnaker, and in 2017 we also started to use biogas vehicles in Skien. Vehicles that run on bioethanol are being tested in Bergen.

Bring continues its commitment to using renewable diesel in Sweden. The company has 197 cars which used over 8.3 million litres of HVO. Bring has also conducted pilot tests in Sweden to trial HVO in light lorries where the suppliers do not endorse the use of renewable diesel as fuel. These pilot tests have yielded good results, and the fuel works entirely without problems. The project has been extended into 2018.

The Group also has Norway's largest fleet of electric vehicles, with nearly 1,200 electric vehicles consisting of 518 electric mopeds, 511 electric cars and 150 electric carts. Today, over 80 per cent of Norway's population lives in towns and cities, and this figure is expected to rise. The Group's investment in zero-emissions solutions and collocation of these has resulted in 43 central areas in towns and cities across Norway having completely emissions-free mail distribution. This results in better air quality, less noise and reduced greenhouse gas emissions.

In 2017, the Group expanded its electric vehicle initiative by being the first in the Nordic region to test Maxus, the electric van produced by China-based SAIC Motor. The size of this van allows it to be used in the distribution of parcels and goods. The electric van will be used in Oslo city centre and will help to build a market, thus demonstrating that electricity is a good option in this segment as well. Also, in Helsinki, Finland a smaller electric van is being tested in urban distribution.

In 2017, Bring received the Swedish Confederation of Transport Enterprises' sustainability prize for the Älskade Stad ("beloved city") project. The initiative is a commercially sustainable, industrial collaboration between Ragn-Sells, Bring, Vasakronan and the City of Stockholm. The collaborative goal is to pick up the pace and encourage more sustainable initiatives that benefit from a vibrant urban environment. This initiative uses an electric car to coordinate the distribution of goods and packages with waste logistics in central Stockholm, reducing the transport of both incoming and outgoing waste. The collaboration is scalable and can be expanded in both Stockholm and other cities, and can include more companies.

In 2017, the Group opened several new logistics centres with impressive environmental profiles. The Trondheim logistics centre has several excellent environmental solutions including, for example, high-speed doors to halve energy consumption, solar panels and wind turbines providing approximately 25 per cent of the distribution centre's total energy demand, and a battery bank that stores enough power to charge 80 electric vehicles. The hub of the Group's modern logistics network, the Oslo logistics centre at Alnabru, opened in October. The logistics centre is a collocation of the earlier Posten and Bring distribution centres at Karihaugen and Skårer. It is estimated that the collocation at Alnabru will result in 10,000 fewer kilometres being covered every day, leading to an annual CO2e reduction of 4,200 tonnes. In addition, it provides close proximity to customers and the rail freight terminal. The Group also updates its car fleet regularly, which helps reduce local emissions. The average age of the cars in the parent company is approximately two years. 91.3 per cent of the vehicles are Euro 6 standard, and 8.5 per cent are Euro 5 standard. The Group has introduced speed reduction in 684 lorries, and this is being introduced as standard in all new vehicles.

Reporting

The Group has made no changes to emissions factors between 2016 and 2017.

The Group has previously reviewed the reporting system to improve the quality of the data reported.

In 2015, the Group reviewed the emissions factors used in climate reporting and changed from reporting on CO_2 to reporting on CO_2 equivalents (CO_2e). CO_2e gases are CO_2 (carbon dioxide), N_2O (nitrous oxide) and CH (methane). This covers all emissions from sources defined in the Greenhouse Gas (GHG) Protocol, except for refrigeration gases, which are not part of CO_2e. Other greenhouse gases that are not part of the GHG protocol are not reported.

All emissions presented in the Group's climate accounts in 2017 are presented as tonnes of CO_2 equivalents. The calculation of emissions is based on a mixture of consumption figures, data from various transport systems relating to subcontractors and estimates where data is inaccurate.

2017 RESULT

The consolidated climate accounts show great progress

The annual climate account shows a 6 per cent reduction since 2016, which equates to a CO_2e of 26,565 tonnes. A large proportion of the reduction is due to the discontinuation of unprofitable shipments and Saturday deliveries, and to the use of renewable diesel. There is an increase for rail and boat, but a reduction for air and road.

The table shows the consolidated climate accounts for the Group in metric tonnes of CO_2e from 2015 to 2017. Scope 1 is GRI indicator 305-1, Scope 2 is GRI 305-2 and Scope 3 is GRI 305-3.

Consolidated climate accounts for the Group in metric tonnes of CO_2e (Table 4)

[tonnes CO2e]	2015	2016	2017*
Scope 1	**128,595**	**109,949**	**103,164**
Road	127,981	109,404	102,892
Buildings	613	546	272
Scope 2 (location-based)	**15,604**	**15,127**	**13,002**
Scope 2 (market-based)	**48,431**	**2,449**	**2,089**
District heating	2,514	2,449	2,089
Scope 3	**349,525**	**328,617**	**309,197**
Road	219,141	216,458	187,306
Rail	5,492	4,655	8,985
Air	62,630	56,005	51,203
Water	56,760	47,355	57,689
Business travel	5,503	4,143	4,015
Total (location-based)	**493,724**	**453,693**	**425,363**
Total (market-based)	**526,551**	**441,015**	**414,450**
	2015	2016	2017
Outside of Scopes**	35,892	50,703	49,210

*) Sources for emissions factors are the Department for Environment, Food & Rural Affairs' (DEFRA) collection of emissions factors from 2015. Emissions factors are tank-to-wheel (TTW). Location-based electricity is the Nordic production mix of 2015. The consolidation method according to the GHG protocol is "organisational control" **) "Outside of scopes" is the direct CO_2 effect of the combustion of biofuel. Emissions included in "Outside of scopes" are quickly absorbed by bioenergy sources during their lifetime. "Outside of scopes" is included to ensure comprehensive accounting for those emissions arising from the combustion of biofuels.

Significantly reduced emissions from own vehicles (Scope 1)

GRI 305-1: Direct emissions of greenhouse gases

The Group reduced its direct emissions by 6 per cent (6,785 tonnes CO2e) from 2016 to 2017. The cessation of operations in Sweden contributed to a 5,536 tonne reduction of CO2e. The one million litre reduction of fuel consumption in the Mail Division is a consequence of the discontinuation of newspaper and Saturday deliveries. The reduced availability of pure HVO for Logistics Norway led to an increase in emissions.

Reduced emissions from electricity consumption (Scope 2)

GRI 305-2: Energy – indirect emissions of greenhouse gases.

The Group reduced its electricity consumption in buildings by 13 per cent in 2017. This includes electricity used for the Group's 1,179 electric vehicles. The reduction was mainly due to reduced electricity consumption in the Logistics Nordic Division, where three cold storage facilities in Denmark were closed towards the end of 2016.

Since 2015, new EU requirements stipulate that reporting of greenhouse gas emissions from electricity consumption must be reported in two ways: by location and by market. The requirements must be in accordance with the GHG protocol. Using the location-based method, the Group has reduced its indirect emissions by 13 per cent. In 2015 and 2016 in Sweden, energy mapping was carried out in accordance with legislative requirements. Using the market-based method, Posten has no emissions from electricity, since it purchased electricity with Guarantees of Origin for the Group's entire electricity consumption in 2017, as it did in 2016. Electricity having a Guarantee of Origin has been produced using renewable energy sources. The Group has purchased hydroelectric power with Guarantees of Origin for the whole of its operations in Norway, Sweden and Denmark.

Emissions of greenhouse gases (Table 1)

Scope 1 [tonnes CO2e]	2015	2016	2017
Group	**128,595**	**109,949**	**103,164**
Road	127,981	109,404	102,892
Buildings	613	546	272
Logistics Norway Division	**91,276**	**79,330**	**83,159**
Road	91,157	79,263	83,147
Buildings	119	67	12
Logistics Nordic Division	**19,420**	**14,840**	**7,698**
Road	19,041	14,488	7,470
Buildings	379	351	228
Mail Division	**17,899**	**15,779**	**12,307**
Road	17,784	15,652	12,275
Buildings	115	127	32
Outside of scope	29,005	44,201	35,664

Indirect emissions of greenhouse gases from electricity consumption (Table 2)

Scope 2 [tonnes CO2e]	2015	2016	2017
Group (location-based)	**15,604**	**15,127**	**13,002**
Group (market-based)	**48,431**	**2,449**	**2,089**
Electricity (market-based)	45,917	0	0
District heating	2,514	2,449	2,089

Stable emissions from subcontractors (Scope 3)

GRI 305-3: Other indirect greenhouse gas emissions

Emissions from the Group's subcontractors have reduced by 6 per cent (19,420 tonnes CO2e).

The Logistics Norway Division increased its emissions from subcontractors by 3 per cent from 2016 to 2017. Transport by boat has increased as a result of higher volumes from international business.

The Logistics Nordic Division reduced its emissions by 19 per cent from 2016 to 2017. The reduction is due in part to the discontinuation of unprofitable operations, which constitutes 11 per cent of the division's total reductions. The remaining 8 per cent reduction from subcontractors is due to increased consumption of renewable diesel.

Indirect emissions of greenhouse gases through our subcontractors (Table 3)

Scope 3 [tonnes CO2e]	2015	2016	2017
Group	**349,525**	**328,617**	**309,197**
Road	219,141	216,458	187,306
Rail	5,492	4,655	8,985
Air	62,630	56,005	51,203
Water	56,760	47,355	57,689
Business travel	5,503	4,143	4,015
Logistics Norway Division	**215,217**	**197,836**	**203,018**
Road	112,665	111,265	102,962
Rail	5,371	4,536	8,940
Air	57,859	51,600	45,723
Water	38,211	29,429	44,275
Business travel	1,111	1,006	1,119
Logistics Nordic Division	**131,546**	**128,002**	**117,130**
Road	105,583	104,186	83,445
Rail	121	120	45
Air	4,771	4,405	5,480
Water	18,549	17,926	13,414
Business travel	2,523	1,365	1,207
Mail Division	**2,257**	**2,329**	**2,316**
Road	893	1,007	899
Business travel	1,364	1,322	1,417
Outside of scope	**6,887**	**6,502**	**13,546**

Towards a more climate-efficient organisation

GRI 305-4: Greenhouse gas emissions intensity

The Group's turnover in 2017 was at roughly the same level as in 2016, while the level of emissions per NOK earned decreased. This implies a more efficient organisation in terms of greenhouse gas emissions.

The table shows the Group's greenhouse gas emissions intensity over the last three years. All emissions are included (Scopes 1-3) in the calculation of emissions intensity.

The Group's greenhouse gas emissions intensity (Table 3)

Relative target *	2015	2016	2017
CO2 emissions (grammes) per NOK earned	19.5	17.8	16.8

* Market-based, Scope 2 is used in the calculation of greenhouse gas emissions intensity

The Group continues its environmental commitment in 2018

In 2018, the Group will actively phase out fossil fuels, replacing them with sustainable renewable diesel, and continue to electrify vehicles used in towns and cities, in line with our environmental goal to use only renewable energy sources in vehicles and buildings by 2025. Other important focus areas will therefore include: seeking out low-and-zero-emissions vehicles; piloting and testing new technological solutions as they become available; and utilising the latest technology in our vehicles.

The Group has discontinued its Environmental Fund and replaced it with a central support fund for piloting low- and zero-emissions vehicles. The further development of new distribution centres will be important for the collocation and optimisation of our routes. This will reduce energy consumption and kilometres covered.

The Group has 45 units certified under Eco-lighthouse (Miljøfyrtårn), and important tasks in 2018 will include recertifying units and certifying new distribution centres.

Our employees are our most important asset in environmental work, and the Group will continue training in environmental driving and provide general environmental skills in the Step-by-Step e-learning programme in 2018.

STAKEHOLDER | PRIVATE CUSTOMERS AND LOCAL COMMUNITIES | ALNA COMMUNITY

In connection with the establishment of the Oslo logistics centre, Posten has worked with the **ALNA COMMUNITY** to make the immediate area more attractive.

"In what way is Posten's work on sustainability important to you?"

"As the host district for Posten's logistics centre in Oslo, we see it as important that the new centre contributes to fewer kilometres being travelled in Oslo. We also regard it as very positive that Posten has facilitated several good environmental measures, such as the pedestrian and cycle route through the grounds of the distribution centre, which is important for both employees and the general public. There are also future plans to link the pedestrian and cycle route to walks continuing on to Alna Park and Groruddalen.

"The collaboration has also resulted in the establishment of a park with water features up towards Lower Kalbakkvei, which is a considerable upgrading of the area. The Kjelsrud beck (Kjelsrudbekken), which was previously closed during Posten's ownership, has now been opened up. In addition, Posten and the City of Oslo worked together to remove a large industrial refuse tip before setting up the park. All in all, this has significantly lifted and softened the landscape around the distribution centre."

The green area around the Oslo logistics centre (LSO) was created in collaboration with the community of Alna.

Photo: Birger Morken

As the host district for Posten's logistics centre in Oslo, we see it as important that the new centre contributes to fewer kilometres being travelled in Oslo.

KNUT RØLI

Leader of Alna District Council

Network

Self-reporting

Customer requirements for transport and logistics are continually growing. The emergence of e-commerce has led to an influx of new solutions, in terms of both delivery forms and user-friendly technology. Online trading results in increased volume and seasonal fluctuations that can challenge the network's capacity. At the same time, letter volumes continue to decline. All of this requires continual adjustments to structures and processes. There is also ongoing pressure on price – customers want the lowest possible transportation costs.

How we work

Posten lives to deliver. This means managing and operating a large transport network that runs from customers via distribution centres and depots to recipients throughout the Nordic region. Consignments vary enormously in size and weight – from letters weighing a few grammes to heavy goods weighing several tonnes. The Group's approximately 17,000 employees are responsible for large values in terms of distribution centres and transportation means. In addition, a large number of small and large local carriers operate on behalf of the Group throughout the Nordic region. Considerable expertise is required to structure and manage such a large network. The network has to operate cost-effectively, it should be environmentally friendly, and it should provide both our own employees and those working for partners with a good working environment and a high level of security.

The Group has just updated its corporate strategy and, in connection with this, we have evaluated the work relating to our network. This work is considered to be constructive in achieving the Group's objectives. Based on this, our network continues to be a central theme in the new strategy.

Fewer and larger distribution centres

During the last few years, the Group has been working on a significant investment programme for renewing the distribution centre structure. In order to make optimum use of resources, separate goods and parcel distribution centres have been collocated. In addition, the total number of distribution centres has been reduced to ensure capacity utilisation and efficiency. New distribution centres were opened in Oslo, Trondheim and Narvik during 2017, and Gøteborg and Stokke are next in line for 2018. Further new distribution centres, including Bergen, Stavanger and Copenhagen, are in the planning stage. The fall in letter volumes and the change to a two-day stream means that the operations of the letter distribution centres will be restructured and consolidated into fewer locations.

New technological foundation

The Group is using the New Posten and Bring programme to renew its technological

Stakeholders

Owner and authorities: Implicit interest through required rate of return.

Business customers: Implicit interest if the optimisation of the network affects price, customer service or quality. Expect it to be easy to deal with Posten.

Employees: Linked to their individual working days and workplaces.

Suppliers: Could affect the working day and expectations.

Investors and banks: Could be implicitly relevant to credit risk.

foundation – for both managing the network's resources and developing the customers' tools for managing their own logistics. The MyBring customer portal undergoes continuous improvement and has extended functionality. On the receiving end, both the website and Posten's tracking app undergo continuous refinement. Employees within the Group have new tools to make their working day more efficient and to improve resource utilisation and work processes. As part of the programme, all work processes are reviewed to clean up unwanted process deviations and exploit new technology. At the same time, service categories and transport terms and conditions are simplified and orientated towards the customer.

Depending on the people

In spite of major investment in buildings and technology, the quality of a network will always depend on the people who run it – on their work effort, motivation and expertise. A major reorganisation of the network is taking place and all of the Group's employees are actively involved in and implementing the changes. Both logistical expertise and adaptability will continue to be important success factors for years to come.

PHOTO: Håvard Jørstad

New digital tools – such as digital collection messages – make the employee's working day more efficient.

Information security

GRI indicator: 418-1

Information security involves making sure that information processed by the Group is safeguarded against all forms of confidentiality breach and access denial, and that the information is complete and correct. The combined threat to Posten must be understood and necessary measures implemented to ensure that the risk remains at an acceptable level. In addition, we must ensure that there is sufficient expertise and capacity within the organisation, including among our contractual partners, such that the consequences for the business are minimised should any security incidents occur.

The Group will increase profitability through innovation and customer efficiency. The digital shift will lead to information becoming increasingly exposed to risk, especially through mobile data handling, increased use of cloud services and increasingly complex value chains. In addition, cybercriminals have changed their operating method: rather than attacking computers, they now attack persons considered to be the weakest link in the information chain.

Therefore, it is important to ensure that the information security risk is kept within an acceptable level.

Information security breaches can impact our customers and employees and have major consequences for the business in the form of increased costs and loss of reputation and income. Therefore, information security should support and safeguard the operation of the business, public trust and our reputation in the public space by preventing and limiting the impact of undesirable security incidents.

How we work

The overarching principles for the work on information security are embodied in a separate Group policy, with the corresponding corporate rules, procedures and guidelines. The documents are based on the recognised framework of the ISF's Standard of Good Practice (SoGP) and ISO/IEC27002.

Posten's information security strategy is based on active risk management. The aim is to establish and maintain a level of security that safeguards personal information, products and services while taking reasonable account of risk, costs and operational matters. The information security work is ongoing, with as much of a focus on employee knowledge of and attitudes to information security as on the technology used to streamline information processing.

The Group's expert unit on information security is responsible for setting the standard and conditions and for being an active advisor and driver in the establishment of adequate information security for all information processing within the Group. This applies to processing carried out internal to the orga-

Stakeholders

Owner and authorities: Expect the implementation of effective information security under the Norwegian government's Action Plan for Information Security in Government Administration and compliance with regulatory requirements, including the information security requirements of personal data regulations.

Business customers: Assume and require satisfactory 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 activities.

nisation as much as to processing in systems, applications and networks.

This responsibility also involves setting security requirements for our suppliers, working actively on employee awareness and participating in decision-making processes that affect information security. In addition, we continually monitor the prevailing threat level surrounding cyber security. We perform security tests on our infrastructure, carry out security audits of suppliers and our own internal processes, conduct risk analyses and implement measures to maintain adequate information security.

Daily responsibility for information security lies with line management and in the business area that has the closest relationship to the information being processed. This is where the best conditions are for determining protection requirements and assessing the consequences of absent information, confidentiality breaches and undesirable changes to data. The manager is responsible for information processing in the services and work processes that the department owns, develops and manages.

During 2017, we carried out awareness campaigns aimed at the Group's IT users on the topics of information security, online financial fraud and the secure processing of e-mail. The campaigns took the form of five to ten nano-learning sessions of a two-to-three-minute duration. We consider that there was good and active participation among the users.

Group management receives quarterly updates on the status and risk profile of information security and any ongoing initiatives within the organisation. In addition, it is updated at every Group management meeting on events relating to information security. At the end of each year, we present an annual report to Group management summarising the events that the company has been exposed to in the current year, how we assess the threat level and the actions that are being planned going forward.

We consider that the information security work in the Group is effective. We justify this in that there were no serious security incidents in 2017 that had consequences for our customers or business operations – this in spite of the fact that we are continually exposed to both viruses/malware and phishing scams.

No complaints of loss of customer data

GRI indicator 418-1: Total number of confirmed complaints concerning breach of customer privacy and loss of customer data.

The Group received no complaints concerning breach of customer privacy or loss of customer data during 2017. Nor have we identified any cases of leaks, thefts or loss of customer data.

We also refer to the section on integrity in the chapter "Our relationships and partnerships" regarding that part of the GRI indicator which pertains to breach of customer privacy.

Increased digitisation without increased risk

Our aim for the future is to support the business needs of innovation and rationalisation through improved digitisation and the use of new technologies, without compromising the risk level. For example, information security must constantly adapt to changing demands for mobile access and more stringent privacy requirements. In order to achieve this, we need to successfully implement integrated information security, which is supported by the framework we use (SoGP). Systematic work on risk assessments and the understanding of acceptable risk is a prerequisite for this to succeed.

In addition, the information security and legal departments have established a joint project to adapt themselves to the new privacy regulation, the EU's GDPR, which will enter into force from May 2018. The work involves establishing policies, procedures and guidance to comply with the GDPR, identifying changes that need to be made in IT systems and working out control routines. The work has as much emphasis on information security as on privacy.

Our ability to change

In a world where development takes place at an ever-increasing rate, Posten is dependent on increasing its pace of change in order to achieve long-term value creation. Developments in the markets in which we operate are driven by increased consumer power and digitisation. This results in changing customer behaviour and increased competition, which in turn create a need for changing framework conditions and multi-dimensional innovation. There are two aspects in this capital area which we have chosen to report on.

Competitive framework conditions

Self-reporting

Innovation and service development

GRI indicator: 404-2

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

Competitive framework conditions

Self-reporting

In order to ensure good framework conditions for the business, it is important for Posten to work proactively and with a long-term perspective with regard to central government. It is particularly important to create an understanding of the need for restructuring and adaptation of the services offered within the mail segment. Changing relevant framework conditions can often take a long time. There are financial and strategic risks associated with framework conditions that are not tailored to the competition situation and changing customer demands.

How we work

Posten's social mission is to ensure the provision of high quality, reasonably priced nationwide postal services. This has been set down in the company's Articles of Association.

The Norwegian government's Ministry of Trade, Industry and Fisheries is responsible for management of the state's ownership in Posten Norge AS, while the Ministry of Transport (SD) is responsible for postal legislation, including the system for government procurement of statutory postal services that are not commercially profitable.

The Norwegian Communications Authority (Nkom) supervises Posten to make sure it is fulfilling its obligations as set out in the Postal Services Act, regulations and licence. The Group must also deal with other relevant authorities that are of significance to our operations, including our corporate social responsibility activities.

Posten has its own regulatory unit that is responsible for working with national and international framework conditions. This includes:

- Dialogue with SD on overarching framework conditions
- Dialogue with SD and Nkom concerning specific matters
- Reporting to Nkom, including delivery times and annual product accounts
- Active participation in the Universal Postal Union and industry organisations at EU level
- Membership and participation in Spekter and NHO Logistics and Transport
- Consultation responses and other contributions on political matters of importance to the Group

Posten must act as a credible and constructive voice of opinion on all questions relating to regulatory and other matters that directly affect the business in order to maintain its role as a socially responsible company and obligatory provider in the Norwegian postal market.

Stakeholders

Owner and authorities: Expect good, constructive input on relevant processes.

Suppliers: Posten's framework conditions affect suppliers' framework conditions.

Private customers and local communities: Framework conditions could have consequences on the further development of the service.

Business customers: Framework conditions could have consequences on the service offer.

Employees: Could have an impact on their working day.

Posten has implemented a number of structural changes

In recent years, Posten has implemented a number of structural changes and measures that have contributed to maintaining earnings on postal services in spite of a significant decline in letter volumes. In 2016, Saturday postal deliveries were discontinued, and as of 1 January 2018, A-mail and B-mail were merged into a new service with a two-day delivery period. Political acceptance and changes to regulatory requirements were necessary prerequisites for these much-needed reorganisations. However, they will not be sufficient to compensate for the negative effect on profit caused by the future decline in letter volumes. If regulatory requirements are not tailored to the restructuring which Posten believes is necessary to ensure satisfactory profit development, the extra costs will have to be financed through the government procurement of unprofitable business services.

Increasingly fewer letters mean that regulatory changes are absolutely necessary in order to operate profitably.

Photo: Jülien Hazemann

STAKEHOLDER | INTEREST ORGANISATIONS | ZERO

ZEROis an independent, non-profit environmental foundation that works to drive zero-emission solutions and curb investment in solutions that cause emissions.

"In what way is Posten's work on sustainability important to you?"

"Posten has been working systematically and with dedication on sustainability for a long time, and it has thus become one of the most knowledgeable companies in Norway on climate-friendly transport. We need that knowledge! When Posten takes the initiative and tries out new types of vehicles and fuels, it contributes experience that benefits the whole industry. As we know, the industry needs to halve its emissions from transport in just a few years. Posten's knowledge of solutions for sustainable transport will also be useful to national and local governments in the next few years as they reinforce climate policy to achieve national and global climate goals."

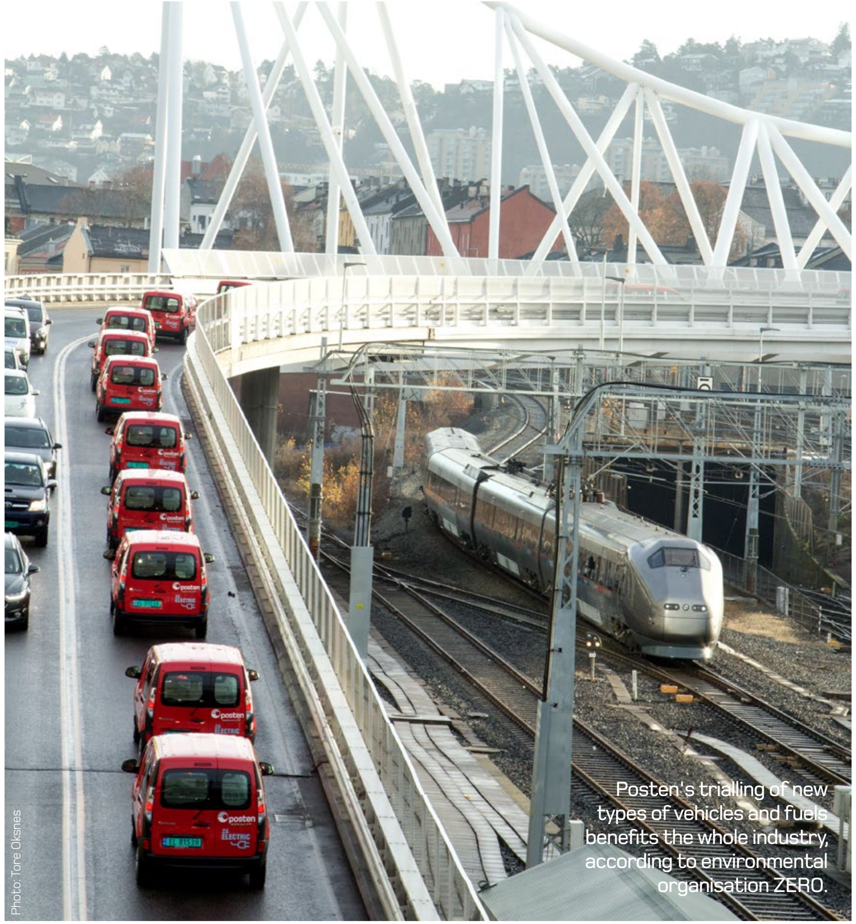


Photo: Tore Oksnes

Posten's trialling of new types of vehicles and fuels benefits the whole industry, according to environmental organisation ZERO.

When Posten takes the initiative and tries out new types of vehicles and fuels, it contributes experience that benefits the whole industry.

KARI ASHEIM

Department head for transport at ZERO

Innovation and service development

GRI indicator: 404-2

In recent years the Group has been through major changes due to digitisation, increased consumer power, a more complex competition situation and a different market dynamic.

Reduced mail volumes have resulted in the merging of A and B streams into a single mail stream. For the same reason, the government has also proposed reducing Posten's mail delivery to every other day from 2020. At the same time, the trend of increased parcel volumes continues, partly due to a rise in online commerce. When we combine this with a rise in international trade, we have the background for the desired and necessary changes.

For us at Posten, this represents an opportunity of enormous scope, while simultaneously presenting us with some challenges. We keep asking ourselves how we can meet our customers' needs in an even better way tomorrow. We need to take advantage of the digital universe for the benefit of our customers – using new business models, customised services, more efficient operations, good platforms and, not least, a good digital customer interface. Much of the change that our customers and partners experience is a natural and expected development: Posten is changing because people are changing.

How we work

In order to ensure our position in rapidly changing markets, we must, in addition to acquiring new expertise, undergo a cultural shift. Digitisation must lie at the root of our efforts in solving tomorrow's challenges. For this reason, the Group set up a unit for digital innovation in 2017. The new unit will serve as a centre of excellence for innovation and digital business development and ensure that Posten has a technologically forward-looking, customer-oriented architecture. The unit will help us to develop more efficient processes for getting new ideas to the market more quickly.

The Board is committed to raising the Group's innovative capabilities and digital vigour to enable us to develop new growth areas and solutions for both senders and recipients. In 2017, the Group developed a digital strategy which states that digitisation should be Posten's principal tool in its journey towards increasingly customer-orientated simplification. A clear digital strategy is essential for creating future competitive strength.

In order to support the digital strategy, the Group has created a digital forum, with representation from all divisions in the Group. The digital forum has the task of monitoring Posten's digital position, deciding its direction and the momentum of any selected initiative.

No formal evaluation of the work on this subject was carried out during 2017, but in 2018 consideration will be given to creating one or more KPIs.

Stakeholders

Owner and authorities: Interested in return on equity (continuation requires adaptability) and also interested in good restructuring processes.

Business customers: Interested in Posten fulfilling relevant customer needs at all times. Increasingly demand new, preferably customised, services where digital applications are important.

Private customers and local communities: Interested in Posten fulfilling relevant customer needs at all times. Increasingly demand new services and business models.

Employees: Interested in good restructuring processes in connection with, e.g., needs and expectations concerning internal and external mobility. Innovation could affect the number of jobs.

Innovation on the agenda

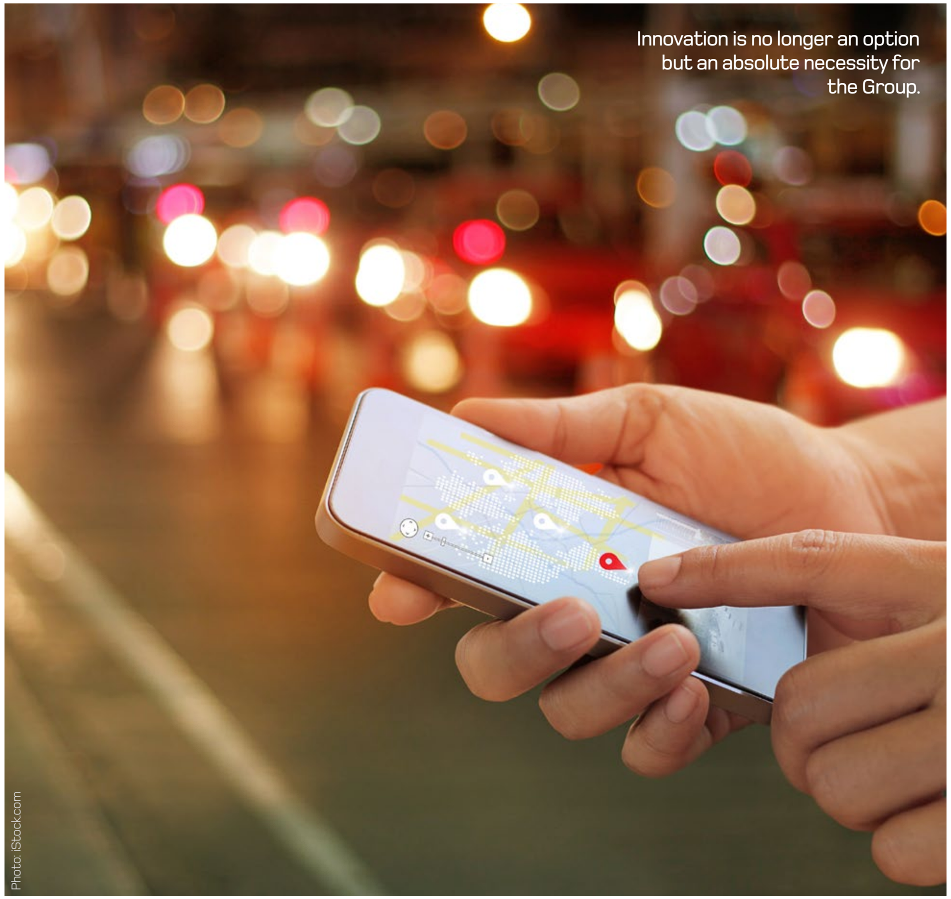
To an even greater extent than in previous years, the changes mean that the Group needs to consider innovation in several dimensions. It is no longer sufficient to think only about productivity improvements or working smarter with existing services and processes. To ensure success in the future we have to challenge, refine and change. In several industries, new competitors enter and change the dynamics of the market practically overnight. This has happened, most obviously, within personal transport, accommodation and banking/finance, etc. The threat that lies in reactivity is now clearer than ever. We consider a number of the changes we are experiencing to be permanent shifts. Innovation is therefore no longer an option but an absolute necessity.

During 2017, we continued to enjoy good collaboration with the Center for Service Innovation at the Norwegian School of Economics (see csi.nhh.no). Posten has also become a main partner of StartupLab and a member of Open Innovation Labs. These collaborations will continue in 2018.

Future challenges

Areas that will impact our industry in the future include: network and platform economies; self-driving vehicles; the analysis of large volumes of data for new insights; opportunities for home delivery arising from smart homes; and the exponential growth of the Internet of Things. We constantly challenge ourselves to deliver even better services to our customers based on the business models of the future. The Group will continue to work on developing the mail and logistics services, both alone and with our customers and partners.

We have a policy agreement whereby realignment assistance is agreed between the parties should an employee become redundant as a result of essential downsizing and it is not possible to offer new work. Realignment assistance is mainly the provision of job-seeking courses. In larger exercises where it is not possible to offer new work internally, agreements are entered into with outplacement companies for additional assistance. The offer does not apply to minor part-time positions. Participation is voluntary.



Equipping our employees with a better aptitude for change

GRI indicator 404-2: Programmes for employee competence raising and realignment.

Development opportunities for employees help to make the Group a more attractive employer. At the same time, they prepare employees for coping with changes to their working day and taking on new tasks.

In addition to skills development in the workplace, training courses are offered through the Group's own learning portal, the Academy. 50,245 individual e-learning courses were completed during 2017. This figure includes learning which is customised to Posten's partners in Post i Butikk in Norway and external carriers.

It is the Group's ambition to have the greatest number of employees as possible in Norway with certificates of apprenticeship. The apprenticeship scheme is used to recruit young people with a relevant vocational education into transport and logistics. In 2017, the last survey showed that 1,095 permanent employees had certificates of apprenticeship and 78 apprentices were in training.

For employees in job realignment programmes, the Group can offer retraining based on individual assessment. The Group also offers educational scholarships. The scholarship scheme should help to motivate employees to strengthen their formal competence. In 2017, 34 educational scholarships were awarded.

The Group has also developed its own concept for the statutory basic training on the working environment. The training comprises three mandatory parts: two e-learning courses and a two-day meeting. The training provides participants with an understanding of how we work on HSE at Posten and an understanding of better collaboration between various actors in HSE work. 107 managers, union representatives, safety representatives and HR/HSE employees completed the basic training in the working environment during 2017.

The Group's employees in Norway have, since 2015, been offered a basic Norwegian course in reading, writing and oral skills. The purpose of the course is to strengthen employees' language skills, which will assist with the mastering of tasks and increase wellbeing. It also improves safety in the workplace and helps employees become better qualified for job realignment. Seven employees completed the Norwegian course in 2017.

We have a policy agreement whereby job realignment assistance is agreed between the parties should an employee become redundant as a result of essential downsizing and it is not possible to offer new work. Realignment assistance is mainly the provision of job-seeking courses. In larger exercises where it is not possible to offer new work internally, agreements are entered into with outplacement companies for additional assistance. The offer does not apply to minor part-time positions, and participation is voluntary.

Our financial capital

Our financial capital forms the basis of our ability to develop the Group and to create long-term value for our owner. Satisfactory financial performance, solvency and liquidity are vital in order to gain access to new capital. There are two aspects which need to be reported on in this capital area.

Return on equity

Self-reporting

Solvency and liquidity

Self-reporting

Return on equity

Self-reporting

Good return on equity is relevant to meeting the requirements and expectations of the owner, banks and investors. Return on equity is important for access to capital markets and provides financial flexibility and the operational ability to realise ongoing strategies and investment programmes.

How we work

Posten has a separate unit with specialist expertise in finance which ensures that the Group has the financial flexibility to operationalise its strategies and achieve its objectives.

The Group's investment committee is responsible for ensuring the quality of all significant investments made by the Group. Investment decisions are based on thorough analysis and should meet the given criteria to ensure the necessary return on equity.

Regular meetings are conducted with lenders to discuss investment plans and financing needs, etc. In addition to the Group's presentation of annual and half-year results, relevant banks and investors are also invited to attend an annual meeting to review Posten's results, strategies and future prospects.

Positive development and good prospects

It is important for Posten to have sufficient financial latitude to implement its investment plans and operations in a demanding market. All Posten managers and employees have a simultaneous responsibility for ensuring a satisfactory return on equity by contributing to continuous operational improvements.

Posten's investment in new distribution centres will, together with the Group's ongoing improvement programme, lead to more standardised work processes, better customer experiences and increased profitability.

Ongoing and future investments combined with improvement initiatives will contribute to more efficient operations and increased returns on equity.

As of 31 December 2017, Posten's equity was approximately NOK 6,400 million, with an equity ratio of 37.6 per cent. The return on equity in 2017 was below owner requirements, but development is positive. The reason for higher equity returns in 2017 was mainly better results from operations, as well as capital gains.

Stakeholders

Owner: Sets out requirements for return on equity.

Investors and banks: Relevant to raising capital.

Employees: Relevant to job security.

STAKEHOLDER | THE CAPITAL MARKET | NORDEA

Posten is **NORDEA'S** customer within a wide range of financial services.

"In what way is Posten's work on sustainability important to you?"

"Nordea is working systematically on sustainability in all parts of the organisation and with our customers, on both the investment and financial sides. Sustainability will remain an important subject to be emphasised in our future dialogue with and assessments of customers. Posten is an important customer for us and has come a very long way by thinking about sustainability in every part of its business strategy. Nordea would like to support Posten's good sustainable business models by being able to provide sustainable financing solutions. Posten is a well-known and cherished brand name for many in Norway, and its work and demands in relation to sustainability therefore send a very important signal to its partners and to the Norwegian people. In addition, the high demands it places on sustainability in all parts of its own and on its subcontractors' operations contribute to the faster development of products and services with higher sustainability and green standards. Posten is an important pioneering example and a driving force behind the green shift in Norway, and this is also important to Nordea."

"Posten is an important pioneering example and a driving force behind the green shift in Norway, and this is also important to Nordea."

THINA SALTVEDT

Senior Adviser in Nordea's Sustainable Finance Department

Solvency and liquidity

Self-reporting

Solvency and liquidity are important for meeting the requirements of the owner, banks and investors, as well as for ensuring the Group's ability to realise its operational goals.

How we work

The Finance Department is responsible for the Group's liquidity management and solvency. The Group shall have satisfactory liquidity and loan reserves at all times, and the investment programme is continuously monitored to ensure that capital requirements do not conflict with this objective.

Good solvency and liquidity

Posten has good solvency and liquidity and considerable financial flexibility. Good capital discipline has helped to ensure that the Group is able to realise its long-term strategies and further develop the Posten and Bring brands in a constantly evolving market.

Refer to the accounts and notes in the **Annual Financial Report** for a complete overview of our financial capital.

Stakeholders

Owner: Expects good solvency and liquidity.

Investors and banks: Relevant to raising capital.

Employees: Relevant to job security.

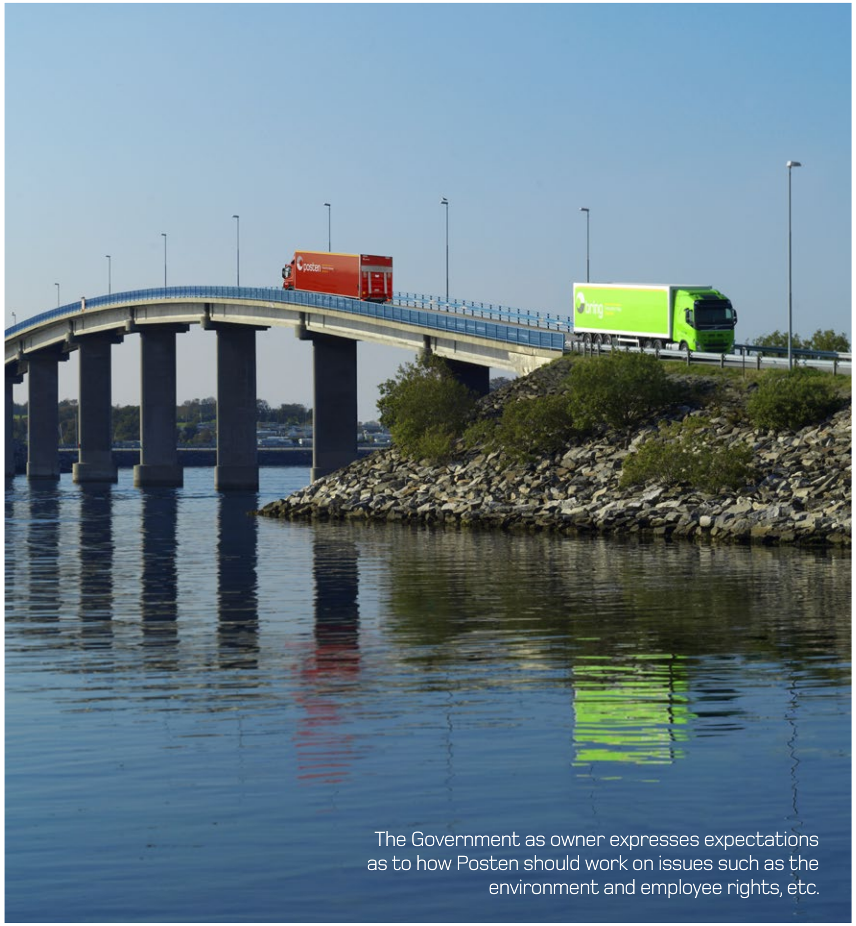
STAKEHOLDER | OWNER AND AUTHORITIES | THE GOVERNMENT

THE NORWEGIAN GOVERNMENT owns the Group through its Ministry of Trade, Industry and Fisheries.

"In what way is Posten's work on sustainability important to you?"

"Posten is a meaningful company for the Government as its owner, for companies and private individuals in Norway and for its employees. Sustainability in economic, social and environmental contexts is important for the Government as owner because it helps to safeguard and develop the Government's long-term shareholder values. Structured and professional management of sustainability work contributes in our opinion to the company's business development in that both risks and opportunities are mapped and managed. When good sustainability assessments are integrated into business strategy, we believe they contribute to increased wealth creation.

"The Government as owner has expressed expectations towards factors we believe can contribute to sustainable development in state-owned companies. This includes expectations as to how companies work with climate and the environment and human and employee rights, as well as against corruption and for transparency of cash flows. Companies that do good work integrating relevant sustainability themes into strategies and operations are usually identifiable as having a good understanding of how their business affects their surroundings and the ability to work purposefully on sustainability. They will also set goals for desired outcomes and report openly on them."



The Government as owner expresses expectations as to how Posten should work on issues such as the environment and employee rights, etc.

"Sustainability in economic, social and environmental contexts is important for the Government as owner because it helps to develop the Government's long-term shareholder values."

HEGE SJO

Director in the Ownership Department at the Ministry of Trade, Industry and Fisheries

MARKET REPORT

Weak growth in the marketplace

The post and logistics market is in flux, but last year did not bring about any radical technological shift, in spite of several interesting and important changes. Recognised trends have established themselves and now characterise the market.

Declining letter volumes are affecting the postal business, and positive but weak economic development in Norway means that growth in the logistics market is also weak. Economic development was strong in Sweden during 2017, and internationally too, the prospects for growth are better than they have been for some time.

Postal services in flux

The digitisation of society is reducing the demand for traditional postal services. In the last few years, customers in both the public and private sectors who send out administrative mail have continued to develop their digital solutions. This has resulted in an accelerated decline in the volume of Norway's letter post. Volume has fallen by 60 per cent since the peak year of 1999, and in 2017 volume fell by 13 per cent.

As of 1 January 2018, A and B mail streams were combined into one stream with a two-day delivery period. By removing the need for overnight delivery of mail, a significant volume that was previously forwarded by air has been transferred to ground-based transportation, thus reducing costs and CO2 emissions. The change was absolutely necessary to allow Posten to continue providing good and competitive postal services to the whole population.

Elsewhere in Europe too, postal services are changing in line with declining volumes. The Danes, for example, have drastically cut the number of delivery days. Posten is also considering a reduction in the number of days but is dependent on changes in regulatory conditions to implement the change. In order to ensure future profitability in the mail segment, it is necessary to inject some flexibility into the regulatory conditions to allow prompt readjustment of supply to demand.

For those involved in marketing, written communication is still in a strong position. Customer newsletters, brochures and marketing leaflets still function well on paper and are maintaining a steady volume level.

Growth in the Western economy

The global economy continued to grow stronger through 2017. The euro area seems to have passed a cyclical low point, and the economic upturn appears to be somewhat stronger than initially assumed. Reduced unemployment has strengthened consumer confidence in the economy, and increased capacity utilisation has led to increased demand for investment.

Growth is strong in the Swedish economy. Production rose throughout 2017, which, together with reduced unemployment, is providing good overall opportunities for growth. The Swedish krone remains relatively weak, meaning that Swedish exports are very competitive. Any fragility in the Swedish economy is related to weak and falling house prices, which, during a prolonged fall, can result in a ripple effect on the rest of the economy.

Economic growth in Norway is weaker than in Sweden. The driving forces that have helped to curb the recession are expected to have a more neutral role going forward. Weak growth is expected, with increased oil investment and increased international growth being important contributors. This means that economic growth, although weak, will probably be positive.

Increased competition

There is a clear relationship between economic growth in the logistics market and the economy overall. The logistics market in

Economic growth has resulted in slightly higher volumes, but strong competition has led to price pressures.

Norway has been challenging during 2017 as well. Economic growth has resulted in slightly higher volumes, but strong competition in the market has led to price pressures. There is slightly more activity and growth in the Swedish market, but here too competition between major Nordic players and international networks is contributing to increasing downward pressure on prices. The eventual outcome will be that prices fall so much that this forces more cost-effective logistics networks, which will also impact Posten.

The competitive situation in the Nordic market is also characterised by ongoing consolidation, in which three international corporations and the former postal companies are the dominant players. These five players account for over 40 per cent of the total logistics market.

One market trend is that more customers want their entire logistics solutions coordinated and simplified through fewer suppliers and centralised warehouses, especially in Southern Sweden and, to a somewhat lesser degree, in central Eastern Norway. The ongoing globalisation process is leading to ever larger international product streams, which is resulting in stronger competition from low price actors. Retail companies from Central Europe see opportunities for growth in the Nordic region, and structural changes are occurring in both the logistics industry and commerce, where traditional boundaries, in terms of what individual actors take responsibility for, are changing. For this reason it is becoming increasingly important to capture volumes heading for the Nordic region that originate from outside of our immediate vicinity. This is especially true with regard to the parcel and freight segment.

E-commerce is growing

The growth in parcels is strongly influenced by the growth of online shopping in the Nordic region. Within the logistics market, online trade is demonstrating the strongest growth, with a large part being in cross-border trade. Online trade will continue to grow sharply in the years to come, and new industries will offer various forms of online solutions.

A comprehensive analysis of the Norwegian e-commerce market from online payment company DIBS Payment Services indicates a growth rate of over 20 per cent in online goods and services. 85 per cent of Norwegians shop online and 54 per cent have done so using their mobiles. Within the goods segment, the report shows that 28 per cent of all online purchase are made on a mobile. The largest proportion of consumers continues to be those purchasing clothes and shoes, but in terms of turnover, spending is higher in electronics.

One trend in the market is that more and more sellers have both a physical outlet and an online shop, and an increasing number are connecting the two sales channels. For example, some sellers allow customers to order goods online in the physical shop if the desired item is not in stock, or to return goods purchased online to a physical shop. The market, however, is characterised by intense rivalry among existing actors, strong bargaining power amongst consumers and a strong threat from potential new entrants. Development is likely to move towards fewer but larger providers, and consumers will increasingly expect fast, simple and flexible delivery. The letter box is a very attractive option when it comes to e-commerce, and the quantity of small packages arriving that way is growing, compensating slightly for the fall in letter volumes.

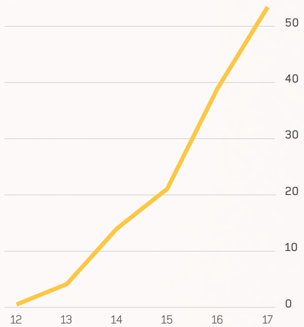
Innovation and digitisation having an effect

The mail segment realised the ramifications of digitisation and declining letter volumes

E-commerce volume

growth (in per cent)

54%



long ago. In recent years, the logistics segment has also noticed changes arising from the growth in e-commerce. In the future, innovation and digitisation are expected to further affect the market in the form of new developments that will impact our business models. Last autumn, Tesla launched its new electric truck, which should have sufficient range to be able to operate within the normal driving- and resting-time parameters. Other actors are experimenting with electric trucks that are charged through power rails in and along the road surface.

Several car manufacturers and other players are busy designing self-driving cars. Within the transport industry we are seeing the possibilities of a convoy with a manned leading car followed by several self-driving cars. This creates savings by both freeing the driver up to perform other tasks and reducing the distance between cars, which in turn provides less air resistance and lower CO2 emissions.

Many companies are also experimenting with drones, both as independent parcel carriers flying directly from warehouses and as assistants to parcel carriers where the drone can fly from the car to the most remote delivery addresses. Some types of deliveries, such as small, high-value parcels or those requiring fast delivery, will also be suitable for delivery with drones.

New technology offers opportunities for innovative thinking, both large and small scale. The Group is following development closely and will focus on innovation and digitisation across its entire business portfolio. Areas such as AR (augmented reality), VR (virtual reality), robotics and AI (artificial intelligence) will be involved. The initiative is part of creating growth and profitability through new services and the improvement of existing services.

Focus on infrastructure and the environment

The Nordic countries are experiencing population growth with relatively high birth rates compared with the rest of Europe, combined with high net immigration rates. Urbanisation is also continuing and an ever-increasing proportion of the population is concentrated around the major cities and regional hubs.

In spite of substantial public investment in cities, the infrastructure is failing to keep pace with the increase in road traffic, which in turn is creating more and more environmental and noise-related problems. There is therefore a strong focus on expanding railways. Passenger transport is being prioritised, meaning that the transfer of freight from road to rail is moving slower than desired.

At the same time, car manufacturers continue to develop and produce more environmentally friendly cars. In the Nordic countries, longer and heavier articulated vehicles (25 metres/60 tonnes) are being used on approved roads, which reduces the number of heavy goods vehicles on the roads as well as costs, fuel consumption and exhaust emissions.

In order to facilitate distribution in cities, several companies have set up projects with those cities for testing new transport methods. New, innovative vehicle solutions are being tested and the value chain is being challenged and restructured to accommodate, for example, smaller distribution warehouses to reduce the use of delivery vehicles. It is important for logistics companies to work closely with customers, the authorities and expert communities in order to identify good, future-oriented solutions for guaranteeing distribution in the cities.

New technology offers opportunities for innovative thinking, both large and small scale. The Group is following development closely and will focus on innovation and digitisation across its entire business portfolio.

Overview of reported indicators in 2017

The GRI Standards template includes two levels at which we can report: Core or Comprehensive. We have chosen to report at the Core level. In total, we report on 29 indicators. Of these, 21 are GRI indicators and 8 are our own.

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 Annual Financial Report or on Postennorge.no. In the auditor's report, the auditor confirms that the profile information has been reported.

GRI – General Standard Disclosures

General Standard Disclosures	Title	Page number or link	External at-testation
Organisational profile			
102-1	Organisation's name	This is Posten Norge	Yes
102-2	Activities, brands, products and services	www.PostenNorge.no/om-oss	Yes
102-3	Location of head office	Nordic map – PostenNorge.no/om-oss	Yes
102-4	Location of operating sites	Nordic map – PostenNorge.no/om-oss	Yes
102-5	Ownership and legal information	www.PostenNorge.no/om-oss/organisasjon/selskapsform-og-styring	Yes
102-6	Market presence	www.PostenNorge.no/om-oss/organisasjon/divisjoner-posten-norge	Yes
102-7	Organisation's size	www.PostenNorge.no/om-oss/organisasjon/divisjoner-posten-norge	Yes

GRI – General Standard Disclosures

General Standard Disclosures	Title	Page number or link	External at-testation
102-8	Information about employees and other workers	Our employees; Supplier management	Yes
102-9	Supply chain	Sustainability Report, PostenNorge.no/om-oss	Yes
102-10	Significant changes in the organisation and its supply chain	Note 23 in Annual Financial Report	Yes
102-11	Precautionary principle/approach	Corporate governance (item 10) in Annual Financial Report	Yes
102-12	External organisations and initiatives	United Nations Global Compact, Global Reporting Initiative G4, Zero, SINTEF, Næring for Klima, International Post Corporation, Nordic Swan Purchasing Club and Grønt Punkt	Yes
102-13	Membership of associations	Our network and expertise	Yes
Strategy			
102-14	Statements from the top decision-maker	A word from our CEO; the Board's annual report in the Annual Financial Report	Yes
Ethics and integrity			
102-16	Values, principles, standards and behavioural norms	This is Posten and Bring; Sustainability Report; Our relationships and partnerships; Integrity	Yes
Management			
102-18	Management structure	PostenNorge.no/om-oss; corporate governance in the financial report; independent attestation report	Yes
Stakeholders			
102-40	List of stakeholder groups	Key stakeholders	Yes
102-41	Collective agreements	Our employees; Equal pay and equal opportunities	Yes

GRI – General Standard Disclosures

General Standard Disclosures	Title	Page number or link	External at-testation
102-42	Identification and selection of stakeholders	Key stakeholders; Sustainability Report	Yes
102-43	Approach to stakeholder engagement	Key stakeholders	Yes
102-44	Key themes and concerns taken up	Key stakeholders	Yes
Reporting practices			
102-45	Units included in Group accounts	PostenNorge.no/om-oss/organisasjon/konsernstruktur	Yes
102-46	Report content and delineations	Our strategy for creating long-term viability	Yes
102-47	List of material themes	Our strategy for creating long-term viability	Yes
102-48	Repetition of information	Our network and expertise; Our employees	Yes
102-49	Changes in reporting	Sustainability Report	Yes
102-50	Reporting period	1 January to 31 December 2017	Yes
102-51	Date of last report	Norwegian edition of online report, 17 March 2017; English edition of online report, 8 May 2017	Yes
102-52	Reporting cycle	Annual reporting	Yes
102-53	Contact point for questions regarding the report	rapport@posten.no	Yes
102-54	Reporting in accordance with GRI Standards	Sustainability Report; GRI Content Index	Yes
102-55	GRI Index	Sustainability Report; GRI Content Index	Yes
102-56	External audit	Independent attestation report	Yes

GRI overview: Our employees

GRI–Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
Health, safety and working environment					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
GRI 403 Health, safety and working environment 2016					
403-1	Employee representation on formal HSE committees with representatives from management and employees		Information on workers who are not employees is not available: reporting can only include own employees. An assessment will be made as to whether this is sufficient.	Yes	

GRI – Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
403-2	Type and frequency of personal injuries, occupational diseases, lost working days and absenteeism, and total number of work-related fatalities by region and gender		a) The Group does not report the frequency of occupational diseases or lost working days as data is not available. b) Injury and accident statistics are broken down by gender for employees in Norway only as the same level of detail is not available from other operations. Assessment is ongoing concerning reporting needs. c) The Group does not have access to full HSE statistics for workers who are not Group employees: working hours for these are not available from the HR system. Assessment is ongoing as to whether the current data base is sufficient.	Yes	3, 5
GRI 406 Non-discrimination 2016					
406-1	Number of incidents of discrimination and measures initiated in connection with these			Yes	8
Attractive workplace					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	

GRI–Specific Standard Disclosures

DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
GRI 202 Market presence 2016					
202-1	Conditions of standard starting salary by gender compared with local minimum wage rates at sites of significant operation.			Yes	8
GRI 401 Employments 2016					
401-1	New employments and staff turnover			Yes	5
401-2	Benefits for full-time employees that are not offered to temporary or part-time employees, by site of significant operation.			Yes	8
GRI 405 Diversity and equal opportunities 2016					
405-1	Diversity in management bodies and among employees		The percentage of employees with an immigrant background is reported for permanent employees in the Norwegian part of the Group only as data is not available from other operations. An assessment will be made concerning the need to make changes in the future.	Yes	5, 8
Good managers					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	

GRI – Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
103-3	Evaluation of management approach			Yes	
Own indicator					
PN-1	Employee satisfaction		The Group did not complete the organisational survey in 2017; therefore data on employee satisfaction is not available. It is scheduled to be conducted in 2018.	Yes	

GRI overview: Our relationships and partnerships

GRI–Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
Customer orientation					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
Own indicator					
PN-2	Delivery quality			Yes	
PN-3	Customer satisfaction			Yes	
Open and effective communication					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	

GRI–Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
103-3	Evaluation of management approach			Yes	
Own indicator					
PN-4	Reputation			Yes	
Integrity					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
GRI 205 Anti-corruption 2016					
205-1	Operations assessed for corruption risk		The Group's risk analysis cannot fully respond to 205-1 at this moment in time, as data broken down by operation is not available. As assessment will be made as to whether changes can be made within the current framework to respond to 205-1 in the future.	Yes	16

GRI–Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
205-2	Communication of and training in anti-corruption policies and procedures		The Group does not currently have reporting systems that allow it to fully report on the total number and percentage of employees who have received information and participated in training: data sorted by employee category, business partner and region is not available. Assessment is ongoing concerning data collection and reporting needs.	Yes	16
205-3	Confirmed corruption incidents and implemented measures				16
GRI 206 Anti-competitive behaviour 2016					
206-1	Judicial reactions to anti-competitive behaviour and antitrust and monopolistic practices			Yes	
GRI 418 Privacy 2016					
418-1	Confirmed complaints concerning violation of customer privacy and loss of customer data			Yes	
Supplier management					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	

GRI–Specific Standard Disclosures

DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
GRI 308 Environmental assessment of suppliers 2016					
308-1	New suppliers that were assessed on environmental criteria		The Group is reporting only on suppliers with turnovers in excess of NOK 2 million in 2017: data on other suppliers is not available. No fundamental distinctions are made between new and existing suppliers. Assessment is ongoing concerning data collection and reporting needs.	Yes	
308-2	Negative environmental impact in the supply chain and measures implemented		Data is unavailable on the number of suppliers found to have a significant negative environmental impact or on the number of suppliers where improvements have been agreed. Assessment is ongoing concerning data collection and reporting needs.	Yes	
GRI 414 Social assessment of suppliers 2016					
414-1	New suppliers that were assessed on social criteria		The Group is reporting only on suppliers with turnovers in excess of NOK 2 million in 2017: data on other suppliers is not available. No fundamental distinctions are made between new and existing suppliers. Assessment is ongoing concerning data collection and reporting needs.	Yes	8
414-2	Negative social impact in the supply chain and measures implemented		Data is unavailable on the number of suppliers found to have a significant negative social impact or on the number of suppliers where improvements have been agreed. Assessment is ongoing concerning data collection and reporting needs.	Yes	8

GRI overview: Our network and expertise

SUSTAINABLE DEVELOPMENT GOALS 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND

GRI–Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
Environmentally efficient transport and logistics					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
GRI 305 Emissions 2016					
305-1	Direct emissions of greenhouse gases (CO_2e)			Yes	12, 13, 14, 15
305-2	Energy – indirect emissions of greenhouse gases			Yes	12, 13, 14, 15
305-3	Other indirect greenhouse gas emissions			Yes	12, 13, 14, 15
305-4	Greenhouse gas emissions intensity			Yes	12, 13, 14, 15

GRI–Specific Standard Disclosures

DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
Network					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
Information security					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
GRI 418 Privacy 2016					
418-1	Confirmed complaints concerning violation of customer privacy and loss of customer data			Yes	

GRI overview: Our ability to change

GRI–Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
Competitive framework conditions					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
Innovation and service development					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
GRI 404 Employments 2016					
404-2	Programmes for employee competence raising and realignment			Yes	3, 8

GRI overview: Our financial capital

GRI – Specific Standard Disclosures					
DMA and Indicators	Title	Page number or link	Exclusion(s)	External attestation	Sustainable Development Goals
Return on equity					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	
Solvency and liquidity					
GRI 103 Management approach 2016					
103-1	Explanation and delineation of themes			Yes	
103-2	Management approach			Yes	
103-3	Evaluation of management approach			Yes	

Oslo, 15 March 2018

Idar Kreutzer (Chair of the Board)

Randi B. Sætershagen (Vice-chair of the Board)

Tove Andersen | Odd Christian Øverland | Anne Britt Berentsen

Morten Karlsen Sørby | Ann-Elisabeth Wirgeness | Erling A. Wold | Lars Nilsen

Tone Wille (CEO)

Independent attestation report

EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

Independent assurance report – Posten Norge sustainability report 2017

We have performed an independent verification of Posten Norge's sustainability report for 2017 (the Report). We have assessed if the information being presented in the Reporting is based on relevant criteria from the guidelines for sustainability reporting from the Global Reporting Initiative Standards option "core" (GRI Standards). Controlled information is shown in the company's overview of reporting on GRI indicators (the GRI index). The GRI index also includes information related to the UN's Sustainable Development Goals. This information is not verified by EY.

Management's responsibility

Posten Norge's management is responsible for the selection of the information and collection of the data for presentation and for the preparation of the Report in accordance with the criteria of GRI Standards.

Our Independence and Quality Control

We have complied with the independence requirements of the Norwegian Law on Auditors and Auditing and other ethical requirements from the Code of Ethics of the Norwegian Institute of Public Accountants which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control (ISQC1) "Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's tasks and duties

Our task is to issue an independent report to the Board of Directors on the Report based on our work. Our work is conducted in accordance with ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". The standard requires that we plan and perform procedures to obtain limited assurance that the information in the Report is prepared and presented in accordance with relevant criteria for sustainability reporting in accordance with GRI Standards and does not contain material errors.

Our work has consisted of the following procedures:

- Review of Posten Norge's process for the preparation and presentation of the Report to provide us with an understanding of how corporate social responsibility is ensured in practice within the business
- Interviewed those in charge of reporting to develop an understanding of the process for the preparation of the Report
- Verified on a sample basis the information in the Report against source data and other information prepared by Posten Norge
- Assessed the overall information in the Report against the criteria in GRI Standards including a review of the consistency of information against the GRI index, with the exception of the information related to the UN's Sustainable Development Goals.

In our opinion, the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the Report, in all material respects, is not prepared and presented in accordance with the GRI Standards, and that the information in the Report contains material misstatements. Indicators covered by our assurance report are listed in the GRI index.

Oslo, 15 March 2018
Ernst & Young AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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