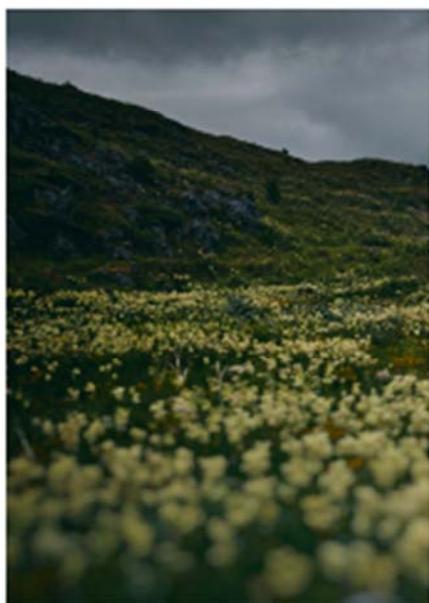


Financial Report



Financial Report 2018

FINANCIAL REPORT 2018	1
DIRECTORS' REPORT 2018	3
CORPORATE GOVERNANCE	17
FINANCIAL STATEMENTS POSTEN NORGE GROUP 2018	27
INCOME STATEMENT	27
STATEMENT OF COMPREHENSIVE INCOME.....	28
BALANCE SHEET	29
CASH FLOW STATEMENT	30
STATEMENT OF CHANGES IN EQUITY	31
POSTEN NORGE GROUP	32
ACCOUNTING PRINCIPLES	32
SEGMENT INFORMATION.....	53
<i>Note 1 Segments</i>	53
INCOME STATEMENT ITEMS.....	60
<i>Note 2 Payroll expenses and other remunerations</i>	60
<i>Note 3 Pensions</i>	69
<i>Note 4 Other operating expenses</i>	73
<i>Note 5 Other income and expenses</i>	74
<i>Note 6 Financial income and financial expenses</i>	76
<i>Note 7 Taxes</i>	77
NON-FINANCIAL ASSETS AND LIABILITIES	80
<i>Note 8 Intangible assets</i>	80
<i>Note 9 Tangible fixed assets</i>	86
<i>Note 10 Investments in companies and businesses</i>	89
<i>Note 11 Provisions for liabilities</i>	91
FINANCIAL ASSETS AND LIABILITIES	93
<i>Note 12 Overview of financial assets and liabilities</i>	93
<i>Note 13 Interest-bearing non-current and current receivables</i>	96
<i>Note 14 Interest-free current receivables</i>	97
<i>Note 15 Liquid assets</i>	99
<i>Note 16 Interest-bearing non-current and current liabilities</i>	100
<i>Note 17 Interest-free non-current and current liabilities</i>	102
<i>Note 18 Financial risk and capital management</i>	103
<i>Note 19 Derivatives and hedging</i>	110
EQUITY INFORMATION	114
<i>Note 20 Equity</i>	114
OTHER MATTERS.....	115
<i>Note 21 Guarantees/mortgages</i>	115
<i>Note 22 Leases</i>	116
<i>Note 23 Changes to Group structure</i>	118
<i>Note 24 Related parties</i>	119
<i>Note 25 Regulatory issues</i>	120
<i>Note 26 Events after the reporting period</i>	122

FINANCIAL STATEMENTS POSTEN NORGE AS 2018	123
INCOME STATEMENT	123
STATEMENT OF COMPREHENSIVE INCOME.....	124
BALANCE SHEET	125
CASH FLOW STATEMENT	126
STATEMENT OF CHANGES IN EQUITY	127
POSTEN NORGE AS	128
ACCOUNTING PRINCIPLES	128
INCOME STATEMENT ITEMS.....	146
<i>Note 1 Payroll expenses and other remunerations.....</i>	<i>146</i>
<i>Note 2 Pensions.....</i>	<i>148</i>
<i>Note 3 Other operating expenses</i>	<i>152</i>
<i>Note 4 Other income and expenses</i>	<i>153</i>
<i>Note 5 Financial income and financial expenses.....</i>	<i>154</i>
<i>Note 6 Taxes.....</i>	<i>155</i>
NON-FINANCIAL ASSETS AND LIABILITIES	157
<i>Note 7 Intangible assets</i>	<i>157</i>
<i>Note 8 Tangible fixed assets.....</i>	<i>161</i>
<i>Note 9 Investments in companies and businesses.....</i>	<i>163</i>
<i>Note 10 Provisions for liabilities</i>	<i>166</i>
FINANCIAL ASSETS AND LIABILITIES	168
<i>Note 11 Overview of financial assets and liabilities.....</i>	<i>168</i>
<i>Note 12 Interest-bearing non-current and current receivables.....</i>	<i>171</i>
<i>Note 13 Interest-free current receivables</i>	<i>172</i>
<i>Note 14 Liquid assets</i>	<i>174</i>
<i>Note 15 Interest-bearing non-current and current liabilities</i>	<i>175</i>
<i>Note 16 Interest-free non-current and current liabilities</i>	<i>177</i>
<i>Note 17 Financial risk and capital management</i>	<i>178</i>
<i>Note 18 Derivatives and hedging.....</i>	<i>179</i>
EQUITY INFORMATION	183
<i>Note 19 Equity</i>	<i>183</i>
OTHER MATTERS.....	184
<i>Note 20 Guarantees/mortgages</i>	<i>184</i>
<i>Note 21 Leases.....</i>	<i>185</i>
<i>Note 22 Related parties</i>	<i>187</i>
<i>Note 23 Regulatory issues.....</i>	<i>189</i>
<i>Note 24 Events after the reporting period.....</i>	<i>191</i>
ALTERNATIVE PERFORMANCE MEASURES (APM) APPLIED IN THE 2018 REPORT.....	192
ORGANIC GROWTH	192
<i>Operating profit/loss before depreciation (EBITDA), adjusted operating profit/loss,</i> <i>operating profit/loss (EBIT)</i>	<i>193</i>
<i>Net interest-bearing debt (NIBD) and liquidity reserve</i>	<i>194</i>
INVESTED CAPITAL AND RETURN ON INVESTED CAPITAL (ROIC)	195
OTHER ALTERNATIVE PERFORMANCE MEASURES	196
STATEMENT OF THE BOARD OF DIRECTORS	197
UAVHENGIG REVISORS BERETNING	197

DIRECTORS' REPORT 2018

Our customers were more satisfied in 2018. The logistics market is growing. Old customers have returned and we have won new ones, giving us strong momentum going into 2019. But mail volumes are falling dramatically and there has never been more need to reorganise the postal operations. The Group is developing new services and preparing for the future.

We live in a digital age and the Nordic countries are leaders in digitalisation. Developments are moving quickly and it is expected that everything that can be digitalised, will be. This presents challenges, but also new opportunities for the Group.

Revenue in 2018 was NOK 23 894 million, a decrease of 3.2 per cent from 2017. Organic growth was 1.7 per cent. Operating profit (EBIT) amounted to NOK 415 million, which is NOK 276 million lower than the previous year. Profit before tax was NOK 366 million. The return on invested capital (ROIC) was 7.3 per cent, which is 2.5 percentage points weaker than in 2017. The increasing decline in mail volumes had a significant impact on profits – and will continue to do so in 2019.

The Logistics segment is growing and profitability has improved somewhat in 2018. Good market conditions and increased e-commerce are driving growth. The Group has invested heavily in the logistics market. A new terminal structure in Norway with new production processes and IT systems is starting to have a positive effect. Profitability will be further improved as the logistics network is completed. However, the profit trend in total for the Logistics segment in 2018 was not satisfactory.

Mail volumes have fallen by 65 per cent since the peak year of 1999. The volume decline is increasing and volumes are expected to halve yet again by 2025. The postal operations must be adapted to changes in the market. Posten Norge has requested, and the Government has announced, changes to Posten Norge's framework conditions. In future the delivery network will give customers greater freedom of choice with a number of new services for delivery of mail and parcels to central locations and home delivery – combined with fewer fixed postal delivery days.

Succeeding with industrial production and individual delivery in e-commerce and logistics will be crucial in the time ahead. The logistics network in Norway is the engine of the Norwegian logistics business. We will take advantage of economies of scale and develop the offering through innovation and new services.

As a labour-intensive business, sustaining a working environment that promotes health is one of the Group's priority areas for sustainable development. The foundation for this is long-term and systematic work within health, safety and the environment (HSE). After many years of positive trends in sickness absence and work injuries, the trend took a negative turn in 2018.

Posten Norge enjoys a high level of trust in Norwegian society. According to the Ipsos reputation survey (Large Norwegian companies 2018), 62 per cent of respondents have a good impression of Posten Norge, compared with 60 per cent the year before. People aged below 25 have a significantly more positive attitude towards Posten Norge than any other age group: a full 84 per cent have a good impression.

Customer satisfaction and loyalty are high and increased in 2018 to 69 (on a scale of 1–100 according to Ipsos), from 67 the previous year. In addition to the annual customer satisfaction survey, the Group conducts ongoing surveys among customers who have been in contact with various parts of the business. This is done to systematise customer insight, implement improvements and thereby strengthen the customer experience and create growth for the Group. Customer loyalty Net Promoter Score (NPS*) was 36.1 in 2018, compared with 33.8 in 2017.

*NPS score is calculated as: share of loyal customers minus share dissatisfied.

MARKET TRENDS

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

The Logistics segment is growing

Logistics is the Group's largest segment and accounted for 70 per cent of revenues in 2018. Revenue of NOK 17 320 million represented an increase of 4.8 per cent on the previous year. Organic growth was 5.9 per cent in 2018.

E-commerce for consumers, including home delivery services, showed good growth both inside and outside Norway. There was also good growth in corporate parcels, freight and international freight forwarding.

The logistics market is largely influenced by general economic conditions. In Norway and the other Nordic countries, continued moderate growth is expected. This contributes to positive market prospects for the logistics industry. Continued high growth is expected in e-commerce for consumers and the oil sector.

The Group's investments in a new nationwide logistics network in Norway will include 18 new joint terminals for parcels and freight. Fourteen of these are in operation and the remaining four in Stavanger, Tromsø, Bergen og Førde will be ready during 2020. The goal is to streamline operations and increase the profitability of the Logistics segment. Joint terminals provide higher levels of integrated production and coordination of parcels and freight, and simplify line haul traffic. From 2021 we will realise the full effect of new production processes and transport management systems in the network, and can exploit the economies of scale.

International trade is increasing and corporate customers demand good logistics and transport solutions across national borders. Through Bring Trucking in Slovakia, we can offer competitive transport services to international customers. By owning the company, the Group has good control over the value chain and can ensure compliance with laws, regulations and the Group's ethical guidelines.

Mail segment under restructuring and development

Revenue for the Mail segment in 2018 was NOK 8 088 million, which was NOK 1 606 million lower than the previous year. The main reasons were the sale of Bring Citymail Sweden, lower volumes, and lower revenue due to the implementation of a single addressed mail stream from 2018.

The Mail segment contributed 30 per cent of Group revenue.

Addressed mail volumes in Norway declined by 12.9 per cent in 2018. The largest volume decline was in the public sector at 24 per cent, while volume in the banking and finance industry declined by 17 per cent. The decline in addressed mail volumes has increased throughout the year and was 14.9 per cent in the last six months. Unaddressed mail declined by 11.4 per cent during 2018.

It is digitalisation in society that is reducing demand for physical mail. In 2018, each household received on average only 3.4 letters weekly. In 2019, each household is expected to receive three letters a week on average, and by 2022 this will be reduced to two letters a week. Although increased e-commerce leads to more delivery items in the mail network, small packages make up only one per cent of volume in the mailbox.

Posten Norge's secure digital mailbox, Digipost, is becoming increasingly popular and more widely used. Sending volumes increased by 37 per cent in 2018 and are driven by new sending customers and growth in the number of users. The number of registered users increased by 16 per cent in 2018 to 1 867 000 at the end of the year.

Bring Citymail Sweden was sold to German Allegra Capital GmbH in 2018. The company distributes industrial mail in Sweden and had revenues of around SEK 2 billion in 2017.

PROFITABILITY

Adjusted operating profit in 2018 was NOK 531 million, a decrease of NOK 172 million on the previous year. The increasing decline in mail volumes had a significant impact on profits. The profit trend in the Logistics segment is improving, but is still not satisfactory. Changes in the regulations on compensation for coordination between public sector occupational pensions and private contractual pensions (AFP) had a positive impact on profits of NOK 104 million.

Profit improvement in Logistics

Adjusted operating profit for the Logistics segment was NOK 135 million in 2018, an improvement of NOK 6 million compared with 2017. At the start of the year extra resources were used to implement new parcel and freight terminals in Norway. Performance within this part of the business has shown a positive trend over the past six months, with increased productivity and improved profits. At the same time, this is a demanding market with tough competition and small margins.

Profitability also improved for parcel operations outside Norway and within international freight forwarding due to strong growth and more efficient operations. There were profitability challenges for the freight and temperature-controlled transport business areas.

There was an operating loss (EBIT) of NOK 76 million in 2018 as a result of impairment of goodwill and provisions for losses in parts of the logistics business.

The restructuring of the Norwegian parcel and freight network will continue until 2020. Extensive improvement measures are being implemented to achieve more cost-effective operations. Implemented measures are beginning to have an effect. For other areas, work is underway to streamline operations and improve profitability.

Reduced profit in Mail

The Mail segment had an adjusted operating profit of NOK 657 million in 2018, a reduction of NOK 186 million compared with 2017. The decrease is mainly due to a decline in addressed and unaddressed mail volumes.

Posten Norge has made significant cost adjustments in its operations. The biggest change was the introduction of one addressed mail stream from 2018. As a result of this change, mail sorting could be centralised and the number of mail terminals reduced from nine to three. In addition, large portions of the mail volumes were moved from air to ground transport. This provided expected cost reductions, but not sufficient to compensate for the large decline in addressed mail volumes.

In addition to structural changes, continuous efficiency improvements are being made to operations, including volume adjustments, mail and parcel coordination, mail collection box relocation, and new sales and service solutions. Automation and robotisation of processes have positive effects and are being evaluated in ever new areas. In 2018, Chabot, a conversation robot using artificial intelligence, was used to answer customer inquiries online. This supplements and reduces the demand for manual customer service.

The arrangement whereby the state purchases unprofitable postal and banking services is meant to cover net additional costs related to universal service obligations which Posten Norge would not have provided for commercial reasons. The government's purchase of unprofitable postal and banking services amounted to NOK 536 million in 2018. This was NOK 193 million higher than the previous year and was mainly due to the additional cost of maintaining five-day postal distribution throughout the country.

Operating profit (EBIT) in 2018 of NOK 748 million included the positive effects related to the sale of property and reversed provisions in connection with the sale of the subsidiary Bring Citymail Sweden.

Investments and cash flow

Cash flow from operating activities in 2018 was positive at NOK 598 million, the same level as in 2017. Profit before tax in 2018 was lower compared with 2017, while taxes paid were also lower. In addition, in 2018 there was a higher net payment from customers and suppliers compared with the previous year.

Net cash flow from investing activities in 2018 was negative NOK 853 million. This was mainly related to ongoing operating investments and sales of working assets. The bulk of operating investments were related to the construction of logistics centres and to IT investments. In 2017, cash flow from investing activities was positive as a result of payments from the sale of companies and real estate.

Net cash flow from financing activities in 2018 was negative at NOK 69 million, mainly due to payment of dividends totalling NOK 194 million, offset by a net increase in interest-bearing debt.

Financial flexibility

In 2018 the Group had net financial expenses of MNOK 49 compared with MNOK 71 the previous year. The Group had long-term liquidity reserves of MNOK 5 956 on 31.12.2018, compared with MNOK 7 129 the previous year. These reserves consisted of invested funds and available credit facilities. The Group places emphasis on financial flexibility, the ability to take advantage of opportunities in the market, and the ability to make strategic investments.

The Group's equity on 31.12.2018 was NOK 6 481 million, and the equity ratio was 40.3 per cent. In order to maintain financial capacity over time, it is critical that the Group be given the necessary regulatory freedom to adapt the services within Mail to market developments, so that costs can be adjusted in line with declining mail volumes. Alternatively, the state must pay for the universal service obligations it requests. It is therefore important that the proposed amendment to the Postal Act be passed.

A high equity ratio supports the Group's solidity. The Group's equity can be affected by changes in international accounting standards (IFRS). The Group will implement the new accounting standard IFRS 16 Leases from 2019. This will have a significant accounting effect for the Group and the equity ratio is estimated to be reduced by 7–8 percentage points. See also the accounting principles in the Group's financial annual report for an overview of the effects of the implementation.

In order to reduce financial risk and increase financial flexibility, the Group has an ample liquidity reserve and a focus on cash flow.

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

Debt covenants

Some of Posten Norge's loan agreements contain covenants that limit net interest-bearing liabilities/EBITDA to a maximum of 3.5 per cent and require a minimum equity ratio of 20 per cent.

As of 31.12.2018, net interest-bearing liabilities/EBITDA was 0.3, up from -0.1 in 2017. The equity ratio was 40.3 per cent, compared with 37.6 per cent in 2017.

Risk

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

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

The Group uses derivatives to cover market risks that arise as a result of the Group's ordinary operations. The derivatives used are forward contracts, interest rate swaps and currency swaps. Detailed information on derivatives and hedging matters is provided in notes 18 and 19 in the annual financial statements. Risk management and internal control processes are described in more detail in the company's corporate governance reporting.

Allocation of current year profit

In 2018 the Group had a profit after tax of NOK 248 million compared with NOK 388 million the previous year.

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

The Board proposes that a dividend of NOK 124 million be distributed for 2018. This year's profit will be transferred to other equity. The final dividend amount will be determined at the 2019 annual general meeting. The annual financial statements have been prepared under the assumption that the business is a going concern. The Board of Directors confirms that this assumption applies.

SUSTAINABLE DEVELOPMENT

Sustainability for Posten Norge is about long-term viability for the world and for the Group. It concerns the use of and impact on resources. The Board is proud of the good work the Group does to contribute to sustainable development.

The Group has chosen to prioritise four of the UN's Sustainability Development Goals as the most relevant. These are: no. 8 Decent work and economic growth, no. 9 Innovation and infrastructure, no. 11 Sustainable cities and communities, and no. 13 Climate action. The board provides overall information on these areas below. In addition, the Group has issued and published its own sustainability report for 2018 in accordance with GRI (Global Reporting Initiative) www.postennorge.no which provides additional information.

Decent work and economic growth

Employees are the Group's most important resource. The Group aims to have a working environment that promotes health and in which nobody is injured or becomes sick as a result of their work. The work provides both social and economic benefits for the employees, the company and society.

In 2018 and so far in 2019 the Group has experienced two fatal accidents. A mail carrier died on the job from injuries he incurred after being run over by a self-driving vehicle. A Romanian transport truck driver, employed by Bring Trucking, died after a traffic accident while driving his private vehicle from Slovakia to Germany. The Group works systematically to avoid injury to personnel in all activities. All serious events are scrutinised and the results are used to facilitate learning for the entire organisation.

The Group's sickness absence increased to 6.0 per cent in 2018, from 5.8 per cent in 2017. The increase was particularly apparent in long-term sickness absence certified by a doctor. Sickness absence in Posten Norge AS is somewhat lower than the industry average, while in the Swedish part of the business it is somewhat higher than the industry average in Sweden.

The number of occupational injuries in 2018 decreased by nine to 223. The H2 value for the Group (number of injuries per million hours worked) ended at 9.0, which is 0.6 higher than in 2017. (The figures for 2017 include injuries for the sold subsidiary Bring Citymail Sweden). Work on building a safety culture continues. More focus is being placed on analysing injuries and reporting near-accidents with a high potential for injury.

The Board notes that the Group's long-term and systematic HSE work in recent years has yielded good results, where both sickness absence and the number of personal injuries have decreased significantly. Close cooperation between the safety service, employee representatives and management has been crucial for the positive progress. Developments in 2018 have not been satisfactory and the work will intensify.

The Group's workforce at the end of 2018 totalled 14 459 full-time equivalents (FTEs), a reduction of 1 827 FTEs compared with the end of 2017. The workforce reduction in the Mail segment amounted to 1 898 FTEs, mainly related to the sale of Bring Citymail Sweden, as well as reductions in mail production and distribution in the Norwegian postal operations. In the Logistics segment, the workforce grew as a result of a new distribution centre in Stockholm.

Employee satisfaction in the Group is high. The organisation survey in 2018 gave a score of 80 (on a scale of 1–100), compared with 81 the last time the survey was conducted in 2016.

Pay and equality

The Group subscribes to the main principle that management pay 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 more details refer to the sustainability report.

Posten Norge is concerned with equality at all levels. The proportion of women in Posten Norge's Group management was 56 per cent at the end of 2018, including the CEO. The proportion of women among employees in the Group is 32 per cent, and among managers 28 per cent.

Salaries, other remuneration and accrued pensions for Group management of Posten Norge AS totalled NOK 38 million in 2018, compared with NOK 34.5 million the previous year.

Employee and management development

The Group is committed to providing employees with opportunities for development in order to master changes in the working day and to prepare for the future. All employees must have appraisal interviews with their manager every year.

Skills development takes place in the workplace and courses are offered through the Group's learning portal. In 2018, over 40 000 e-learning courses were completed for employees, contract drivers and in-store post office staff.

The Group wants as many employees as possible to obtain relevant apprenticeship certificates. At the end of 2018, the Group had 1 149 employees with apprenticeship certificates and 112 apprentices in training. Most of these were in the fields of driving and logistics.

Employees in transition are offered retraining. Through a grant programme, employees can strengthen their formal education. A total of 47 educational grants were awarded in 2018.

A development programme is conducted for management teams and individual managers at different levels and as needed. In 2018, three training programmes for first-line management were conducted with a total of 54 participants, one programme for middle management with 13 participants, and a programme for top management with 51 managers related to the implementation of a new strategy.

Systematic efforts are being made to identify management talent in the Group in order to have good executive candidates. In 2018, an emerging leaders programme was carried out in E-commerce and Logistics with 12 participants having the potential to become first-line managers. For the 19th time, trainees were recruited for a two-year trainee programme in 2018.

The Group is highly diverse and aims to promote integration and to reflect the diversity in society. In 2018, about 17 per cent of the employees in Posten Norge had multicultural backgrounds, similar to the level of diversity in the Norwegian population. In 2018, work continued on promoting immigrants with higher education through the internal trainee programme "You make the difference". The four participants who completed the programme in 2018 received relevant positions in the Group within IT, management, digital business development and sales.

The Group has a high ethical standard and imposes strict requirements on the integrity of managers and employees in all parts of the business. Awareness-raising and educational activities are ongoing. The same

requirements apply to subcontractors and partners. An integrity programme is used to help implement the Group's ethical guidelines.

Prevention of criminal activity

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

The risk of criminal activity directed against Posten Norge is considered to be moderate. In line with the overall risk assessment, the Group has defined the following focus areas for its security activities: threats and violence against employees, internal embezzlement, thefts, fraud, illegal labour practices and crises.

Information security

The Group relies on strong information security to protect information assets and business services, especially with a view to:

- protect personal information on customers and employees, and to fulfil the Group's obligations under the Personal Data Act
- ensure that information is accurate and accessible when needed, and that business-sensitive information is not disclosed to competitors

Increased digitalisation, and the use of cloud services and mobile services, result in longer and more complex value chains. Processes, people and IT systems are becoming more interwoven. This creates multiple interfaces where information can be exchanged and spread. For this reason, anyone who processes information on behalf of the Group must do so with sufficient security. The Group sets requirements for information security in all procurements and has this stipulated in agreements with suppliers. During the contract period, the security work is followed up in the form of risk analyses, vulnerability tests and security reviews. Employees regularly conduct e-learning courses on information security and online fraud.

In 2018, the Group began efforts to strengthen its ability to detect and respond to security incidents. The work will proceed in phases and will be evaluated along the way to ensure that the expected effects are achieved. The goal is to prevent and mitigate the consequences of serious security incidents to secure business operations, public trust and Posten Norge's reputation.

The Group has made a significant effort to comply with new privacy legislation that came into effect in 2018. Procedures and necessary documentation have been established. Employees have completed an e-learning course on the EU General Data Protection Regulation (GDPR) and online fraud.

The work on information security in the Group is based on the Information Security Forum's (ISF) Standard of Good Practice. This means that we also comply with the requirements of ISO/IEC 27002, COBIT 5 and the NIST Cybersecurity Framework.

A separate security organisation has been defined in Posten Norge, as well as a department for information security and an information security manager.

Innovation and infrastructure

We drive innovation and find solutions for today's challenges and tomorrow's opportunities. An expertise centre for digital innovation has been established. It will support and drive business and service development throughout Posten Norge.

Posten Norge's size and range of services make the Group a major purchaser. Some of these procurements can be crucial for companies developing new technology or products. Emphasis is placed on good dialogue with the supplier market in order to gain new insight and learning, which in turn can influence subsequent procurement processes and developments.

New services to the consumer market are an important development area. The Group is constantly testing and offering new solutions. In 2018 the services "Digital stamp" and "Send from your own mailbox" were launched. An automated parcel locker in a housing cooperative was tested, and the world's first self-driving mail and parcel robot, developed by Posten Norge and technology partner Buddy Mobility, was introduced. The self-driving mail and parcel robot is being tested in Kongsberg to deliver mail and parcels to those living in a residential area.

For express and courier deliveries, the Group has developed a new digital platform, "Glow", with an open interface between recipient, sender (customer), driver and traffic manager. "Glow" is gradually being used for home delivery to both private and corporate customers in Norway, Sweden, Denmark and Finland.

A range of home delivery services for customers when they are not home is under development. These involve delivery both outside and inside the home. Customers want services that provide flexibility and make everyday life easier. In 2019 Posten Norge will offer options to have parcels delivered wherever customers want.

Together with partners, new services are being tested for in-home delivery to households with digital door locks in both Norway and Sweden.

In 2018 Posten Norge was named one of Norway's most innovative companies by the innovation magazine InnoMag. The rationale for the award cited new services for customers and the Group's environmental efforts.

Sustainable cities and communities

The Group is working to reduce environmental impact and traffic congestion in cities and society. The work includes a number of measures within transport and construction as well as awareness- raising activities.

New joint terminals in Norway and Sweden mean that several units are co-located in new energy-efficient buildings. This reduces the Group's energy consumption and transport needs.

New vehicles and fuel solutions are being tested and implemented, and the Group is investing in new technology. For example, orders have been placed for Nikola Tre and Tesla Semi heavy transport vehicles for delivery in 2019–20.

Posten Norge has Norway's largest fleet of electric vehicles and provides emission-free distribution of mail and small parcels in 49 cities in Norway. New electric vans were introduced in Oslo at the end of 2018 and electric cargo bikes are being tested in Stockholm, Trondheim and Oslo.

Strong networks

Posten Norge plays a prominent role in Norwegian society, and fulfils an important social responsibility through a nationwide, high-quality distribution network. From 2018, priority and non-priority mail were merged into one mail product with a two-day delivery target. At the same time, the overall delivery requirement was changed to 85 per cent of mail being delivered within two days. In 2018, 89.9 per cent of addressed mail was delivered within two days. The other delivery quality requirements for universal service obligations were also met by good margins.

Posten Norge distributes mail to 2.4 million mailboxes across the country. In addition, we have a distribution network with the best coverage in the country, which at the end of 2018 consisted of almost 3 000 delivery points, including 1 450 rural postal routes, 1 314 in-store post offices, 101 parcel delivery locations, 30 regular post offices, 26 automated parcel lockers and 19 corporate centres.

As Posten Norge makes the necessary adjustments to the established postal network of all the country's mailboxes, work will continue in 2019 on developing the delivery network of the future – for a digital age. This involves further coordinating the delivery of mail and parcels and expanding the service offering with more central delivery outlets and new solutions for home delivery. Digitalisation provides new opportunities for individual solutions. In this way, Posten Norge will help make everyday life easier.

The logistics network in Norway is the engine in the Norwegian logistics business. In the other Nordic countries, the Group cooperates to a large extent with partners. In 2018, a new Bring terminal was opened in Gothenburg which co-located the production areas for parcels, freight, temperature-controlled transport, home deliveries and warehousing. At Stockholm, a separate distribution centre was established to serve e-commerce customers.

In Denmark, the network is expanding in line with growth in parcel and logistics volumes. The terminal in Copenhagen will be moved to new and larger premises in 2019 and new terminal solutions will be evaluated in Kolding.

Stop climate change

The Posten Norge Group is a major Nordic logistics company that accounts for about one per cent of the transport sector's total emissions in Norway. If Norway is to meet the EU's target of a 40-per-cent cut in CO2 emissions by 2030, the transport industry must contribute. Posten Norge wants to be a driving force in the green shift.

In 2018, the Group's CO2 emissions were four per cent less (15 850 tonnes CO2e) than in 2017.

Over the past ten years, the Group has continuously reduced its emissions and met previous environmental goals before their deadlines. In 2017, a new ambitious goal was set, to use only renewable energy sources in all vehicles and buildings by 2025. The Group has a proactive environmental strategy which includes testing and utilising environmentally-effective vehicles and fuels and moving freight from road to rail and sea.

Technology development is needed if these are to succeed. The Group wants to be at the forefront of testing new technology for vehicles, among other things, but will not replace them on a large scale until this is financially justifiable.

The Group works together with the industry to influence public authorities to implement necessary railway infrastructure investments and to strengthen the framework conditions for freight companies.

THE WORK OF THE BOARD

The Group complies with Norwegian standards and best practices for corporate governance, based on Norwegian law and the government's policy on state ownership in force at any given time.

Each year the Board presents a statement on the company's corporate governance and this forms part of the annual report for 2018. The Board also updates its rules of procedure annually.

In addition to being a decision-making and control body, the Board wishes to contribute to the development of the Group by being a valuable discussion partner for the company's management and owner, based on good insight into Posten Norge's strategies, business models and value chain.

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

At the general meeting in 2018, Randi B. Sætershagen, Anne Britt Berentsen and Morten Karlsen Sørby left the Board. The new board directors elected were Liv Fiksdahl, Henrik Højsgaard, Finn Kinserdal and Anne Carine Tanum. The proportion of women in the Board was thus changed to 40 per cent from 44 per cent in 2017. Women account for 50 per cent of the shareholder-appointed board members.

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

OUTLOOK

Good market trends and new customers are laying the foundation for a positive trend. The Group has a strong market position in Norway, but there is competition throughout the Nordic region, and both international and local traditional actors (co-carriers) are active in the market, as well as new actors with totally new business models.

The Nordic region is the Group's home market. The large customers want one Nordic logistics partner who is present wherever they need logistics solutions and distribution services.

With a strong logistics network in the Nordic region, the Group is well positioned for growth and increased e-commerce. The new network in Norway and new IT systems will provide easier and seamless logistics, increased productivity and enhanced profitability.

The Logistics segment is continuing to improve profitability and develop a significant and profitable e-commerce position in the Nordic region. Digital solutions and new services will be developed to strengthen the value proposition to customers.

In the Mail segment, new measures are required in step with the dramatic and increasing decline in mail volumes. Posten Norge is facing the biggest changes in its history. With only three – and soon two – letters a week per household, it has never been more important to restructure the mail operations. This development is a consequence of the digitalisation of society. Removing the NOK 350 limit for exemption from VAT on goods imports into Norway will further reduce the volume in the postal network.

The Board believes it is necessary and in the public interest to change Posten Norge's framework conditions to allow for mail distribution every other day. Posten Norge is dependent on prompt clarification of the political and regulatory aspects in order to be able to carry out a restructuring from 2020.

However, reduced profitability in the Mail segment will not be offset by increased revenue in the Logistics segment, so further restructuring and adjustments to the service offering will be necessary.

The future will see a number of new services. Consumer power is increasing and digitalisation affects customer behaviour and preferences. Digitalisation presents the Group with new opportunities, such as increased e-commerce. The work on shaping tomorrow's delivery network for mail and parcels will be important in the time ahead. It will consist of more delivery points and more home deliveries – both outside and inside the home.

The Board is committed to enhancing the Group's capacity for innovation and digital drive to develop new growth areas and solutions for customers, both senders and recipients. A dedicated professional group for digital innovation supports the company and drives development and use of new technology. The Group has a good starting point for success, with strong brands, a high level of trust, and skilled and committed employees.

As part of realising the Group's strategy towards 2020, a new skills strategy will ensure employee development and secure the Group's critical expertise. In 2019, group management will test "reverse mentoring". The programme gives the executive vice-presidents the opportunity to receive input and learn from younger employees.

The Board will help ensure that the Group can continue its efforts for long-term viability within the prioritised sustainability areas. The efforts within health, safety and the environment (HSE) will be reinforced with the goal that no injury or ill-health should occur as a result of working in or for the Group.

The Board thanks all of the employees, managers and employee representatives for their excellent cooperation and for sharing responsibility for the development of the Group.

27. mars 2019



Idar Kreutzer (leder)



Tove Andersen (nestleder)



Henrik Højsgaard



Anne Carine Tanum



Finn Kinserdal



Liv Fiksdahl



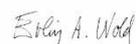
Odd Christian Øverland



Lars Nilsen



Ann Elisabeth Wirgeness



Erling A. Wold



Tone Wille (konsernsjef)

Corporate governance

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

Sections 1–15 below explain how Posten Norge complies with the NCGB CP. It gives an account of how the principles have been met, the reason for any non-compliance, and how Posten Norge has rectified any non-compliance issues. The statement below complies with the structure of the NCGB CP.

The Norwegian state is the company's sole owner. Consequently, Posten Norge's corporate governance deviates from the NCGB CP, specifically regarding section 6 on general meetings, section 7 on nomination committees and section 14 on takeovers.

Responsibility for managing the state's ownership rests with the Ministry of Trade, Industry and Fisheries.

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

Section 1 Statement of Corporate Governance

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

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

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

Section 2 Operations

Section 3 of Posten Norge's articles of association describe the company's operations. It is stated here that the company runs postal and logistic operations on a commercial basis, as well as other operations directly related thereto. Section 3 of the company's articles of association further states that the company shall be a provider that can meet the society's need for nationwide postal services. The complete articles of association are available on postennorge.no.

Posten Norge's universal service obligation is described in the Postal Act and Posten Norge's licence issued by the Ministry for Transport and Communications. The current licence is valid from 1 January 2018 until it is succeeded by agreements or decisions concerning the universal service obligations pursuant to section 6 of the Postal Act.

The Board establishes goals and strategies, both on a group-wide level and for each segment. These support the Group's goals. Processes that are intended to ensure that the Group has a well-founded and operational strategy at all times are evaluated regularly and at a minimum annually. Goals, strategies and risk profiles are decided based on these evaluations and processes. See also Section 10 Risk management and internal control.

Through its operations, Posten Norge is a prominent social actor, which entails a special responsibility for how the company's activities are performed.

The Group's shared core values thus create an important foundation for its operations and the work of the Board with regard to employees and the external environment, such as customers, suppliers and business partners. The Group's shared values are "Take responsibility", "Work as a team" and "Aim for more". In addition to this platform of shared values, ethical guidelines and management principles have been established.

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

Posten Norge's activities are labour-intensive. In total the Group employs around 14 500 full-time equivalents. Health, safety and the environment (HSE) is therefore a high priority in the work done on corporate social responsibility. The company's ambition is to ensure that nobody is injured or becomes sick as a result of working in or for the Group. Continuous and targeted work is being carried out on preventive and health-promoting measures.

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

While the Group must operate profitably on commercial terms, it must also meet its universal service obligations, meet its owner's required rate of return and adapt its operations to the structural changes taking place in the market. This also means that unprofitable services which are part of the universal service obligations must be financially compensated by the service requester.

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

The following fundamental principles form the basis for the development of the Group:

- Posten Norge shall develop strong, profitable and sustainable market positions within the areas in which the Group operates.
- Posten Norge shall ensure a satisfactory return on all investments and competitive value growth over time.
- Posten Norge shall provide services to meet universal service obligations.
- Posten Norge's business shall be customer-oriented, effectively serve customers' needs and be close to its customers.
- Posten Norge shall have a balanced portfolio of operations that strengthens its capacity to serve customers' needs.
- Posten Norge shall be a trusted third party for its customers.
- Posten Norge shall ensure a unified corporate culture based on shared values which also accommodate diversity.
- Posten Norge shall work to achieve cost advantages through efficiency measures, coordination of value chains, industrialisation and continuous improvement of processes, as well as transparent and integrated governance.
- Posten Norge shall work actively to reduce the company's impact on the external environment.
- Posten Norge shall develop good, attractive workplaces.

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

Section 3 Equity and dividends

Financial structure

The Group's equity at 31.12.2018 was MNOK [6 471], which results in a return on equity of [40.3]% (no significant changes are expected in the Group's equity when implementing IFRS 16 from 1.1.2019, but the return on equity will be reduced to about 32–33%). The decline in addressed mail volumes has increased recently, and has had a major impact on the company's cash flow and profit. The negative trend in mail volumes is expected to continue, which poses a major risk to the Group's future cash flow and profit. In order to ensure the Group's financial room to manoeuvre, it is necessary to have a satisfactory equity ratio and sufficient liquid assets. The Group's capital structure, including equity, is considered satisfactory and necessary in view of the Group's ability to implement the company's goals and strategies within an acceptable risk profile.

Dividends

Posten Norge's general meeting is not bound by the Board's proposal for the distribution of dividends, pursuant to section 20-4 (4) of the Limited Liability Companies Act, and the company is thus subject to the Norwegian state's dividend policy in force at any given time.

The Norwegian state has a dividend policy whereby 50 per cent of Group profit after tax can be distributed as dividends. However, before the annual dividend is determined, an independent assessment of the Group's equity and liquidity must be carried out to ensure a prudent dividend level based on the risks associated with, and the scope of, the Group's operations.

Section 4 Equal treatment of shareholders and transactions with related parties

All shares in Posten Norge are owned by the Norwegian state. Due to the state ownership of Posten Norge, the section in the NCGB CP on share issues is not deemed to be relevant for Posten Norge.

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

Section 5 Shares and negotiability

All shares are owned by the Norwegian state.

Due to state ownership, this section in the NCGB CP is not deemed by the Board to apply to Posten Norge.

Section 6 General meeting

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

In accordance with Article 8 of the company's articles of association, the annual general meeting is held by the end of June each year.

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

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

Section 7 Nomination committee

The Norwegian state is the sole shareholder, and the company therefore has no nomination committee. The shareholder-appointed board members are nominated by the Ministry of Trade, Industry and Fisheries and are elected by the general meeting in accordance with section 20-4 (1) of the Limited Liability Companies Act (1). Posten Norge deviates from this section of the NCGB CP.

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

Section 8 Board of Directors, composition and independence

Board composition

As the sole shareholder, the Norwegian state designates and selects all the shareholder-appointed board members. There are currently six shareholder-appointed board members. There are no deputies for the shareholder's representatives on the Board.

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

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

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

During 2018, three shareholder-elected board members were replaced by four new ones. This means that the composition of the Board in 2018 was as follows:

- Until 29 June: Five shareholder-appointed board members (two men and three women) and four employee-elected board members (three men and one woman).
- From 29 June: Six shareholder-appointed board members (three men and three women) and four employee-elected board members (three men and one woman).

Board's independence

The Board acts as a collegial body and not as individual representatives of various interest groups. The Board continually assesses the independence of its members. All the shareholder-appointed board members as at 31 December 2018 were deemed to be independent board members, since they were not considered to have commercial, family or other relationships that could be deemed to affect their evaluations or decisions as board members of Posten Norge.

Section 9 The work of the Board of Directors

The Board's duties

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

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

The Board's instructions for the CEO are included in the rules of procedure.

Together these documents clarify the tasks and responsibilities of the Board and the CEO, including which matters must, may and should be handled by the Board. This also includes limits on the CEO's mandate.

Items that regularly appear on the agenda of board meetings are the preparation and implementation of the Group's strategies, the processing and approval of quarterly and annual reports, monthly performance reports, HSE issues, investments and related follow-up work, evaluation of the Group's risk 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.

Posten Norge's ethical guidelines do not allow board members or employees to participate in or attempt to influence decisions when special circumstances exist that may weaken confidence in their independence. Anyone who becomes aware of potential conflicts of interest must immediately report this to their immediate superior.

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

The Board held seven board meetings in 2018.

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

The Board's audit committee

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

The audit committee met five times in 2018.

The external auditor attends meetings of the audit committee during discussions of all relevant items on the agenda.

The Board's remuneration committee

A remuneration committee has been established which is subject to a separate mandate. Until 23 August 2018, this committee included the Board Chair and two board members, of which one is an employee representative. From 23 August 2018, the remuneration committee included the Board Chair and three board members, of which one is an employee representative. The remuneration committee holds regular meetings throughout the year. The committee prepares and recommends proposals to the Board related to

remuneration of the CEO. The committee otherwise contributes to the thorough and independent handling of remuneration committee issues for executive management.

The remuneration committee met three times in 2018.

Section 10 Risk management and internal control

The Board ensures that the company has good internal controls and appropriate systems for risk management, and monitors these regularly. The Board emphasises the importance of a sound and efficient control environment in addition to sound control processes. This work is rooted in the company's articles of association, the rules of procedure for the Board and other internal governing documents, as well as in general laws and clear recommendations based on best practice.

The Group's governing documents establish how the management and control of the Group shall be carried out. The documents set out group-wide requirements with regard to conduct in important areas and processes, including how the Group will ensure consideration of stakeholders in value creation.

Risk management and internal control must be integrated into the Group's processes. Managers on all levels are responsible for ensuring that risk management and good internal control systems are established within their respective areas, that these have the necessary effect, and that they are automated to the extent this is considered expedient.

An internal control committee has been established to ensure adequate and effective internal control of specified risk areas. The internal control committee is responsible for ensuring progress and deliveries related to the centrally mandated internal control reviews and is responsible for reporting these to the CEO, the audit committee and the Board. Annual internal control reviews are conducted of priority areas. The reviews result in proposals concerning specific measures aimed at improving internal control. Line management is responsible for implementing proposed measures.

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

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

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

A common ethical standard applies to all of the Group's employees. This is continually promoted. This standard is a part of the Group's integrity programme which is intended to help ensure high ethical standards in anti-corruption efforts, competitive practices, social dumping and information management. Group suppliers and partners must sign the Group's Supplier Code of Conduct upon entering into contracts, and thus commit themselves to comply with the same ethical standards. In addition to this, suppliers are specifically assessed for risk, and controls and audits are conducted.

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

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

Section 11 Remuneration of the Board of Directors

The board members' fees are set at the general meeting each year. Remuneration is not dependent on profits or losses and none of the shareholder-appointed board members has options, a pension scheme or severance pay agreement with the company. Details of the remuneration for board members in 2018 are presented in note 2 in the annual financial statements.

Section 12 Remuneration of the executive management

The Board has prepared a statement concerning the determination of salaries and other benefits for the CEO and other members of executive management. This statement is prepared in accordance with section 7 of the articles of association and builds upon the principles in the Government's guidelines for state

ownership on this subject. The statement has two main parts. Part one concerns the management remuneration policy that has been followed in the preceding fiscal year, while part two contains guidelines for determining management salaries for the coming fiscal year.

The statement is discussed at the annual general meeting.

The Board considers incentive systems to be an important tool for helping management focus on increasing value creation in the company in line with the owner's interests. For this reason guidelines were established on bonus schemes for executive management in the Group. Payment under these schemes will be covered by the company's business operations.

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

Section 13 Information and communication

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

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

The Board also emphasises the importance of good communication with the company's owner outside the general meeting.

Section 14 Take-overs

Posten Norge deviates from this section of the NGCB CP. Posten Norge is a limited liability company wholly-owned by the Norwegian state, and the Board therefore deems this section of the NGCB CP not to be relevant.

Section 15 Auditor

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

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

The Group's policy allows the auditor to be engaged to perform other audit-related tasks in addition to the statutory audit.

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

The Board shall, in accordance with the Norwegian Accounting Act, section 3-3b, provide information on corporate governance. The overview below shows where this information is presented in the above report.

1. "details of the recommendations and rules on corporate governance which cover the enterprise or which the enterprise otherwise decides to follow"
 - See section 1 Implementation and reporting on corporate governance.
2. "information about where the recommendations and rules mentioned in no. 1 are publicly available"
 - See section 1 Implementation and reporting on corporate governance.
3. "reasons for any non-compliance with the recommendations and rules mentioned in no. 1"
 - There are three instances of non-compliance described in detail in section 6 General meeting, section 7 Nomination committee, and section 14 Takeovers.
4. "a description of the main elements of the company's (and where applicable the group's) systems for internal control and risk management in relation to the financial reporting process"
 - See the report's section 10 Risk management and internal control.
5. "provisions in the articles of association which fully or partly expand or exclude provisions in chapter 5 of the Public Limited Liability Companies Act"
 - See the report's section 6 General meeting.
6. "the composition of the Board of Directors, corporate assembly, committee of shareholders' representatives and control committee; if applicable any working committee for these bodies, as well as a description of the main elements in the applicable instructions and guidelines for the bodies' and, if applicable, the committees' work"
 - See the report's section 8 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 Board of Directors, composition and independence.
8. "provisions of the articles of association and powers of attorney which allow the Board to decide whether the company should buy back or issue shares or equity certificates"
 - Posten Norge does not have articles of association or powers of attorney which allow the Board to decide whether the company should buy back or issue shares or equity certificates. See the report's section 3 Equity and dividends and section 4 Equal treatment of shareholders and transactions with related parties

Financial statements Posten Norge Group 2018

Income statement

Amounts in MNOK

	Note	2018	2017
Revenue	1	23 894	24 678
Costs of goods and services		10 270	10 317
Payroll expenses	2	8 853	9 451
Depreciation and amortisation	8,9	654	683
Write-down of intangible assets and tangible fixed assets	8,9	158	59
Other operating expenses	4	3 586	3 524
Operating expenses		23 522	24 034
Other income and (expenses)	5	35	57
Share of profit from investments in associated companies and joint ventures	10	8	(9)
Operating profit		415	692
Financial income	6	329	256
Financial expenses	6	378	326
Net financial income (expenses)		(49)	(71)
Profit before tax		366	621
Tax expense	7	118	233
Profit for the year		248	388
Profit attributable to controlling interests		246	382
Profit attributable to non-controlling interests		2	6

Statement of comprehensive income

Amounts in MNOK

	Note	2018	2017
Profit for the year		248	388
Pension	3,7	63	(27)
Items that will not be reclassified to income statement:		63	(26)
Translation differences			
Hedging	7,19	32	1
Translation differences		(44)	130
Translation differences		(12)	131
Cash flow hedging	7,19		(3)
Items that will be reclassified to income statement:		(11)	128
Changed income tax rate	7	(2)	(6)
Other comprehensive income		50	96
Total comprehensive income		298	483
Total comprehensive income is distributed as follows:			
Controlling interests		296	477
Non-controlling interests		2	6

Balance sheet

Amounts in MNOK

	Note	31.12. 2018	31.12. 2017
ASSETS			
Intangible assets	8	2 049	2 118
Deferred tax asset	7	224	281
Tangible fixed assets	9	5 812	5 794
Investments in associated companies and joint ventures	10	404	449
Interest-bearing non-current receivables	12,13	17	20
Other financial non-current assets	12,19	223	188
Non-current assets		8 730	8 850
Inventories		15	14
Interest-free current receivables	12,14,19	3 671	4 054
Interest-bearing current receivables	12,13	42	107
Liquid assets	12,15	3 613	3 937
Current assets		7 341	8 112
Assets		16 071	16 962
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity		3 330	3 233
Non-controlling interests		31	22
Equity	20	6 481	6 375
Provisions for liabilities	3,11	1 201	1 505
Interest-bearing non-current liabilities	12,16,19	3 015	3 072
Interest-free non-current liabilities	12,17,19	14	24
Non-current liabilities		3 030	3 096
Interest-bearing current liabilities	12,16,19	910	689
Interest-free current liabilities	11,12,17,19	4 342	5 158
Tax payable	7	107	138
Current liabilities		5 359	5 986
Equity and liabilities		16 071	16 962

27 March 2019



Idar Kreutzer (leder)



Tove Andersen (nestleder)



Henrik Højsgaard



Anne Carine Tanum



Finn Kinserdal



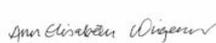
Liv Fiksdahl



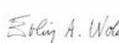
Odd Christian Øverland



Lars Nilsen



Ann Elisabeth Wingenes



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	2018	2017
Profit before tax		366	621
Tax paid in the period	7	(130)	(251)
Gain from sales of non-current assets and subsidiaries		(64)	(271)
Ordinary depreciation and write-downs	8,9,10	813	743
Share of profit from associated companies and joint ventures	10	(8)	9
Financial items without cash effect		111	54
Changes in accounts receivable and payable	14,16	(147)	(267)
Changes in other working capital		(99)	(114)
Changes in other current accruals (1)		(218)	73
Interests received		51	56
Interest paid		(76)	(62)
Cash flow from operating activities		598	592
Investments in non-current assets	8,9	(962)	(959)
Cash effect of repayment on previous year's investment		28	
Cash effect from purchase of business	23	(3)	(40)
Cash effect from purchase of associated company and joint venture			(7)
Proceeds from sale of non-current assets		81	232
Cash effect from sale of business	23	1	824
Cash effect from sale of associated companies	10	7	21
Dividend received from associated companies	10		2
Changes in other financial non-current assets		(4)	16
Cash flow from/used in) investing activities		(853)	88
Proceeds from borrowings	16	500	1 500
Repayment of borrowings	16	(375)	(100)
Group contribution/dividend paid	20	(194)	(19)
Cash flow from/(used in) financing activities		(69)	1 382
Change in cash and cash equivalents during the year		(324)	2 062
Cash and cash equivalents at the start of the period		3 937	1 875
Cash and cash equivalents at end of period		3 613	3 937

1) Compared with last year, the change is mainly due to a reversal of pension income as a result of plan change without cash effect taken to income in 2018, and that there was a reversal of a provision without cash effect in 2017.

Statement of changes in equity

Amounts in MNOK

	Controlling interests						Non-contr. interests	Total equity
	Share capital	Share premium reserves	Hedging reserve	Transl. differences	Retained earnings	Other 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 result			(3)	131	(32)	96		96
Total comprehensive result			(3)	131	350	477	6	483
Dividend					(19)	(19)	(2)	(21)
Addition non- controlling interests							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
Equity 01.01.2018	3 120	992	(3)	314	1 930	3 233	22	6 375
Profit for the year					246	246	2	248
Other comprehensive result			(1)	(12)	62	50		50
Total comprehensive result			(1)	(12)	308	296	2	298
Dividend					(194)	(194)	(4)	(198)
Addition non- controlling interests							10	10
Other changes in equity					(5)	(5)		(5)
Equity 31.12.2018	3 120	992	(3)	302	2 039	3 330	31	6 481

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. Revenue from contracts with customers	Note 1 Segments	IFRS 15
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 19, IAS 37
15. Contingent liabilities and assets	Note 11 Provisions for liabilities	IAS 37

Accounting principles	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 9, IFRS 13, IAS 32
17. Accounts receivable	Note 14 Interest-free current receivables	IFRS 7, IFRS 9, IFRS 13, IFRS 15, IAS 32
18. Cash and cash equivalents	Note 15 Liquid assets	IFRS 7, IFRS 9, IFRS 13, IAS 7, IAS 32
19. Borrowings	Note 16 Interest-bearing non-current and current liabilities Note 17 Interest-free non-current and current liabilities	IFRS 7, IFRS 9, IFRS 13, IAS 32
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 2018.

1.1 IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaced IAS 39 *Financial instruments – recognition and measurement*. The standard introduced new requirements to classification and measurement, impairment and hedge accounting. The implementation of IFRS 9 had no significant effect for the Group.

Financial assets and liabilities previously measured at fair value, are still measured at fair value according 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. For the assessment of impairment, IFRS 9 introduces an “expected loss model”. The transition from an “accrued loss model” in IAS 39 had no material effect, as the Group’s financial assets mainly comprised receivables without significant financing components, where a simplified model is applied. The lifetime expected credit losses are recognised, and no follow-up of a change in credit risk is required. Financial hedges that pursuant to IAS 39 were classified as accounting hedge relations, still qualify for this under IFRS 9.

The Group’s accounting principles for financial instruments are further discussed in section 16.

1.2 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 assessed the five-step model on which the new standard is based and concluded that the implementation of IFRS 15 has not implied any significant changes in the recognition of income compared with previous years. The implementation of IFRS 15 has had no effect on the Group’s equity.

IFRS 15 has been implemented by applying the modified model without any restatement of comparable figures. The Group’s income is divided in categories pursuant to the information requirements in IFRS 15.

Details on the accounting principles for income recognition can be found in section 7.

In addition to the new standards, the Group has implemented some revised standards and interpretations. The implementation of these revised standards and interpretations has not implied significant changes in the consolidate financial statements.

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 2018.

2.1 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 2018, the Group has basically finalised the implementation project for IFRS 16 and evaluated the effect of the new standard. The work has included data collection and the registration of all lease agreements in the Group and the implementation of system support for the follow-up and registration of lease agreements. The Group has also chosen implementation method and accounting principles, in addition to interpreting the standard and discussed key accounting issues where the standard requires the use of judgment.

At the implementation of IFRS 16, the Group has applied the following implementation and accounting principles:

The Group's choice of implementation method

In 2018, the Group decided to apply the modified retrospective approach without restating comparable information when implementing IFRS 16. Leased assets and liabilities will basically be measured at the same amounts.

The following practical solutions for lease agreements previously classified as operating leases have been applied at the implementation date:

- A joint discount interest has been applied for portfolios of lease agreements with similar characteristics.
- For lease agreements, where provision for onerous contracts were made pursuant to IAS 37, assets in use are adjusted for the value of the loss contracts at the implementation date
- The Group has excluded direct costs for establishing an agreement from the measurement of the asset in use at the implementation date. The exclusion has no significant effect.
- In determining the lease period, the Group has taken known information on options into account.

The Group's choice of accounting principles

The Group will apply the exceptions in the standard. Lease contracts in the category of "assets 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.

The Group has decided not to apply IFRS 16 for intangible assets.

Several of the Group's lease agreements include other services and components, like overhead costs, insurance, maintenance and service, fuel and dues. Non-lease components are separated from the lease agreement and recognised as operating expenses in the consolidated accounts.

The Group's interpretation of the standard and discussion of key accounting considerations

Consideration of agreements in the Group complying with the standard's definition and recognition requirements

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 real estate and means of transport will as a main rule be comprised by the definition in the standard and classified as leases.

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 constitutes 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 do not qualify as a lease according to the standard.

Assessment of lease period

Several of the Group's significant lease agreements, especially within real estate, include options for extending the lease agreements. According to IFRS 16, it is the non-cancellable lease period (including the period of notice) and any options reasonably certain to be exercised that is recognised in the lease liability. The Group assumes that "reasonably certain" is a probability level significantly higher than 50 percent/"probable".

In assessing whether the exercise of an option is reasonably certain, it has been particularly emphasised whether the asset is important for operations and is part of the Group's strategic plans. The Group has also taken the exercise date of the option into account, as the degree of certainty is considered to be lower if this date is far into the future.

Assessment of lease payments

«Right to use» assets and liabilities shall be measured at the present value of the lease payments.

Lease payments include fixed payments and any payments varying by an index or interest rate, but not variable lease payments depending on the use of the asset. For the Group, variable lease payments will mainly relate to non-lease components, and be separated from the lease agreement in line with the choice of principle above.

In addition, lease payments include residual value guarantees, purchase options and any termination expenses. For a large part of the Group's leased means of transport, the car importer has provided the lessor with a residual value guarantee. The Group has normally not provided any separate guarantee. Wear and tear and any damage caused by an ordinary use of the leased asset can imply an obligation to the lessor at the return, but will normally not give rise to an increased asset/liability at the agreement date and therefore expensed as the liability accrues.

Discount interest

The present value of the lease payments shall be discounted at the lessee's marginal loan interest when the lease agreement's implicit interest cannot be easily determined. The method to determine the Group's marginal loan interest is consistently applied and reflects (1) the loan interest for the asset class in question and (2) the length of the lease period.

Assessment on sublease agreements

Sublease agreements shall be classified as either financial or operating lease agreements and are considered to be financial if they basically transfer all risk and reward connected with the «right to use» asset. The Group assumes that this is the case if the asset, or parts of it, is subleased for most of the remaining lease period in the main agreement.

Consequences for the financial reporting

The implementation of IFRS 16 will have significant effect for the Group.

Balance sheet

The estimated implementation effect at 1 January 2019 is as follows:

Amounts in MNOK

	Asset in use	Sub-lease	Assets	Lease obligation	Provisions for obligations	Defer-red tax	Lia-bili-ties	Equity
Recognition of lease agreements	4 371		4 371	4 371			4 371	
Recognition of financial sublease agreements	(262)	132	(130)			(29)	(29)	(102)
Reversal of onerous contracts related to sublease agreements			0		(177)	39	(138)	138
Write-down due to loss contracts	(159)		(159)		(159)		(159)	
Total increase/(reduc-tion)	3 950	132	4 082	4 371	(336)	10	4 046	36

The Group's total capital increases, and this implies that the Group's equity ratio will be reduced to 32-33 percent.

At the implementation date, the Group will not be in breach of debt covenants.

Income statement

Lease payments that by the present accounting rules are included in other operating expenses will pursuant to IFRS 16 be classified as depreciation and finance costs. The Group's operating result before depreciation will be improved, depreciation costs increase and finance result be reduced.

The effect on the 2019 income statement is uncertain due to changes in the composition of lease agreements, changes in the interest market, changes in renewal options and estimates of lease periods. Based on lease agreements, interest rate level and lease period as at 1 January 2019, expected effects in the 2019 income statement are estimated as follows.

- Operating profit before depreciation (EBITDA) will improve as other operating costs will be reduced by lease payments in the interval 900 – 1 000 MNOK.
- Annual depreciation of leased assets will increase in the interval 800 - 900 MNOK.
- Annual finance costs related to the lease liability will increase in the interval 100-150 MNOK.

Cash flow

The accounting change will imply a reclassification of lease payments from cash flow from operating activities to cash flow from financing activities.

Compared with the estimates given in the 2017 annual report, the effects are updated as a consequence of changes in assessments and the composition of lease agreements. The remaining lease period for several significant contracts is shorter, and the number of agreements were reduced at the sale of Bring Citymail Sweden. The interest rate level and estimated discount interest has increased.

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 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. 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 identifiable assets 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 12 months 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.

Non-controlling interest in the acquired company are measured 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. For non-controlling interests, the share of the profit/loss for the year after tax is shown in the income statement and the share of other comprehensive income in total comprehensive income.

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 Associated companies and joint ventures

An associated company 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 profit or loss in subsequent periods is recognised in the income statement as income or expenses. The Group's share of profit or loss is classified as operating income or expense.

6. Segment reporting

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

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

7. Revenue from contracts with customers

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.

The recognition of income shall reflect the transfer of goods or services to the customer. In all segments, income is recognised when a customer achieves control over goods or services and thereby can determine the use of them and receive the benefits from the goods or services.

According to the contracts applied, the Group's current delivery obligations in both segments are short-term (less than one year). Accordingly, the Group does not provide information about balance sheet items related to current deliveries.

Sales revenue is measured at fair value of the consideration net of value added tax and discounts.

7.1 Revenue: 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 can include a number of associated additional services, but are mainly considered to be a delivery obligation. The services are taken to income over time, as the customer is considered to benefit from the fact that the goods are coming increasingly nearer the delivery point. Most transport services are delivered within 1-7 days, and provisions are made for uncompleted transport.

Warehouse services are also provided in the segment. Warehouse services comprise several separate delivery obligations, including storage, handling and pick-up services in addition to the unloading of vehicles, sealing of pallets, installation/repair of equipment and construction of sales pallets. The storage of goods is recognised over time as a consequence of the fact that the customer receives the benefit for each day the goods are stored. Storage handling is, however, recognised immediately at the time when the service is delivered and control is considered to be transferred to the customer.

7.2 Revenue: Mail segment

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

The recognition of letter products is basically made currently over time. Postal services have, however, very short delivery time., 1-2 days, and the recognition of income is therefore normally made when the letter is delivered to the post office/in the letter box. Postal services also comprise the sale of stamps, franking and international mail. The sale of stamps is considered to be advance payments for the sale of letter products 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 comprises income from foreign postal services within ordinary terminal charge agreements. This 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 based on 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, recognised when the allocated funds are received (monthly) and limited to an amount equalling the current year's estimated additional expenses regarding licensing requirements.

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 on a straight-line basis 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 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 initially measured at fair value at the settlement date, normally at transaction price. Subsequent measurements depend on the classification of the financial asset or liability. The classification is determined by the Group's business model for managing financial instruments and the characteristics of the cash flows of each instrument.

Financial assets are classified as subsequently measured at either amortised cost, fair value over comprehensive income or fair value over profit and loss. Financial liabilities are classified as subsequently measured at either amortised cost or fair value over profit and loss.

The Group's financial assets mainly comprise debt instruments (receivables), and the Group has no significant equity instruments. The receivables' cash flows only include the principal and any interest, and all receivables are held only to receive contractual cash flows (no intention of sale exists). The receivables are classified as subsequently measured at amortised cost.

None of the Group's financial liabilities are held for trading purposes. With the exception of loan in foreign currency (Japanese yen), the fair value option has not been applied, nor do the liabilities contain embedded derivatives. Accordingly, the Group's financial obligations are basically classified as subsequently measured at amortised cost. The Group has applied the opportunity to use fair value options (FVO) for financial liabilities in foreign currency (Japanese yen), as such classification to a significant degree reduces any inconsistency in the measurement between obligation and related derivatives. Significant changes due to the Group's own credit risk is recognised in other comprehensive income.

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

The Group applies derivatives to manage currency and interest rate risk. The Group's criteria for classifying a derivative as a hedging instrument, and either the whole or parts of an individual item or a group of items as hedging object are as follows: (1) the derivative is applied to hedge an expected transaction, a net investment in a foreign business or a recognised asset or obligation, (2) the hedge is earmarked and documented, (3) the requirement for hedge effectiveness is met,

Hedge effectiveness is analysed on an ongoing basis and is met when (1) there is a financial relation between the hedge object and instrument, i.e., the Group normally expects that the values systematically change in line with changes in the underlying risk, (2) credit risk does not dominate the value changes, (3) and the degree of hedging reflects the actual quantity hedged and is applied to hedge.

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 Cash flow hedging

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 of net investment in a foreign entity

The Group 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 Fair value hedging

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 over profit and loss. Changes in fair value of such derivatives are recognised in the income statement.

16.3 Financial instruments: Impairment

For financial assets measured at amortised cost, the Group makes a provision for expected credit loss.

The Group's financial assets mainly comprise receivables, including trade receivables, without significant financing components. For financial assets without significant financing components, a simplified model is applied whereby expected credit loss over the entire lifetime is recognised (in using simple methods to estimate credit loss). The simplified model does not require any follow-up of credit risk.

If an accrued (actual) credit loss is established, due to the fact that the Group cannot reasonably expect to recover the entire or parts of a financial asset, the financial asset's gross balance sheet value is directly reduced.

Write-downs of financial assets measured at amortised are recognised in the income statements.

17. Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less provisions for losses. The Group applies a simplified method to provide for expected credit losses on the trade receivables and measures the loss provisions at an amount corresponding to the expected lifetime credit loss. This is made by a combination of individual evaluations and a general assessment with the basis in due date analyses and historical data. Accrued (actual) credit losses reduce the trade receivables' balance sheet value directly.

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 from contracts with customers" in the Group's accounting principles.

For financial reporting purposes, the Group has divided operations into two segments, Logistics and Mail. The split complies with international accounting standards (IFRS) and best practice. Segment Logistics comprises division E-commerce and logistics, International logistics and Express, Segment Mail includes division Mail. 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 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 comprises large shipments carried 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 pick-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 E-commerce and logistics, International logistics and Express.

Division E-commerce and logistics is responsible for all parcel products to e-commerce customers, in addition to groupage and part loads, thermo and warehouse in Norway. The division is focusing on realising economies of scale in its network, to ensure effective cooperation with Mail and International logistics and to develop integrated solutions to meet the customers' needs.

Division International logistics operates the international freight traffic by road, railway, air and sea in addition to industrial direct freight and industry solutions for manufacturing and offshore customers. The division also manages the car fleet primarily for the logistics network in Norway to ensure competitive and cost-effective transport services.

Division Express has the Nordic responsibility for the services areas delivery persons, express and home deliveries, in addition to operating the parcels network in Sweden, Denmark and Finland based on an "asset light" operating model. Special emphasis in the division is innovation and the development of the market for "same day" deliveries in the Nordics.

Segment Mail comprises letter products (addressed and unaddressed), banking services and dialogue services. The segment includes division Mail and operations in Bring Citymail 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.

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

2018	Logistics	Mail	Other	Eliminations	Group
External revenue	16 666	7 239			23 894
Internal revenue	654	849	1 303	(2 817)	
Total revenue	17 320	8 088	1 303	(2 817)	23 894
External expenses including depreciation	15 560	6 266	1 549		23 363
Internal expenses	1 625	1 165	16	(2 817)	
Write-down of intangible assets and tangible fixed assets	154	3	2		158
Operating expenses	17 338	7 434	1 566	(2 817)	23 522
Other income and (expenses)	(62)	90	6		35
Share of profit from associates and joint ventures	5	3			8
Operating profit (loss)	(73)	748	(260)		415
Net financial items					(49)
Taxes					(118)
Profit for the year					248

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

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.

Revenue categories (external income)

The Group's deliveries mainly comprise transport and postal services delivered over time and can include a number of associated additional services. The most significant additional services are considered to be part of a delivery obligation. Received consideration for the services are therefore not decomposed.

The Group's assets related to the contracts are basically trade receivables, ref. [note 14](#). According to the contracts applied, the Group's current liabilities in both segments are short-term (less than one year). For this reason, the Group does not provide information on balance sheet items concerning current liabilities.

Deliveries over time¹⁾	2018
Parcels and freight	7 888
Other logistics business	8 777
	16
Total Segment Logistics	666
Mail and bank services	6 425
Public procurements	536
Other	278
	7
Total Segment Mail	239
Other	
Total revenue	23 894

1) Some of the Group's services are delivered on a certain point of time. These services are not separated from income delivered over time, as they are considered to be insignificant.

Geographical information

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

	2018	2017
External revenue		
Norway	15 145	15 183
Sweden	5 035	5 889
Other countries	3 714	3 606
Total revenue	23 894	24 678
Assets		
Norway	14 356	1 4914
Sweden*	889	1 220
Other countries	826	828
Total assets	16 071	16 962
Investments during the period		
Norway	820	845
Sweden	87	81
Other countries	55	31
Total investments	962	959

* The 2017 figures have been changed, as the classification of investments in associated companies has been moved between the segments.

Balance sheet per segment

2018	Logistics	Mail	Other	Eliminations	Group
Associates and joint ventures	402	2			404
Other non-current assets	5 842	2 025	217		8 085
Current assets	2 988	725	31	(58)	3 686
Total allocated assets	9 232	2 752	248	(58)	12 175
Deferred tax assets					224
Interest-bearing receivables					59
Liquid assets					3 613
Total non-allocated assets					3 896
Total assets					16 071
Provision for liabilities	787	428	(14)		1 201
Interest-free liabilities	2 579	1 686	255	(58)	4 463
Total allocated liabilities	3 367	2 114	241	(58)	5 664
Interest-bearing liabilities					3 926
Total non-allocated liabilities					3 926
Total liabilities					9 590

2017	Logistics	Mail	Other	Eliminations	Group
Associates and joint ventures ¹⁾	427	22			449
Other non-current assets	5 672	2 247	182		8 100
Current assets	2 928	1 145	17	(22)	4 068
Total allocated assets	9 027	3 413	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	902	603			1 505
Interest-free liabilities	2 809	2 328	205	(22)	5 321
Total allocated liabilities	3 711	2 931	205	(22)	6 825
Interest-bearing liabilities					3 761
Total non-allocated liabilities					3 761
Total liabilities					10 587

1) In the 2017 annual report, this line also included investments in other shares. In 2018, this has been moved to other non-current assets (MNOK 15).

Deferred tax assets, 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

2018	Logistics	Mail	Other	Group
Investments in non-current assets	656	109	197	962
Investments in non-current assets by purchase of company (note 23)	4	13		17
Depreciation	390	261	3	654
Impairment	154	3	2	158

2017	Logistics	Mail	Other	Group
Investments in non-current assets	610	148	202	959
Investments in non-current assets by purchase of company (note 23)	22		22	
Depreciation	368	309	6	683
Impairment	55	1	2	59

Cash flow per segment

Cash-flows are allocated based on the segments' current operations and an allocation of assets and liabilities per segment.

2018	Logistics	Mail	Other	Group
Profit before tax	(130)	719	(223)	366
Gain/(loss) from sales of non-current assets and subsidiaries	6	(64)	(6)	(64)
Ordinary depreciation and write-downs	543	264	5	813
Share of profit from associates and joint ventures	(5)	(3)		(8)
Changes in working capital and other accruals	(307)	(176)	20	(464)
Tax paid in period				(130)
Financial items without cash flow effect				111
Net interest paid				(25)
Cash flows from/(used in) operating activities	107	740	(204)	598
Cash effect from purchases	(775)	(148)	(15)	(937)
Cash effect from sales	64	25		89
Changes in non-current receivables and financial non-current assets	(1)		(3)	(4)
Cash flows used in investment activities	(712)	(122)	(18)	(853)
Proceeds from debt raised				500
Repayment of debt				(375)
Dividend paid				(194)
Cash flow used in financing activities				(69)
Change in cash and cash equivalents during the year				(324)
Cash and cash equivalents at the start of the period				3 937
Cash and cash equivalents at end of period				3 613

2017	Logistics	Mail	Other	Group
Profit before tax	94	782	(255)	621
Gain/(loss) from sales of non-current assets and subsidiaries	(108)	(179)	16	(271)
Ordinary depreciation and write-downs	423	311	9	743
Share of profit from associates and joint ventures	(8)	18		9
Changes in working capital and other accruals	(443)	31	107	(308)
Tax paid in period				(251)
Financial items without cash flow effect				54
Net interest paid				(7)
Cash flows from/(used in) operating activities	(42)	963	(123)	592
Cash effect from purchases	(610)	(196)	(202)	(1 007)
Cash effect from sales	848	228	0	1 077
Dividend received from associated companies		2	0	2
Changes in non-current receivables and financial non-current assets				16
Cash flows from/(used in) financing activities	239	35	(202)	88
Proceeds from debt raised				1 500
Repayment of debt				(100)
Dividend paid				(19)
Cash flow from 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

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.

	2018	2017
Salaries	7 132	7 470
Social security tax	1 061	1 191
Pension expenses	445	575
Other benefits	215	215
Payroll expenses	8 853	9 451
Number of full-time equivalent positions	14 459	16 286
Number of employees 31.12 ¹⁾	15 021	17 226

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](#)).

	2018	2017
Board fees¹⁾	2 562	2 478
Fees for the statutory audit – Group audit	6 673	7 276
Fees for the statutory audit to other audit firms	1 008	767
Fees for other attestation services	567	946
Fees for tax advisory services	478	482
Fees for other non-audit services	1 044	897
Total auditors' fees	9 770	10 369

(All amounts in TNOK and exclusive of VAT)

1) Includes Board fees to external board members in partly owned subsidiaries.

Fees to the group auditor concerned the audit firm EY.

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 2018 were approved in the Annual General Meeting on 29 June 2018, and the board members received the following remuneration:

2018

Remuneration	Board fees	Audit Committee	Compensation Committee
Idar Kreutzer, Chair ²⁾	440 001		11 850
Randi B. Sætershagen, Vice Chair (until 30.06.2018)	131 502		2 550
Anne Britt Berentsen (until 30.06.2018)	108 501	19 851	
Tove Andersen, Vice Chair ³⁾	243 000	34 050	
Morten Karlsen Sørby (until 30.06.2018) ³⁾	108 501	33 300	
Henrik Højsgaard (from 01.07.2018)	111 000		2 601
Anne Carine Tanum (from 01.07.2018)	111 000		2 601
Finn Kinserdal (from 01.07.2018)	111 000	20 301	
Liv Fiksdahl (from 01.07.2018)	111 000		
Odd Christian Øverland, employee representative ¹⁾	219 501		5 151
Ann Elisabeth Wirgeness, employee representative ¹⁾	219 501		
Erling Andreas Wold, employee representative	222 501		
Lars Nilsen, employee representative ¹⁾	219 501		
Petter Torp (deputy)	33 000		
Total	2 389 509	107 502	24 753

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

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

2) Leader of the Compensation Committee

3) Leader of the Audit Committee

2017

Remuneration	Board fees	Audit Committee	Compensation Committee
Idar Kreutzer, Chairman of the Board	430 998		11 604
Randi B. Sætershagen, Vice Chairman of the Board	260 754	45 548	
Terje Wold (until 29.06.2017)	106 500		
Anne Britt Berentsen	215 001	39 351	
Tove Andersen	215 001		
Morten Karlsen Sørby	215 001	22 200	3 352
Odd Christian Øverland, employee representative ¹⁾	215 001		5 052
Ann Elisabeth Wirgeness, employee representative ¹⁾	215 001		
Erling Andreas Wold, employee representative (from 01.01.2017) ¹⁾	212 001		
Lars Nilsen, employee representative ¹⁾	215 001		
Petter Torp (deputy)	11 000		
Total	2 311 259	107 099	20 008

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

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

2) Leader of the Compensation Committee

3) Leader of the Audit Committee

Group management – compensation

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

2018

Group management	Basic pay ¹⁾	Bonus ²⁾	Other benefits ³⁾	Pension cost	Period of notice	Severance pay agreement
Tone Wille ⁸⁾	4 563 488	805 000	290 603	113 839	6 mths.	No
Eli Giske (until 16.05.2018) ⁷⁾	1 029 481		3 007 156	45 641	6 mths.	7)
Ulf Aas (16.05-31.12.2018) ⁴⁾	1 253 231	248 625	132 383	139 130	6 mths.	No
Gro Bakstad	2 794 915	434 290	254 022	1 527 066	6 mths.	No
Erik Roth (from 15.10.2018) ⁵⁾	488 441	92 839	40 228	19 512	6 mths.	No
Randi Løvland	1 910 922	338 081	221 286	302 967	6 mths.	9 mths.
Tore K. Nilsen (until 15.10.2018)	2 586 080	254 283	226 222	537 725	6 mths.	9 mths.
Per Öhagen ⁵⁾	3 237 500	470 438	177 648	113 839	6 mths.	No
Morten Stødle	2 512 807	549 000	184 150	113 839	6 mths.	No
Alexandra Saab Bjertnæs ⁵⁾	1 932 472	453 375	241 387	113 839	6 mths.	No
Thomas Tscherning ⁶⁾	2 943 508	586 390	10 626	690 631	6 mths.	9 mths.
Total	25 252 845	4 232 320	4 785 711	3 718 029		

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

1) Basic pay includes salary and holiday pay

2) Accrued bonus at 31.12.2018, paid in 2019

3) Other benefits include free car (taxable part of company car), car allowance (fixed cash benefit) pension compensation and electronic communication, in addition to benefits concerning severance pay

4) Ulf Aas has been acting group director from 16.05.2018 until 31.12.2018

5) Has an agreement of severance in up to one year if the competition clause pursuant to the Working Environment Act sector 14 A should come into effect

6) Group director Thomas Tscherning has received his salary in Swedish kroner, translated to NOK at an average exchange rate for the year of 0,9363

7) The amount under Other benefits includes NOK 2 926 645 concerning pay during the period of notice (6 months) and severance pay in 6 months more (curtailed in its entirety against any new income in the period)

8) The Group CEO's salary is set to MNOK 4,5 per year, in addition to free phone/broadband, car compensation of TNOK 283 per year and parking at the office. An agreement was also made on bonus with an upper limit of 1 million kroner. The Group CO is also a member of the company's pension and personnel insurance schemes in line with the collective schemes prevailing in Posten Norge AS.

2017

Group management	Basic pay¹⁾	Bonus²⁾	Other benefits³⁾	Pension cost	Period of notice	Severance pay agreement
Tone Wille	3 995 541	457 625	280 663	109 127	6 mths.	No
Eli Giske	2 269 231	504 000	185 419	109 127	6 mths.	No
Gro Bakstad Elisabeth H. Gjølme (until 01.06.2017)	2 685 094 735 417	594 000 145 000	218 559 111 367	1 484 251 269 583	6 mths. 6 mths.	No 9 mths.
Randi Løvland	1 835 160	420 000	224 339	289 068	6 mths.	9 mths.
Tore K. Nilsen Gunnar Henriksen ⁴⁾	3 150 722 2 229 129	820 000 480 000	289 231 120 334	631 550 375 798	6 mths. 6 mths.	9 mths. No
Morten Stødle Alexandra Saab Bjertnæs (from 01.06.2017)	2 473 103 1 035 519	558 000 220 000	187 049 140 607	109 127 64 217	6 mths. 6 mths.	No No
Thomas Tscherning ⁵⁾	3 125 461	690 000	1 301	861 936	6 mths.	9 mths.
Total	23 534 376	4 888 625	1 758 868	4 303 786		

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

1) Basic pay includes salary and holiday

2) Accrued bonus at 31.12.2017

3) Other benefits include free car (taxable part of company car), car allowance (fixed cash benefit) pension compensation and electronic communication

4) Gunnar Henriksen was Group director in the period 01.01.-31.05.2017 and acting Group Director until 31.12.2017

5) Has an agreement of severance in up to one year if the competition clause pursuant to the Working Environment Act sector 14 A should come into effect

6) Group director Thomas Tscherning has received his salary in Swedish kronor, translated to NOK at an average exchange rate for the year of 0,9680.

7) The Group CEO's salary was set to MNOK 4 per year, in addition to free phone/broadband, car compensation of TNOK 274 per year and parking at the office. An agreement was also made on bonus with an upper limit of TNOK 500. The Group CO is also a member of the company's pension and personnel insurance schemes in line with the collective schemes prevailing in Posten Norge AS.

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 1 million kroner. 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, ref. 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.

Members of group management employed in the period 2007 – 2014 have defined contribution pension based on operations, where the annual contribution is limited to 25 percent of the pension basis exceeding 12 G. For other executives employed in the same period, the annual contribution was limited to 15 percent of the pension basis exceeding 12 G. These schemes were closed in February 2015 for employees in Posen 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.

Loans and guarantees

No loans or guarantees were provided for members of group management.

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 2019)

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 7, ref. the Public Limited Company Act section 6-16a.

The declaration shall be reviewed in Posten Norge AS'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 2018 has been in accordance with *Statement of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries*, adopted on 15 February 2018 (in the following, Last Year's Statement).

Two new Group Directors were employed in 2018. 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 2018, as the statement allows for.

The agreements for three of the Company's group directors made 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 as the employees in question has old age pensions where the pension basis exceeds 12G. One of them has a defined benefit pension scheme. [Notes 2](#) and [3](#) to the 2018 financial statements have complete overviews of the remunerations.2.

2. Posten Norge AS' wholly owned subsidiaries

The remuneration to senior employees in wholly owned subsidiaries in 2018 has been in accordance with the Norwegian state's guidelines, with the exceptions below.

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 insurance scheme implying that the company's senior employees have benefits that deviate from those of the other employees. The scheme was terminated in 2018, and senior employees and other employees now have the same scheme.

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 supporting the Group's four main goals:

- Engaged and competent staff
- Innovative and sustainable development
- Satisfied and loyal customers
- Cost-effective and profitable growth

Objectives that contribute to reach the main goals will be within the following categories: economic/financial targets, HSE (Health, Safety and Environment) the external environment, customers, strategy and the individual manager'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 for members of group management 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 programmes

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 as 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.

	2018	2017
Pension costs		
Present value of the pensions earned for the year	119	130
Net interest expense on net liability	22	29
Plan changes recognised in income statement	(104)	
Gross pension costs incl. social security tax (benefit based)	37	160
Employee contribution	(1)	(1)
Interest element reclassified to finance item	(20)	(26)
Net pension costs incl. social security tax (benefit based)	16	133
Defined contribution pension schemes	539	550
Employee contribution	(110)	(107)
Total pension expenses included in the operating profit for the year	445	575
Net pension liabilities:		
Estimated accrued secured liabilities	(516)	(506)
Estimated value of the pension assets	252	260
Net estimated secured pension liabilities	(263)	(246)
Estimated accrued unsecured pension liabilities	(618)	(848)
Net pension liabilities in balance sheet	(882)	(1 094)
Pension liabilities recognised as provisions for liabilities	882	(1 094)
Changes in liabilities:		
Net liabilities at 1.1.	(1 094)	(1 052)
Gross pension expenses	(37)	(160)
Premium payments and benefits paid	163	162
Contributions from scheme members	1	1
Correction of previous period's pension liability	(2)	
Repayment of previously paid-in pension premium	1	
Changes in pension estimates recognised in total comprehensive income	82	(35)
Translation differences	4	(11)
Net pension liabilities at 31.12.	(882)	(1 094)

	2018	2017
Main categories of pension assets at fair value		
Equity instruments (shares, bonds)	98	100
Debt instruments	99	103
Property	20	21
Other assets	35	36
Total pension assets	252	260
Pension estimate gain at 01.01.	473	508
Changes in pension plan, pension liabilities	124	
Changes in discount rate, pension liabilities	7	(10)
Changes in other financial assumptions, pension liabilities	(20)	(6)
Changes in demographic assumptions, pension liabilities	(1)	(1)
Changes in other factors, pension liabilities	(18)	(25)
Changes in other financial assumptions, pension assets	(7)	
Changes in demographic assumptions, pension assets	(4)	
Changes in other factors, pension assets	2	8
(Loss)/gain for the year in total comprehensive income	82	(35)
Pension estimate gain in total comprehensive income at 31.12.	555	473
Defined contribution pension schemes		
Number of members	17 922	19 494
Share of salary	1-57 %	1-49 %
Defined benefit pension schemes		
Actuarial assumptions		
Discount rate	2,38-2,85 %	2,4-2,7 %
Expected salary regulation	2,0-2,95 %	2,0-2,95 %
Expected G regulation	2,5-2,95 %	2,25-2,95 %
Expected pension regulation	0,8-2,5 %	0,4-1,5 %
Expected yield	2,38-2,85 %	2,4-2,7 %
Expected voluntary retirement (below 50 years)	3,5-5 %	3,5-5 %
Expected voluntary retirement (over 50 years)	1,0-5 %	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 paid to the pension supplier.

The Norwegian enterprises 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 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.

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.

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). In 2018, these rules were changed, reducing the coordination considerably. On this background, a reduction in pension liabilities of MNOK 228 has been estimated in 2018. This is accounted for as a plan change, of which MNOK 104 were recognised as a reduction of this year's pension cost and MNOK 124 as part of the estimate gain in other comprehensive income.

Pension funds in the Group basically relate to benefit schemes for companies in the Bring Cargo Group and Bring Frigo AB.

Assumptions

For 2018, 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 2018 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 2018 with the assumption that all other premises are unchanged. The actual figures can deviate 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	(122)	144	22	(14)	(9)	19
Percentage change	-14 %	17 %	3 %	-2 %	-1 %	2 %

Note 4 Other operating expenses

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

	2018	2017
Cost of premises	1 094	1 090
Other rental expenses	322	342
IT services	660	602
Other external services	585	472
Travel expenses	164	173
Tools, fixtures, operating materials	113	109
Repair and maintenance of equipment	136	112
Insurance, guarantee and compensation expenses	123	108
Marketing	98	95
Accounting and payroll services	45	46
Other expenses	247	376
Operating expenses	3 586	3 524

The growth in costs related to IT services is a consequence of high project activity, mainly based on operating improvements of existing systems and increased licence costs.

Other external services increased due to a more extensive use of temporary staff, mainly as a result of the introduction of one addressed mail flow in the Mail segment.

Other costs included telephone and postage, freight, office and stationery, publications, membership dues and losses on receivable. The reason for the reduction was primarily the disposal of Bring Citymail Sweden.

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 for liabilities" in the Group's accounting principles).

	2018	2017
Restructuring expenses	(22)	15
Gain on sale of fixed assets and subsidiary	68	270
Other income/(expenses)	(11)	(229)
Total other income	35	57

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

In 2018, the Group made a provision of MNOK 27 for restructuring costs and reversed previous years' provision of MNOK 5. MNOK 16 of this year's provision of MNOK 27 concerned personnel initiatives, MNOK 5 premises and MNOK 6 other measures. The provisions were basically made in connection with the restructuring of the terminal structure in the Logistics segment.

The corresponding provision in 2017 was MNOK 47, and the reversal MNOK 62. For 2017, the restructuring costs mainly concerned reorganising the terminal structure in the Logistics segment and changes in the Group's staff and support functions.

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 2018 mainly concerned the sale of Posten Eiendom Svanholmen AS with a gain of MNOK 47 and an expropriation of property with a gain of MNOK 17.

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

Other income and expenses

Other income and expenses in 2018 mainly comprised provisions for losses amounting to MNOK 37 in the Logistics segment. In addition, provisions of MNOK 34 were reversed as the Group in the first quarter of 2018 sold the subsidiary Bring Citymail Sweden to the German company Allegra Capital GmbH, and the

outcome of the agreement resulted in a smaller loss than expected (note 23 has details). Other income and costs in 2017 mainly constituted provisions for assumed obligations connected with this sale.

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).

	2018	2017
Interest income	52	71
Currency gains	204	134
Gain on derivatives	68	21
Gain on loans at fair value through profit and loss ¹⁾		28
Other financial income	5	2
Financial income	329	256
Interest expenses	98	86
Currency loss	192	123
Loss on derivatives	6	78
Loss on loans at fair value through profit and loss ¹⁾	50	
Other financial expenses	33	40
Financial expenses	378	326
Net financial income and (expenses)	(49)	(71)

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 2018 mainly comprised return on market based investments and bond funds.

Net currency gain and net gain 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 [notes 18 and 19](#).

Interest expenses mostly included interest cost related to long-term financing. In 2018, interest expenses also included interest costs on net pension liabilities amounting to MNOK 22 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).

	2018	2017
Income tax		
Tax payable	100	133
Reduction in deferred tax assets	19	100
Tax expense	118	233
Tax payable for the year	104	123
Adjustments of payments in previous years	(5)	10
Other		(1)
Tax payable	100	133
Effective tax rate	32 %	38 %
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit before tax	366	621
23% tax (24% in 2017)	84	149
Write-down of goodwill	33	12
Non-deductible expenses	25	86
Non-taxable income	(18)	(69)
Effect from tax rates in other countries	3	(7)
Effect of change in tax rate recognised in income statement	(1)	(3)
Adjustment previous years	(7)	5
Change in deferred tax assets not recognised in balance sheet		60
Tax expense	118	233

	2018	2017
Actuarial gain and loss	19	(8)
Result of hedging in foreign entities	10	1
Cash flow hedging		(1)
Effect of change in tax rate	2	6
Change in deferred tax recognised in other comprehensive income for the year	31	(2)

The decline in effective tax rate compared with last year, from 38 to 32 percent for the Group, is mainly due to a reduction in non-deductible costs resulting from the sale of Bring Citymail Sweden in addition to lower non-taxable income. Non-taxable income primarily concerned the sale of subsidiaries.

Changes in deferred tax assets

	01.01 2018	Addi- tion purch. Subs.	Recog- nised in OCI/ equity	Recognised in income state-ment	Other	Tran- sl. diff.	Effect of change in tax rate ¹⁾	31.12 2018
Tangible fixed assets	(8)	1		44			(4)	34
Retained gains and losses	(8)		2	(23)			(4)	(33)
Receivables	(1)							(1)
Currency	3			(3)				
Pensions	(226)		19	30		1	6	(169)
Contribution fund	23			(15)				8
Provisions	(69)			12			1	(57)
Financial instruments	(8)		10	(12)				(9)
Other	9			(5)				3
Tax losses carried forward	(482)	90	3	(10)	16		2	(397)
Total deferred tax assets	(767)	92	34	20	34	1	1	(621)
Total deferred tax assets not recognised in balance sheet	486	(91)			(22)	1		396
Total deferred tax assets in balance sheet	(281)	1	34	20	13	2	1	(224)

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

	01.01 2017	Addi- tion purch. subs.	Recog- nised in OCI/ equity	Recognised in income statement	Other	Tran- sl. diff.	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 23 to 22 percent with effect from 2019. The tax rate of 22 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 1.

Deferred tax assets were reduced by MNOK 57, mainly as a consequence of the criteria for recognition in the balance sheet. Deferred tax assets not recognised primarily concerned losses to carry forward in Sweden and Denmark. Losses to carry forward included in the basis for deferred tax assets carried in the balance sheet were recognised on the basis of expected future profit and opportunities for group contribution. There is no time limit related to the losses. The reduction in deferred tax assets not carried in the balance sheet resulted from the sale of Bring Citymail Sweden, as the company had losses to carry forward not recognised in the balance sheet.

The effect of the changed tax rate relates to the underlying assets recognised partly in the income statement and partly in other comprehensive income. The tax effect has been recognised correspondingly. The effect of the changed tax rate recognised in other comprehensive income of MNOK 2 mainly concerns changes in pension estimates, offset by hedges of 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	Projects in progress	Goodwill	Total
Carrying amount 01.01.2018	397	227	1 495	2 118
Additions	33	158		191
Additions in-house developed intangible assets		29		29
Additions from company acquisitions (note 23)			17	17
Disposals from sales of companies (note 23)	(14)			(14)
Amortisation for the year	(130)			(130)
Write-down for the year	(8)		(141)	(149)
Adjustments of cost price/scraping	(3)			(3)
Translation differences	(1)		(10)	(11)
Transfers from projects in progress	61	(61)		
Carrying amount on 31.12.2018	335	353	1 361	2 049
Acquisition cost 01.01.2018	2 384	233	3 228	5 845
Accumulated amortisation and write-down 01.01.2018	(1 987)	(6)	(1 733)	(3 726)
Acquisition cost 31.12.2018	2 381	359	3 108	5 849
Accumulated amortisation and write-down 31.12.2018	(2 046)	(6)	(1 748)	(3 800)
Carrying amount 31.12.2018	335	353	1 361	2 049
Depreciation method	Straight-line			
Useful life	3 - 10 years			

	IT development	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)
Write-down 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 write-down 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 write-down 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

Total intangible assets related to IT development recognised in the balance sheet at 31 December 2018 constituted MNOK 335, of which MNOK 291 concerned Posten Norge AS. Approximately MNOK 140 of the balance sheet value constituted 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 21. In addition, investments recognised in the balance sheet included a development platform and shared client software for the use of handheld terminals, solutions concerning address and route registers, production support systems and several projects on 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 1,9 million users. The system's value in the balance sheet at year-end was MNOK 24.

Disposals from sales of companies in 2018 mainly concerned the disposal of IT development in Bring Citymail Sweden carried in the balance sheet. [Note 23](#) has details.

For intangible assets with finite useful economic lives, the amortisation period for the Group was 3-10 years in 2018 (the same as in 2017) 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 2018 amounted to MNOK 353, of which approximately MNOK 290 concerned IT investments related to the group-shared transformation programme Nye Posten and Bring (NPB). The programme shall support line management in their efforts to achieve the Group's strategic and operational goals. The programme 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 30 in the balance sheet as at 31 December 2018.

Impairment of IT development etc. and projects in progress

All projects in progress are assessed annually and tested for impairment in the event of any indications of reduced values. No significant need for write-downs was recognised in 2018 or 2017 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 the Group is summarised below.

	Carrying amount 01.01.18	Ad- di- tions	Dis- po- sals	I/C trans- fers	Write- downs	Trans- lation differ- ences	Carrying amount 31.12.18
Bring Mail Nordic	27					(1)	26
Netlife Gruppen	122	13					135
Total Mail segment	149	13				(1)	161
Posten Norge AS – E-commerce and logistics	556			(34)			522
Bring Express Norway	101			34			135
Bring Express Sweden	57					(2)	56
Bring Express Denmark	41						42
Bring Warehousing	64				(64)		
Bring Cargo	254				(74)		180
Bring Frigo Sweden	44					(1)	42
Bring Linehaul	9						10
Bring Cargo International	220					(6)	213
Bring Transportløsninger		4			(4)	0	(0)
Total Logistics segment	1 346	4			(141)	(9)	1 200
Posten Norge Group	1 495	17			(141)	(10)	1 361

	Carrying amount 01.01.17	Ad- di- tions	Dis- po- sals	I/C trans- fers	Write- downs	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 Denmark	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 17 mainly concerned Netlife Gruppen, of which MNOK 13 was a result of the final purchase allocation (PPA) for the company Delivermore AS.

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.

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.

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. Netlife Gruppen is part of the Mail segment. Operations in Netlife Gruppen do, however, not include traditional postal activities, but mainly IT consultancy and advisory services, in addition to market and customer analyses.

Other assumptions (growth and required rate of return)

The extrapolation period contains a calculation 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

Segment	Goodwill	Discount rate before tax (WACC)		Long-term growth rate	
		2018	2017	2018	2017
Mail	161	9,4 %	8,8 %	0 – 2 %	0 – 2 %
Logistics	1 200	9,4 %	9,1 %	2 %	2 %
Total Group	1 361				

Result from impairment tests in 2018

Based on the criteria described above, MNOK 141 concerning goodwill in the Logistics segment were written down in 2018 (MNOK 49 in 2017).

Goodwill related to Bring Cargo was written down by totally MNOK 74. The entity operates within the business areas "Manufacturing and offshore" and "International forwarding". The write-down was mainly a result of the severe competition and profitability challenges in "Manufacturing and offshore".

Goodwill amounting to MNOK 64 concerning Bring Warehousing were written down in its entirety due to profitability challenges in the business.

In addition, goodwill of MNOK 4 was written down.

No additional requirements for write-downs have been identified and recognised for other goodwill items as at 31 December 2018.

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. The result of the analyses identified impairment only for the cash-generating entity Bring Cargo when growth assumptions and the required rate of return were changed.

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 write-downs was identified.

Sensitivity

Changed assumptions		Additional need for write-downs
Growth in terminal value	Bring Cargo	
1,0 %	(42)	
0,0 %	(74)	

Changed assumptions		Additional need for write-downs
Required rate of return	Bring Cargo	
9,6 %	(27)	
10,1 %	(51)	

Changed assumptions		Additional need for write-downs		
Forecasted EBIT	Bring Cargo	Posten Norge AS – misc. logistics	Bring Cargo International	Bring Frigo Sweden
10 % lower	(43)			
30 % lower	(129)			
50 % lower	(215)	(150)	(38)	(36)

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, furniture, equipment	Buildings, property	Plants under constr. Machinery	Plants under constr., buildings	Total
Carrying amount 01.01.2018	513	966	4 031	107	177	5 794
Additions	47	298	84	131	182	742
Disposals		(50)	1	(1)		(50)
Disposals from sales of companies (note 23)	(33)	1	(54)			(85)
Depreciation for the year	(76)	(273)	(175)			(524)
Write-downs for the year	(4)	(4)	(1)			(9)
Adjustment of cost price/scraping	1	(6)	(30)	(8)		(43)
Translation differences	(3)	(7)	(3)			(13)
Transfers from assets under construction	88	23	168	(111)	(168)	
Carrying amount 31.12.2018	534	949	4 022	117	191	5 812
Acquisition cost 01.01.2018	1 513	2 566	5 460	107	177	9 823
Accumulated depreciation and write-down 01.01.2018	(1 000)	(1 600)	(1 429)			(4 029)
Acquisition cost 31.12.2018	1 399	2 624	5 484	117	191	9 815
Accumulated depreciation and write-down 31.12.2018	(865)	(1 675)	(1 462)			(4 002)
Carrying amount 31.12.2018	534	949	4 022	117	191	5 812
Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	3-20 yrs.	3-15 yrs	3-50 yrs			

	Machinery	Vehicles, furniture, equipment	Buildings, property	Plants under const. Machinery	Plants under constr. buildings	Total
Carrying amount 01.01.2017	348	1 008	2 992	233	1 284	5 866
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)
Write-down for the year	(5)		(1)			(7)
Adjustment of cost price/scraping	(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 yrs.	1-15 yrs	5-50 yrs			

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 nationwide logistics network and a new joint terminal structure. A new terminal structure of totally 18 terminals was determined to support interaction and establish an integrated value chain between parcels and freight, with the objective to reduce the total cost level and secure the necessary competitive power. 14 of the terminals are put into operation, and 3 of the remaining 4 will be ready during 2020. The largest projects in 2018 concerned the new logistics centres in Vestfold, Stavanger and Bergen.

In May 2016, Posten Eiendom Vestfold AS purchased a site at Borgeskogen industrial area in Vestfold. The site was used to build a new production building for parcels and freight, and the building was put to use in September 2018. The carrying value at 31 December 2018 was MNOK 154.

By purchasing Posten Eiendom Stavanger in July 2016, the Group acquired a site in Stavanger to be used to develop Posten's and Bring's logistics centre in Stavanger. The plant is under construction and will be finalised in March/April 2019. As at 31 December 2018, the balance sheet value of the plant was MNOK 331.

In February 2017, the Group acquired a site at Kokstad near Flesland airport in Bergen. The site shall be used to build a new production building for parcels and freight, and will be finalised in 2021/2022. The scope of the building is MNOK 605.

Disposals of tangible fixed assets

This year's disposals of tangible fixed assets (including the sale of companies) constituted MNOK 135, and mainly concerned sales of machinery and equipment in connection with the sale of Bring Citymail Sweden, and the sale of Posten Eiendom Svanholmen AS, which included a terminal building outside Stavanger, in addition to sales of vehicles.

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 89 at 31 December 2018 (MNOK 87 at 31 December 2017), and mainly related to the terminal at Robsrud (Østlandsterminalen) and the 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 only has statutory liability coverage. The Group is self-insured for the part concerning hull insurance.

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 5 "Consolidation principles" and section 12 "Investments in subsidiaries, associated companies and joint ventures" in the Group's accounting principles).

Investments in associated companies and joint ventures

Entity	Country/ city	Owner- ship share	Book value 1.1.18	Addi- tions/ Dispo- sals 2018 incl. transl. diff.	Share of profit/(lo- ss) 2018	Change in transl. diff.	Book value 31.12.18
Danske Fragtmænd A/S	Denmark	31,7 %	418	(32)	4	3	393
Material- lageret AS Svensk	Long- yearbyen	34 %	9		1		9
Adressändring AB	Sweden		17	(21)	4		
AdressPoint AB	Sweden		3	(3)			
Bring Citymail Stockholm KB	Sweden		1	(1)			
Other				2			2
Associates and joint ventures			449	(55)	8	3	404

Entity	Country/ city	Owner- ship share	Book value 1.1. 17	Share of profit/(lo- ss) 2017	Dividend 2017	Other adjust- ments	Book value 31.12. 2017
Danske Fragtmænd A/S Svensk	Denmark	34 %	347	8	(16)	79	418
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) As the company is a limited partnership, the share of the result 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 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 2018, Posten Norge AS replaced the agreement about exercising a sales option on the shares in Danske Fragtmænd A/S from 2017 with a new agreement. The new agreement implies a buy-back period of 5 years. Interest shall also be paid. The agreement gives Posten significant control, as several matters require unanimity in the board. As at 31 December 2018, 7 percent of the Group's shares in the company have been sold, and the ownership is reduced by 3,3 percentage points from 34 percent to 31,7 percent. 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 1.1.	Disposals incl. transl. diff.	Profit share	Dividend	Translation differences	Book value 31.12.
2018	418	(32)	4		3	393
2017	347		8	(16)	79	418

At the end of 2018, recognised translation differences amounted to MNOK 82.

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

Company	Assets	Liabilities	Equity	Turnover	Profit for the year
Danske Fragtmænd A/S	1 672	1 008	665	3 674	86
Materiallageret AS	27	10	18	8	2

Note 11 Provisions for liabilities

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

	Restructuring	Pension	Other	Total
Balance 01.01.2017	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
Provisions recorded during the year	27		42	69
Reversals of previous year's provisions	(5)		(2)	(6)
Interest effect from discounting			15	15
Translation differences	(1)	(4)	(5)	(10)
Provisions utilised during the year	(86)		(64)	(150)
Change in pension liabilities during the year		(208)		(208)
Balance 31.12.2018	109	882	371	1 362
Short-term part of provisions	79		83	161
Long-term part of provisions	30	882	289	1 201

Restructuring

In 2018, the Group made provisions for restructuring costs amounting to MNOK 27, and reversed provisions of MNOK 5 from previous years. The new provisions mainly concerned Posten Norge AS and the Group's thermo business. MNOK 16 of this year's provision of MNOK 27 regarded personnel related measures, MNOK 5 premises and MNOK 6 other initiatives. The utilised provision during the year included payments related to the provision for one joint mail flow of MNOK 31 and previously liquidated business of MNOK 18. The remaining use were payments of gift pensions, severance pay and other reorganisation provisions.

The liabilities as at 31 December are specified below:

	2018	2017
Personnel related measures	59	101
Rent for vacant premises	34	52
Other measures	14	17
Severance pay	2	5
Total restructuring	109	174

The disbursements in the Group are expected to be MNOK 79 in 2019 and MNOK 30 in later years. [Note 5](#) has more information.

Pensions

Pensions are described in [note 3](#).

Other

New provisions of MNOK 42 in 2018 mainly relate to onerous contracts and vacant premises in the Logistics segment. MNOK 50 of the utilised provisions of MNOK 64 concerned provisions for onerous contracts related to thermo warehouses.

Other provisions in the Group as at 31 December 2018 amounted to MNOK 371 and mainly concerned onerous contracts related to thermo warehouses. 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 has been settled in 2019 without any significant effect on the accounts.

No other disputes with significant risk exposure for the Group has been noted in 2018.

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).

2018	Note	Valuation hierarchy level	At fair value			At amortised cost		Total 2018
			FVO - Fair value over profit and loss	Derivatives at fair value over profit and loss	Derivatives at fair value over OCI/equity ¹	Receivables	Other financial liabilities	
Assets								
Interest-bearing non-current receivables	13					17		17
Other financial non-current assets	19	2		210	3	10		223
Interest-free current receivables	14					3 671		3 671
Interest-bearing current receivables	13					42		42
Liquid assets	15							3 613
Total financial assets								7 566
Liabilities								
Interest-bearing non-current liabilities	16	2	657				2 359	3 015
Interest-free non-current liabilities	17,19	2		10	2		2	14
Interest-bearing current liabilities	16						910	910
Interest-free current liabilities incl. tax payable	7,17,19	2		5	27		4 416	4 449
Total financial liabilities								8 389
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(657)	194	(27)			(489)
Total value hierarchy level 3 (net)								

1) Derivatives included in accounting hedging relations

2017	Note	Valuation hierarchy level	At fair value		At amortised cost		Total 2017
			FVO - Fair value over profit and loss	Derivatives at fair value over profit and loss	Derivatives at fair value over OCI/equity	Receivables	
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)							
Total value hierarchy level 3 (net)							

The tables above are the basis for further information about financial assets and liabilities with references to the subsequent notes. In addition to showing the classification in measurement categories, the tables also show on which level the Group's financial instruments at fair value have been assessed to be. The table for 2018 is based on the new IFRS 9. In line with the transitional rules, the table for 2017 has not been restated and is based on IAS 39.

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 2018, 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 IFRS 9 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 2018 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).

	2018	2017
Other non-current receivables	17	20
Interest-bearing non-current receivables	17	20
Other current receivables	42	107
Interest-bearing current receivables	42	107

The Group's other interest-bearing current receivables mainly comprised prepayments to deposit fund and premium fund in DNB for Posten Norge AS. The reduction from last year is due to changes in the premium fund and the deposit 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).

	2018	2017
Accounts receivable	2 988	3 235
Accrued income	342	410
Prepaid expenses	217	240
Receivables on employees	4	4
Other receivables	120	166
Interest-free current receivables	3 671	4 054
Accounts receivable by due date:		
Not due	2 572	2 750
0 - 30 days	326	360
30 - 60 days	50	72
60 - 90 days	14	22
Over 90 days	64	69
Provisions for losses on receivables	(39)	(39)
Total accounts receivable	2 988	3 235
Expected credit losses<.		
Balance at 01.01	39	40
Provisions recorded during the year	36	25
Actual losses recognised against provisions	(19)	(17)
(Over)/underfunded accruals in previous years	(16)	(11)
Translation differences		1
Balance at 31.12	39	39
Total actual losses on receivables	19	18
Provisions for losses on receivables by		
Individual receivables	24	22
General provision	15	17
Total	39	39

The Group's carrying amount of interest-free current receivables was approximately the same as their fair value at 31 December 2018, explained by the fact that most of the outstanding accounts receivable were 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 are made only to customers with adequate payment ability and that outstanding amounts do not exceed established credit limits. The Group applies the simplified method for provisions for expected credit losses on accounts receivable and is measuring the provision to an amount corresponding with the expected credit loss during the lifetime. This is made by a combination of individual assessments and a general assessment based on due date analyses and historical data. There

are no indications that accounts receivable 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.

Accrued income mainly includes 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 and receivables associated with bank services 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).

	2018	2017
Cash and cash equivalents	339	702
Short-term investments	3 274	3 235
Liquid assets	3 613	3 937

The reduction in liquid assets is primarily due to payments to operating investments and repayment of trade payables.

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. As at 31 December 2018, Posten had unused credit facilities on the cash pool account in Nordea and DNB of MNOK 500 and MNOK 50, respectively.

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. Note 17 also has information about market based investments and interest funds.

The Group had cash as part of the liquid assets. The cash holdings were connected with the 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.

The Group 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, financial leasing, certificate loans and other interest-bearing debt. Non-current liabilities are presented distributed on fixed and 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

	2018	2017
Liabilities at fixed interest		
Liabilities to credit institutions	484	558
Bond loans	613	613
Total non-current liabilities at fixed interest	1 097	1 170
Liabilities at floating interest		
Liabilities to credit institutions	772	749
Bond loans	1 113	1 113
Other non-current liabilities	34	40
Total non-current liabilities at floating interest	1 919	1 902
Interest-bearing non-current liabilities	3 015	3 072

Interest-bearing current liabilities

	2018	2017
First year's instalment on non-current liabilities	100	375
Certificate loan	800	300
Other current liabilities	10	14
Interest-bearing current liabilities	910	689

The Group did not raise any new long-term loans in 2018. Repayments and ordinary instalments on loans amounted to MNOK 375.

As of 31 December 2018, the Group had non-current liabilities (including the first year's instalment on long-term debt) at fixed interest rates amounting to MNOK 1 197. They had a weighted average interest rate of 2,8 percent and maturities in the period 2019 - 2023. The Group also had non-current liabilities at floating interest amounting to MNOK 1 919 with a weighted average interest rate of 2,1 percent as of December 2018.

As of 31 December 2018, the Group had certificate loans totalling MNOK 800. Certificate loans were classified as current interest-bearing liabilities, and the outstanding balance increased by MNOK 500 from 2017.

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

Reconciliation of liabilities from financing activities

	2018	2017
Liabilities at 1.1	3 707	2 335
Cash flows from financing activities	125	1 400
Change in fair value	50	(28)
Other transactions without cash settlements	3 882	3 707

Note 17 Interest-free non-current and current liabilities

The Group's interest-free liabilities mainly comprise 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).

	2018	2017
Non-current derivatives	13	22
Other non-current liabilities	2	2
Interest-free non-current liabilities	14	24
Provisions for payroll expenses and public charges	1 820	1 936
Accounts payable	922	1 222
Provision for accrued expenses	890	904
Prepaid revenue	360	414
Restructuring	79	86
Current derivatives	33	16
Other current liabilities	237	580
Interest-free current liabilities	4 342	5 158

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 reduction from 2017 is mainly due to fewer employees in 2018 together with the disposal of Bring Citymail Sweden.

The reason for reduced accounts payable in 2018 is primarily the disposal of Bring Citymail Sweden and down payment of accounts payable in December 2018 because of a new ERP system.

The provision for accrued expenses included provisions for remuneration for "Post-in-Shop" services, expenses to foreign postal businesses together with maintenance and service related to the Group's car fleet.

Prepaid income is primarily connected with the advance billing of franking machines and unused sold stamps.

[Note 11](#) has details on restructuring costs.

Other current liabilities included provisions for onerous contracts (the short-term part) and securities for financial instruments. The reduction from 2017 is mainly due to the reduction of provisions for losses in the Mail segment carried out in 2017 in addition to the sale of Bring Citymail Sweden.

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 reduce 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 and risk management strategy

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: Agreement 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 important exchange rates:	Exchange rate 01.01.2018	Average exchange rate 2018	Exchange rate 31.12.2018
Swedish kroner (SEK)	0,9996	0,9363	0,9701
Danish kroner (DKK)	1,3218	1,2880	1,3322
Euros (EUR)	9,8403	9,5996	9,9483
British pounds (GBP)	11,0910	10,8502	11,1213
US dollars (USD)	8,2050	8,1329	8,6885

As the Norwegian krone (NOK) is the Group's functional and 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) at fixed interest rates ((including the first year's instalment on long-term debt, but excluding value adjustments of loans and other interest-bearing debt). As of 31 December 2018, fixed interest agreements totalled MNOK 1 061 (37 percent) of the Group's long-term interest-bearing debt (MNOK 1 161 in 2017). In addition, the Group has entered into two interest rate swaps with a future start date implying fixed interest terms for loans that at 31 December have floating interest. [Note 19](#) has details.

Sensitivity analyses

2018 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	73	EUR	8	2019		15
Hedging of investments in foreign entities	NOK	611	SEK	653	2019		127
Hedging of currency loan to subsidiary	NOK	106	SEK	113	2019	22	
Hedging of currency loan to subsidiary	NOK	70	EUR	7	2019	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⁾	(884)	(9)	

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.

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.

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 2018 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 not exceed established credit limits. [Note 14](#) has details. As at 31 December 2018, 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 2018, the Group had NOK 3,3 billion invested in various interest funds (NOK 3,2 billion in 2017). 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

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 an agreement on overdraft facilities, which had not been utilised at 31 December 2018. The 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.

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 2018 (ref. note 21 concerning guarantees).

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

	2019	2020	2021	2022	2023	2024	2025	Total
Debt to credit institutions ¹⁾	900	304	111	111	410	111		1 947
Bond loan		375	1 000	350				1 725
Financial derivatives (interest rate swaps) ²⁾	5	5						9
Financial derivatives (currency futures) ²⁾	33							33
Other debt excl. financial derivatives	4 428	9	6	5	5	8		4 462
Total Group	5 366	693	1 117	467	415	119		8 176
Expected future interest payments ³⁾	72	64	48	18	9	1		213
Average interest rate								2,1 %

1) The change in value of loan in Japanese yen of MNOK 210 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.

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 2018 was MNOK 5 956 (MNOK 7 129 in 2017), corresponding to 24,9 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 operating result before depreciation (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 2018.

Key figures for capital management

	2018	2017
Interest-bearing debt	3 926	3 761
Interest-bearing liquid assets	3 613	3 937
Net interest-bearing debt	312	(176)
Equity	6 481	6 375
Debt ratio	0,0	0,0
Equity ratio	40,3 %	37,6 %
Operating profit before depreciation (EBITDA)	1 185	1 386
Net debt/operating profit before depreciation (EBITDA)	0,3	(0,1)

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 operating result before depreciation (EBITDA). As of 31 December 2018, net interest-bearing debt was 0,3 times EBITDA (- 0,1 in 2017).

In addition, Posten Norge has loan agreements with clauses requiring an equity share of 20 percent at a minimum. As of 31 December 2018, the Group had an equity ratio of 40 percent (38 percent in 2017). At the implementation of the new accounting standard IFRS 16 from 1 January 2019, the estimated equity ratio will be 32-33 percent. Section 2 in the accounting principles has further information about implementation effects. The Group will not be in violation with the covenants on the implementation date

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 and reported to management on a regular basis.

The Group has throughout 2018 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 fluctuates 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).

2018	Assets	Liabilities	Nominal value ¹⁾
a) Cash-flow hedging			
Interest-rate swaps NOK	3	(2)	1 383
Forward currency contracts EUR		(2)	8
b) Hedging of net investment			
Interest-rate swaps SEK		(25)	653
c) Other financial hedges (derivatives not included in hedge accounting according to IFRS)			
Interest-rate swaps NOK	1	(10)	248
Forward currency contracts SEK		(5)	113
Forward currency contracts EUR			7
Combined interest-rate/currency swaps	210		447
Total	213	(46)	

1) Amounts in transaction currencies

2017	Assets	Liabilities	Nominal value ¹⁾
a) Cash-flow hedging			
Interest-rate swaps NOK		(3)	725
Forward currency contracts EUR		(2)	10
b) Hedging of net investment			
Interest-rate swaps SEK		(12)	843
c) Other financial hedges (derivatives not included in hedge accounting according to IFRS)			
Interest-rate swaps NOK	3	(19)	786
Forward currency contracts SEK		(3)	113
Forward currency contracts EUR			7
Combined interest-rate/currency swaps	160		447
Total	164	(38)	

1 Amounts in transaction currencies

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 primarily 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 2018, the Group had a bilateral loan of MNOK 200. In order to secure fixed interest rate terms, a fixed interest rate swap for a corresponding amount and maturity was made 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 a term of 5 years. The same year, Posten Norge raised a bond loan of 7 years of MNOK 350 at a fixed coupon that in its entirety was swapped to floating interest in the same transaction. MNOK 88 were swapped back to fixed interest in 2015 and MNOK 100 in 2017. At the implementation of IFRS 9 in 2018, the hedge relations qualified for hedge accounting, this is a change from the recognition pursuant to IAS 39.

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 was partly hedged by a fixed interest swap of MNOK 250. Posten Norge also entered into an amortising bilateral loan with floating interest terms and maturity on 16 December 2024. In 2018, half of the loan was hedged with a fixed interest swap with a future start date in 3 years. Accordingly, the loan has floating interest terms for 3 years and fixed terms for parts of the loan during the last 4 years.

The financial liabilities' due dates are shown in [note 18](#).

Almost all critical terms (the dates for interest determination, calculation methods, reference interest rate etc.) related to the derivatives described above are in accordance with underlying loan agreements. The cash flows of the interest rate swaps will therefore basically correspond with the interest payments on the loans. Hence, there are no sources for hedging ineffectiveness.

Forward contracts EUR

Posten Norge had revenues of MEUR 20 for distributing mail from abroad in 2018 (MEUR 24 in 2017) and is expecting a little more than MEUR 20 in 2019. 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 2018, forward

contracts for euro revenues in 2019 totalling MEUR 8 with a negative value of MNOK 2 had been made. As a consequence of forward contracts realised in 2018, MNOK 2 were reclassified from equity to a reduction in revenue in the Mail segment (MNOK 2 in 2017).

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 31.12.2016	(2)	2	
Changes in value	(1)	(5)	(6)
Transfers to income statement ¹⁾		2	2
Deferred tax		1	1
Balance at 31.12.2017	(2)	(1)	(3)
Changes in value	1	(3)	(2)
Transfers to income statement ¹⁾	0	2	2
Deferred tax	(0)	(0)	(1)
Balance at 31.12.2018	(2)	(2)	(3)

¹⁾ Positive figures represent losses.

b) Hedging of net investment in foreign entities

Posten Norge uses forward currency contracts for hedging investments in foreign subsidiaries and have entered into rollover forward contracts totaling MSEK 653 in 2018 (MSEK 843 in 2017). The changes in the value of the contracts including realised loss/gain due to settlements at rollovers are recognised in other comprehensive income and offset the translation differences from the investments until the investments are disposed of. In 2018, this constituted a gain of MNOK 43 (a loss of MNOK 32 in 2017). If the hedges become ineffective, the change in value is recognised in the income statement. In 2018, MNOK 1 was reclassified to the income statement (income) at the sale of Bring Citymail Sweden (MNOK 34 in 2017).

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

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. Rollover forward contracts constituted MSEK 113 and MEUR 7 as of 31 December 2018. 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 floating interest.

Posten Norge has made use of the "fair value option" in IFRS 9 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 2018, the two loans from the Japanese life insurance companies were recognised at a total value of MNOK 657 (MNOK 607 in 2017), where the value changes from the borrowing date constituted MNOK 210 (MNOK 160 in 2017). This value change corresponds to the interest and currency swap agreements, and the derivatives are 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 10 as at 31 December 2018.

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 2018, Posten Norge had received MEUR 9 from the counterparty. This is recognised as a current liability in the balance sheet.

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. 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 2018, 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 future prospects shall be made. The proposed dividends for the accounting year 2018 are MNOK 124.

At the Annual General Meeting in June 2018, it was determined to distribute dividends of MNOK 194, corresponding to the Board's proposal in the 2017 financial statements. The dividends were paid in August 2018.

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

Other matters

Note 21 Guarantees/mortgages

The Group 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.

	2018	2017
Guarantees for group companies	948	997
Commercial guarantees	252	188
Total guarantees	1 200	1 185

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. Posten Norge AS has also given Nordea a guarantee for indemnifying the bank for any payments in connection with bank guarantees provided for the Group's subsidiaries. In addition, Bring Cargo AS has guaranteed for fuel purchases in the subsidiary Bring Trucking A.S. The reduction in guarantees for group companies is mainly due to reduced rental guarantees.

Other guarantees comprised the guarantee Posten Norge AS has provided to EVRY ASA in connection with an IT operating agreement and guarantees concerning car leasing and tenancy agreements provided to the sold business Citymail Sweden AB.

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

The Group had no significant finance lease agreements as at 31 December 2018. From 2019, the Group will implement IFRS 16 *Leasing*. The standard requires the lessee to recognise lease agreements in the balance sheet, ref. the Group's accounting principles section 2.3.

1.2 Operating lease agreements

	2018	2017
Ordinary lease payments for buildings ¹⁾	698	912
Ordinary lease payments for vehicles	378	313
Ordinary lease payments for computer equipment	3	2
Ordinary lease payments other	30	82
Subletting revenues	(58)	(64)
Total leasing costs	1 052	1 245
Future minimum lease payments related to agreements that cannot be cancelled, due as follows²⁾:		
Within 1 year	926	808
1 - 5 years	2 207	1 840
After 5 years	1 675	852
Future minimum lease payments due	4 808	3 500

1) Ordinary lease payments buildings in 2017 include the Group's share of overhead and operating expenses

2) Includes subleases and options reasonably certain to be exercised

Operating leases in the Group primarily concerned leases of office premises, buildings and cars. The longest operating lease expires on 31 May 2034. In many of the agreements, the Group has the right to prolong the lease period at the expiration date. When it is reasonably certain that such prolongments will take place, the lease amount is included in the minimum lease in the table above.

The most significant lease agreements concerned Posthuset Biskop Gunnerus gate 14 A, buildings in the warehouse business and the lease of thermo houses.

The lease period for Posthuset Biskop Gunnerus' gate 14 A expires on 31 December 2025, without any option for an earlier notice, but with the right to renew for a period of 10 years. The lease is index regulated on an annual basis.

Bring Frigo had total rental costs of MNOK 168, and MNOK 51 were recognised as rental income.

The Group has approximately 6000 agreements on leasing and operating vehicles. The contract for each vehicle will normally be for 2 to 5 years. The Group has no right or duty to prolong leases or purchase at the expiration of the agreements.

2. Lessor

The Group had no significant leases as lessor as at 31 December 2018.

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 in 2018:

Companies acquired in 2018

In 2018, the Group acquired the companies Bring Linehaul Polska ZOO and All Transport AS. The companies' turnover is approximately MNOK 35 with a total of approximately 35 employees. The reason for the acquisitions is strategic geographical positioning for the logistics business.

The following companies were sold out of the Group in 2018

Company	Owner- ship share	Sales date	Sales price	Recorded gain/loss	Cash effect
Bring Citymail Sweden AB ¹⁾	100 %	March 2018	155		(102)
Posten Eiendom Svanholmen AS	100 %	Oct. 2018	103	47	102

1) A provision was made for an assumed duty to carry out projects in Bring Citymail Sweden AB in 2017. Accordingly, the loss was recognised in 2017.

In March 2018, the Group sold its share in Bring Citymail Sweden to the German company Allegra Capital GmbH, with accounting effect from 1 March 2018. Bring Citymail Sweden is engaged in mail distribution in Sweden and will carry on under the name Citymail, with continuity for customers and staff. The sale implied disposals of operating equipment, short-term receivables and liabilities related to the business' operation, as well as investments in associated companies and joint ventures.

In October, the Group sold its ownership of 100 percent in Posten Eiendom Svanholmen AS. The sale implied a disposal of property for the Group.

Other changes to Group structure in 2018

A business combination of Home Delivery operations from Posten Norge AS to Bring Express Norge AS was carried out with effect from 1 January 2018.

Bring Danmark A/S has changed its name to Bring Cargo International A/S, and the Express business is demerged into a separate company called Bring Express Danmark A/S.

The holding company Bring Frigo Norge AS with no activities was liquidated in 2018.

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.

	2018	2017
Purchases of goods and services from associated companies	5	23
Sale of goods and services to associated companies	5	30
Lease of property from associated companies	1	1

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

	2018	2017
Accounts receivable		42
Accounts payable	4	40
Other liabilities		33
Net	(4)	(31)

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

Postal regulations comprise the Postal Services Act with associated regulation and the licence given Posten as a bidder required to deliver.

No significant changes were made to the act or regulation in 2018, but on 1 January 2018 Posten joined prioritized and unprioritized mail to one joint mail flow with two days delivery time. This was in accordance with the change in a new, temporary licence effective from the same date.

Basic bank services in the rural postal network

Posten is obliged to offer basic bank services in the rural postal network, ref. the act *Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett*. The duty 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.

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. This also applies for basic bank services through Posten's forwarding network. 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 2018 amounted to MNOK 507. This is MNOK 185 lower than the net costs calculated by Posten in advance.

The result effect of the final settlement of government procurements of commercially non-viable postal and banking services for 2017 constituted MNOK 29 in 2018. MNOK 14 concerned a reversed provision and MNOK 16 (incl. interest) constituted recalculation for 2017 in line with the Norwegian Parliament's resolution.

A total of MNOK 536 in government procurements of commercially non-viable postal and banking services were taken to income in 2018.

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 five 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 and banking services by carrying forward the requirement to distribute 5 days a week. The report showed 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 fall in volume has accelerated stronger than expected in 2018 and is considerably higher than assumed in the report.

The Government's proposal to reduce the Postal Act's requirement to distribution days is announced to be presented to the Parliament. A change to fewer distribution days can be carried out in 2020 at the earliest. It is important for Posten that the Government in future pays Posten for the net costs of the services required to be delivered through government procurements if no room is given for a continued adjustment of the service level in line with falling mail volumes and the large changes in customer needs

In the Parliament's budget discussions for 2019, the governing parties and Kristelig Folkeparti agreed to ask the Government to put forward a motion to remove the current exemption for VAT ("the 350 kroner limit") on private imports of low value articles from 1 January 2020, i.e., to introduce "VAT from the first krone". The motion shall be put forward in connection with the fiscal budget for 2020. The change will imply that the recipients will be charged with costs for individual customs clearance of shipments not subject to any customs duty with the current exemption. This is expected to result in a significant fall in volumes and negative financial consequences for Posten.

Note 26 Events after the reporting period

«Events after the reporting period» are those events taking place between the end of the reporting period and the date when the financial statements are approved for publication. It can be events providing new knowledge about matters existing at the end of the reporting period and events concerning matters arising after the reporting period.

Restructuring of route preparation

In the autumn of 2018, discussions started between Posten Norge AS and trade unions on the possibility of relocating route preparation and parts of Posten's Advertising Centers (Reklamesentre).

The reason for the restructuring is the large economic challenge the Mail segment faces as a result of the increasing volume fall for addressed mail. The effect of the restructuring is expected to be

- Utilization of economics of scale in investments made at central terminals
- Moving night sorting to daytime
- Reduction of transport costs by using existing line traffic in a more optimal way
- Reduction of land use and/or reduction of reinvestment in new buildings.

At the end of 2018, the discussions had not resulted in any specific plan for the restructuring, and no provision was therefore made.

During discussions on 1 February 2019, a detailed plan for the restructuring was adopted by the parties. This plan also includes moving parts of Posten's Advertising Centers. The restructurings will take place from September 2019 to March 2020. Preliminary restructuring cost is estimated at MNOK 120 – 130 and comprises approximately 300 full-time equivalents.

Financial statements Posten Norge AS 2018

Income statement

Amounts in MNOK

	Note	2018	2017
Revenue		13 130	13 162
Costs of goods and services		3 051	3 048
Payroll and personnel expenses	1	6 621	6 800
Depreciation	7,8	323	347
Write-downs of intangible assets and tangible fixed assets	7,8	12	4
Other operating expenses	3	2 783	2 587
Operating expenses		12 790	12 787
Other expenses	4	(180)	(244)
Operating profit		160	131
Financial income	5	497	428
Financial expenses	5	267	302
Net financial income		231	125
Profit before tax		391	256
Tax expense	6	119	124
Profit for the year		272	132

Statement of comprehensive income

Amounts in MNOK

	Note	2018	2017
Profit for the year		272	132
Items that will not be reclassified to income statement		80	(27)
Pension		80	(27)
Cash flow hedging			(3)
Items that may be reclassified to income statement			(3)
Change in tax rate	6	(3)	(2)
Other comprehensive income		77	(33)
Total comprehensive income		349	99

Balance sheet

Amounts in MNOK

	Note	31.12. 2018	31.12. 2017
ASSETS			
Intangible assets	7	1 162	1 129
Deferred tax asset	6	90	178
Tangible fixed assets	8	987	976
Investments in subsidiaries	9	3 401	3 693
Investments in associated companies and joint ventures	9	296	317
Interest-bearing non-current receivables	11,12	1 545	1 346
Other financial non-current assets	11,18	216	169
Non-current assets		7 697	7 808
Inventories		9	9
Interest-free current receivables	11,13,18	1 680	1 695
Interest-bearing current receivables	11,12	2 184	2 352
Liquid assets	11,14	3 515	3 842
Current assets		7 389	7 898
Assets		15 086	15 706
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity		2 584	2 335
Equity	19	5 704	5 455
Provisions for liabilities	2,10	653	923
Interest-bearing non-current liabilities	11,15,18	2 982	3 032
Interest-free non-current liabilities	11,16,18	14	24
Non-current liabilities		2 996	3 056
Interest-bearing current liabilities	11,15,18	2 739	2 821
Interest-free current liabilities	10,11,16,18	2 936	3 409
Tax payable	6	57	43
Current liabilities		5 733	6 272
Equity and liabilities		15 086	15 706

27 March 2019


Idar Kreutzer (leder)


Tove Andersen (nestleder)


Henrik Højsgaard


Anne Carine Tanum


Finn Kinserdal


Liv Fiksdahl


Odd Christian Øverland


Lars Nilsen


Ann Elisabeth Wirgeness


Erling A. Wold


Tone Wille (konsernsjef)

Cash flow statement

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

Amounts in MNOK

	Note	2018	2017
Profit before tax		391	256
Tax paid in the period	6	(43)	(167)
Gain/-loss from sales of non-current assets and subsidiaries		(86)	(103)
Ordinary depreciation and write-downs	7,8	335	351
Write-down of shares in subsidiary	9	279	166
Reversal of received dividends from subsidiary and associated company		(174)	(131)
Financial items without cash effect		4	7
Changes in accounts receivable and accounts payable	13,15	(138)	(46)
Changes in other working capital		(110)	99
Changes in other accruals		(169)	95
Change in balance group account		(227)	(262)
Interests received		105	116
Interest paid		(88)	(70)
Cash flow from operating activities		80	309
Investments in non-current assets	7,8	(435)	(490)
Cash effect from purchases of shares	9		(153)
Proceeds from sale of non-current assets		152	30
Cash effect from sale of shares		(13)	228
Cash effect from sale of associated companies		7	21
Dividends received from subsidiaries		174	131
Cash flow from mergers			307
Changes in loans to subsidiaries	9	(214)	332
Changes in other financial non-current assets		(8)	11
Cash flow from/(used in) investing activities		(338)	417
Proceeds from borrowings	15	500	1 500
Repayment of borrowings	15	(375)	(100)
Group contribution/dividend paid	19	(194)	(19)
Cash flow from/(used in) financing activities		(69)	1 381
Change in cash and cash equivalents during the year		(327)	2 107
Cash and cash equivalents at the start of the period		3 842	1 735
Cash and cash equivalents at end of period	14	3 515	3 842

1) Compared with last year, the change is mainly due to reversal of pension income as a result of plan change without cash effect taken to income in 2018, and that there was a reversal of a provision without cash effect in 2017

Statement of changes in equity

Amounts in MNOK

	Share capital	Share premium reserves	Hedge reserve	Retained earnings	Other equity	Total equity
Equity 01.01.2017	3 120	992		1 054	2 045	5 165
Profit for the year				132	132	132
Other comprehensive expenses)			(3)	(30)	(33)	(33)
Total comprehensive income/ (expenses)			(3)	103	99	99
Dividend				(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						
Equity 01.01.2018	3 120	992	(3)	1 347	2 335	5 455
Profit for the year				272	272	272
Other comprehensive income/ (expenses)			(1)	78	77	77
Total comprehensive income/ (expenses)			(1)	350	349	349
Dividend				(194)	(194)	(194)
Other changes in equity ²⁾				94	94	94
Equity 31.12.2018	3 120	992	(3)	1 595	2 584	5 704
2) Business combination between Posten Norge AS and Bring Express AS						

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 from contracts with customers		IFRS 15
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. Write-downs of non-financial 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 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 9, IFRS 13, IAS 32
15. Accounts receivable	Note 13 Interest-free current receivables	IFRS 7, IFRS 9, IFRS 13, IFRS 15, IAS 32
16. Cash and cash equivalents	Note 14 Liquid assets	IFRS 7, IIFRS 9, IFRS 13, IAS 32
17. Loans	Note 15 Interest-bearing non-current and current liabilities Note 16 Interest-free non-current and current liabilities	IFRS 7, IFRS 9, IFRS 13, IAS 32
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 the following new standards published by the IASB and approved by the EU, relevant for the business and effective from the accounting year starting on 1 January 2018.

1.1. IFRS 9 Financial Instruments

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

Financial assets and liabilities previously measured at fair value 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. For assessing impairment, IFRS 9 introduces an "expected loss model". The transition from an "incurred loss model" in IAS 39 had no significant effect for the Company's loans to group companies. The Company's other financial assets have no significant financing elements. For these, it is allowed to apply a simplified model, where the expected credit loss over the entire lifetime is recognised, and no follow-up of changes in credit risk is required. Financial hedges that pursuant to IAS 39 were classified as accounting hedge relations, do not qualify for this according to IFRS 9.

The Company's accounting principles for financial instruments are discussed in more detail in section 14.

1.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaced 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 Company has assessed the five-step model on which the new standard is based and concluded that the implementation of IFRS 15 has not implied any significant changes in the recognition of income compared with previous years. The implementation of IFRS 15 has had no effect on the Company's equity.

IFRS 15 has been implemented by applying the modified model without any restatement of comparable figures.

Details on the accounting principles for income recognition can be found in section 5.

In addition to the new standards, the Company has implemented some revised standards and interpretations. The implementation of these revised standards and interpretations has not implied significant changes in the consolidated financial statements.

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 2018.

2.1 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 2018, the Company has basically finalised the implementation project for IFRS 16 and evaluated the effect of the new standard. The work has included data collection and the registration of all lease agreements in the Group and the implementation of system support for the follow-up and registration of lease agreements. The Group has also chosen implementation method and accounting principles, in addition to interpreting the standard and discussed key accounting issues where the standard requires the use of judgment.

At the implementation of IFRS 16, the Company has applied the following implementation and accounting principles:

The Group's choice of implementation method

In 2018, the Company decided to apply the modified retrospective approach without restating comparable information when implementing IFRS 16. Leased assets and liabilities will basically be measured at the same amounts.

The following practical solutions for lease agreements previously classified as operating leases have been applied at the implementation date:

- A joint discount interest has been applied for portfolios of lease agreements with similar characteristics.
- For lease agreements, where provision for loss contracts were made pursuant to IAS 37, assets in use are adjusted for the value of the loss contracts at the implementation date
- The Company has excluded direct costs for establishing an agreement from the measurement of the asset in use at the implementation date. The exclusion has no significant effect.
- In determining the lease period, the Company has taken known information on options into account.

The Company's choice of accounting principles

The Company will apply the exceptions in the standard. Lease contracts in the category of "assets 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.

The Company has decided not to apply IFRS 16 for intangible assets.

Several of the Company's lease agreements include other services a component, like overhead costs, insurance, maintenance and service, fuel and dues. Non-lease components are separated from the lease agreement and recognised as operating expenses in the accounts.

The Company's interpretation of the standard and discussion of key accounting considerations

Consideration of agreements in the Company complying with the standard's definition and recognition requirements

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 Company's car fleet. The Company has reviewed various lease contracts and particularly considered the treatment of them, as well as contracts with transporters (transport agreements).

Leasing of real estate and means of transport will as a main rule be comprised by the definition in the standard and classified as leases.

Most of the transport agreements in the Company 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 Company has determined that transport agreements as a main rule does not qualify as a lease according to the standard.

Assessment of lease period

Several of the Company's significant lease agreements, especially within real estate, include options for extending the lease agreements. According to IFRS 16, it is the non-cancellable lease period (including the period of notice) and any options reasonably certain to be exercised that is recognised in the lease liability. The Company assumes that "reasonably certain" is a probability level significantly higher than 50 percent/"probable".

In assessing whether the exercise of an option is reasonably certain, it has been particularly emphasised if the asset is important for operations and is part of the Company's strategic plans. The Company has also taken the exercise date of the option into account, as the degree of certainty is considered to be lower if this date is far into the future.

Assessment of lease payments

«Right to use» assets and liabilities shall be measured at the present value of the lease payments.

Lease payments include fixed payments and any payments varying by an index or interest rate, but not variable lease payments depending on the use of the asset. For the Company, variable lease payments will mainly relate to non-lease components, and be separated from the lease agreement in line with the choice of principle above.

In addition, lease payments include residual value guarantees, purchase options and any termination expenses. For a large part of the Company's leased means of transport, the car importer has provided the lessor with a residual value guarantee. The Company has normally not provided own guarantees. Wear and tear and any damage caused by ordinary use of the leased asset can imply an obligation to the lessor at the return, but will normally not give rise to an increased asset/liability at the agreement date and therefore expensed as the liability accrues.

Discount interest

The present value of the lease payments shall be discounted at the lessee's marginal loan interest when the lease agreement's implicit interest cannot be easily determined. The method to determine the Group's marginal loan interest is consistently applied and reflects (1) the loan interest for the asset class in question and (2) the length of the lease period.

Assessment on sublease agreements

Sublease agreements shall be classified as either financial or operating lease agreements and are considered to be financial if they basically transfer all risk and reward connected with the «right to use» asset. The Company assumes that this is the case if the asset, or parts of it, is subleased for most of the remaining lease period in the main agreement.

Consequences for the financial reporting

The implementation of IFRS 16 will have significant effect for the Company.

Balance sheet

The estimated implementation effect at 1 January 2019 is as follows:

Amounts in MNOK

	Asset in use	Sub- lease	Asset s	Lease obliga- tions	Provi- sions for obliga- tions	De- fer- red tax	Liabili- ties	Equity
Recognition of lease agreements	7 856		7 856	7 856			7 856	
Recognition of financial sublease agreements	(320)	326	6			1	1	4
Write-down due to onerous contracts	(33)		(33)		(33)		(33)	
Total increase/(reduction)	7 503	326	7 829	7 856	(33)	1	7 824	4

The Company's total capital increases, and this implies that the Company's equity ratio will be reduced to 24-25 percent.

At the implementation date, the Company will not be in breach of debt covenants.

Income statement

Lease payments that by the present accounting rules are included in other operating expenses will pursuant to IFRS 16 be classified as depreciation and finance costs. The Company's operating result before depreciation will be improved, depreciation costs increase and finance result be reduced.

The effect on the 2019 income statement is uncertain due to changes in the composition of lease agreements, changes in the interest market, changes in renewal options and estimates of lease periods. Based on lease agreements, interest rate level and lease period as at 1 January 2019, expected effects in the 2019 income statement are estimated as follows:

- Operating profit before depreciation (EBITDA) will improve as other operating costs will be reduced by lease payments in the interval 800 – 900 MNOK.
- Annual depreciation of leased assets will increase in the interval 600 - 700 MNOK.
- Annual finance costs related to the lease liability will increase in the interval 250 - 300 MNOK.

Cash flow

The change in accounting will imply a reclassification of lease payments from cash flow from operating activities to financing activities.

Compared with the estimates given in the 2017 annual report, the effects are updated as a consequence of changes in assessments and the composition of lease agreements. For some agreements, the lease period has been increased due to a changed assessment of the probability for the renewal option to be exercised. New agreements have also been made as a consequence of the Company's use of new terminals. In other respects, the remaining lease period for several contracts are shorter. The remaining lease period for several significant contracts is shorter. The interest rate level and estimated discount interest has increased.

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 makes critical accounting judgments in applying the Company's accounting policies. Such judgments will be described when applicable. 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 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 Company will have sufficient profits to utilise the tax benefit. Management's judgment is required to determine the size of the tax benefit to be utilised, based on when future taxable profits can be expected and their value, together with tax planning strategies.

[Note 6](#) has more details.

4. Foreign currency translation

4.1 Functional currency and presentation currency

The financial statements are presented in Norwegian kroner, 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. Revenue from contracts with customers

The recognition of income shall reflect the transfer of goods or services to the customer. Income is recognised when a customer achieves control over goods or services and thereby can determine the use of them and receive the benefits from the goods or services.

According to the contracts applied, the Company's current delivery obligations are short-term (less than one year). Accordingly, the Group does not provide information about balance sheet items related to current deliveries.

Sales revenue is measured at fair value of the consideration net of value added tax and discounts.

Revenue is mainly generated by transport services, the sale of postal services and banking services:

Transport services comprise national and international transport, mainly the transport of parcels and goods and can include a number of associated additional services, but are mainly considered to be a delivery obligation. The services are taken to income over time, as the customer is considered to benefit from the fact that the goods are coming increasingly nearer the delivery point. The majority of the transport services are delivered within 1-7 days, and provisions are made for uncompleted transport.

Letter services comprise the delivery of letter products and are primarily recognised in income currently over time. Letter services have, however, very short delivery time., 1-2 days, and the recognition of income is therefore normally made when the letter is delivered to the post office/in the letter box. Letter services also comprise the sale of stamps, franking and international mail. The sale of stamps is considered to be advance payments for the sale of letter products 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 comprises income from foreign postal services within ordinary terminal charge agreements. This is recognised based on 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.

In addition, Posten is paid for government procurements of commercially non-viable postal services recognised over time when the granted funds are received (monthly), limited to an amount equaling 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 straight-line 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, write-downs recognised in prior periods are reversed if new information indicates that an impairment no longer exists or has been reduced. However, a write-down is not reversed if it implies that the carrying amount exceeds the value that had been determined if no write-down had been expensed.

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 any indications of impairment exist.

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 programme

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

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 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 initially measured at fair value at the settlement date, normally at transaction price. Subsequent measurements depend on the classification of the financial asset or liability. The classification is determined by the Company's business model for managing financial instruments and the characteristics of the cash flows of each instrument.

Financial assets classified as subsequently measured at either amortised cost, fair value over comprehensive income or fair value over profit and loss. Financial liabilities are classified as subsequently measured at either amortised cost or fair value over profit and loss.

The Company's financial assets mainly comprise debt instruments (receivables), and the Company has no significant equity instruments. The receivables' cash flows only include the principal and any interest, and all receivables are held only to receive contractual cash flows (no intention of sale exists). The receivables are classified as subsequently measured at amortised cost.

None of the Company's financial liabilities are held for trading purposes. With the exception of loans in foreign currency (Japanese yen), the fair value option has not been applied, nor do the liabilities contain embedded derivatives. Accordingly, the Company's financial obligations are basically classified as subsequently measured at amortised cost. The Company has applied the opportunity to use fair value options (FVO) for financial liabilities in foreign currency (Japanese yen), as such classification to a significant degree reduces any inconsistency in the measurement between obligation and related derivatives. Significant changes due to the Company's own credit risk is recognised in other comprehensive income.

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.

14.1 Financial instruments: Hedging

The Company applies derivatives to manage currency and interest rate risk.

The Company's criteria for classifying a derivative as a hedging instrument, and either the whole or parts of an individual item or a group of items as hedging object are as follows: (1) the derivative is applied to hedge an expected transaction, a net investment in a foreign business or a recognised asset or obligation, (2) the hedge is earmarked and documented, (3) the requirement for hedge effectiveness is met,

Hedge effectiveness is analysed on an ongoing basis and is met when (1) there is a financial relation between the hedge object and instrument, i.e., the Company normally expects that the values systematically change in line with changes in the underlying risk, (2) credit risk does not dominate the value changes, (3) and the degree of hedging reflects the actual quantity hedged and is applied to hedge.

Hedge accounting ceases when:

- (a) the hedging instrument expires, is sold, terminated or exercised, or
- (b) the hedge no longer meets the criteria for hedge accounting as described above

14.1.a Cash flow hedging

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 immediately.

14.1.b Fair value hedging

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 assessed at fair value over profit and loss. Changes in fair value of such derivatives are recognised in the income statement directly.

14.3 Financial instruments: Impairment

For financial assets measured at amortised cost, the Company makes a provision for expected credit loss.

The Company either recognises the next twelve months' expected losses, or expected losses over the lifetime if there has been a significant increase in credit risk after the initial recognition of the financial asset. The method is primarily applied for the financing and lending to the Company's subsidiaries. The assessment of change in credit risk is made in each reporting period. The risk drivers for internal loans include short-term and repeated default, development in utilising limits on group account schemes and instalment delays.

The Company's other financial assets mainly comprise receivables, including trade receivables, without significant financing components. For financial assets without significant financing components, a simplified model is applied whereby expected credit loss over the entire lifetime is recognised (in using simple methods to estimate credit loss). The simplified model does not require any follow-up of changes in credit risk.

If an accrued (actual) credit loss is established because the Company cannot reasonably expect to recover the entire or parts of a financial asset, the financial asset's gross balance sheet value is directly reduced.

Write-downs of financial assets measured at amortised cost are recognised in the income statement.

15. Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less provisions for losses. The Company uses a simplified method for provisions for expected credit losses on accounts receivable and is measuring the provision at an amount equivalent to the expected credit loss during the lifetime. This is made by a combination of individual assessments and a general assessment based on due date analyses and historical data. Accrued (actual) credit losses reduce the accounts receivable's balance sheet value directly.

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 raised, 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 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.

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.

	2018	2017
Salaries	5 423	5 445
Social security tax	717	730
Pension expenses	312	420
Other benefits	169	206
Payroll expenses	6 621	6 800
Number of full-time equivalent positions	10 643	11 128
Number of employees 31.12 ¹⁾	10 935	11 692

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)

	2018	2017
Auditors' fees	2 522	2 438
Fees for the statutory audit	1 646	1 745
Fees for other attestation services	527	894
Fees for tax advisory services	394	250
Fees for other non-audit services	710	374
Total auditors' fees	3 277	3 263

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 basically have 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.

Loans and guarantees

No loans or guarantees were given to members of Group management.

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 section 6 «Pensions» in the Company's accounting principles.

	2018	2017
Pension costs		
Present value of the pensions earned for the year	113	124
Net interest expense on net liability	16	24
Plan changes recognised in the income statement	(104)	
Gross pension costs incl. social security tax (benefit based)	24	147
Employee contribution	(1)	(1)
Interest element reclassified to finance item	(14)	(21)
Net pension costs incl. social security tax (benefit based)	10	126
Defined contribution pension schemes	406	399
Employee contribution	(104)	(104)
Total pension expenses included in the operating profit for the year	312	420
Net pension liabilities		
Estimated accrued secured liabilities	(24)	(24)
Estimated value of the pension assets	24	22
Net estimated secured pension liabilities		(2)
Estimated accrued unsecured pension liabilities	(608)	(839)
Net pension liabilities in balance sheet	(608)	(840)
Changes in liabilities		
Net liabilities at 1.1.	(840)	(811)
Gross pension expenses	(24)	(147)
Premium payments and benefits paid	154	153
Contributions from scheme members	1	1
Repayment of previously paid-in pension premium	(2)	
Changes in pension estimates recognised in total comprehensive income	104	(36)
Net pension liabilities at 31.12.	(608)	(840)

	2018	2017
Main categories of pension assets at fair value		
Equity instruments (shares, bonds)	4	3
Debt instruments	16	15
Property	3	3
Other assets	1	1
Total pension assets	24	22
Pension estimate (loss)/gain at 01.01.		
Changes in pension plan, pension liabilities	124	
Changes in discount rate, pension liabilities	7	(14)
Changes in other financial assumptions, pension liabilities	(7)	
Changes in demographic assumptions, pension liabilities	(6)	
Changes in other factors, pension liabilities	(17)	(23)
Changes in other factors, pension assets	2	0
(Loss)/gain for the year in total comprehensive income	104	(36)
Pension estimate gain in total comprehensive income at 31.12.	453	349
Defined contribution pension schemes		
Number of members	14 484	15 089
Share of salary	5,7-21,3 %	5,4-21 %
Defined benefit pension schemes		
Actuarial assumptions		
Discount rate	2,6 %	2,4 %
Expected salary regulation	2,75 %	2,5 %
Expected G regulation	2,5 %	2,25 %
Expected pension regulation	1,5-2,5 %	1,5-2,25 %
Expected yield	2,6 %	2,4 %
Expected voluntary retirement (below 50 years)	3,5 %	3,5 %
Expected voluntary retirement (over 50 years)	1,0 %	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.

Until 1 July 2018, the contribution rates were the same as in 2017, i.e., 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. From 1 July 2018, the rates were changed to 5,7 percent for salaries up to 7,1 the national insurance basic amount (G) and 21,3 percent for salaries in the interval 7,1 to 12 G.

AFP (early retirement) scheme

On 1 January 2011, the Company transferred to a new AFP scheme (the joint scheme for AFP in the private sector, cf. [note 3](#) for the Group).

Employees still being members of the Norwegian Public Service Pension Fund (SPK) have retained their rights in accordance with the AFP scheme in the public sector.

The AFP scheme in the Spekter area was terminated in 2016, and as a consequence, the Group received a total of MNOK 52, of which MNOK 46 were received in 2016. The remaining balance related to this was MNOK 6, of which MNOK 2 reduced pension costs in 2018.

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 (SPJ) in January 2006, and those employed at the transition date became entitled to various compensation and guarantee arrangements.

In 2010, it was determined that the public occupational pension should be coordinated with the private benefit scheme (AFP), which would reduce the pension from SPK for a significant number of employees in Posten. For this reason, a compensation scheme was agreed, and an obligation recorded in the balance sheet. In 2018, this was changed with the consequence that the coordination became much less extensive and discontinued altogether for persons born in 1963 and later. The change was initially agreed between the personnel organisations and the employer side in public sector, and the required law change was carried in the Norwegian Parliament in June 2018. On this background, Posten has estimated a reduction in pension liabilities of MNOK 228 in 2018. This has been recognised as a plan change, of which MNOK 104 were recorded as a reduction of the pension cost of the year and MNOK 124 as part of a change in actuarial assumptions in other comprehensive income.

The Company has a disability pension without a paid-up policy, providing 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 2018, changes have been made to the financial assumptions, basically in accordance with recommendations from the Norwegian Accounting Standards Board (NRS). Posten Norge AS uses covered bonds (OMF) as its basis for the discount rate, and set the rate to 2,6 percent in 2018 compared to 2,4 percent in 2017.

Other than the change in the discount interest, the difference between the estimated and actual take-up tendency and the retirement age in the schemes is the main reason for this year's change in actuarial assumptions. In 2018, the main reason for the change in actuarial assumptions concerned a plan change, larger AFP withdrawals and lower withdrawal age than expected.

The retirement age for the Norwegian employees is generally 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 2018 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	(45)	51	27	(23)	(7)	18
Percentage change	-8 %	9 %	5 %	-4 %	-1 %	3 %

Note 3 Other operating expenses

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

	2018	2017
Cost of premises	975	953
Other rental expenses	261	250
IT services	652	598
Other external services	324	231
Repair and maintenance of equipment	109	89
Tools, fixtures, operating materials	91	87
Marketing	87	83
Travel expenses	69	72
Insurance, guarantee and compensation expenses	53	53
Accounting and payroll services	35	35
Telephone and postage costs	30	31
Other expenses	97	105
Operating expenses	2 783	2 587

The Company has had increased costs related to renting premises due to the finalisation of several new terminals in Vestfold and Stavanger, and extensions of existing rented terminals. Energy costs in the Company have also increased.

The increase in services concerning IT is due to high project activities, primarily based on business improvements of existing systems and increased licence costs.

The increase in other external services is primarily a consequence of more use of temporary personnel in connection with the introduction of one addressed mail flow in the Mail segment.

Other expenses included 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).

	2018	2017
Restructuring expenses	(6)	24
Gain on sale of tangible fixed assets	86	103
Other income/(expenses)	(260)	(371)
Total other income and (expenses)	(180)	(244)

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

In 2018, Posten Norge AS made a provision of MNOK 8 for restructuring costs and reversed provisions from previous years of MNOK 2. In 2017, a provision of MNOK 30 was made, and MNOK 54 reversed. MNOK 3 of the provision of this year's provision of MNOK 8 concerned personnel initiatives and MNOK 5 premises.

Total provisions for restructuring are shown in [note 10](#).

Gain on sale of tangible fixed assets

In 2018, Posten Norge AS sold 100 percent of the shares in Posten Eiendom Svanholmen AS with a gain of MNOK 79. Other net gain on sales of tangible fixed assets primarily concerned the sale of means of transport, furniture etc. as elements of normal operations.

In 2017, the Company sold the wholly owned company Posten Eiendom Kanalveien AS with a gain of MNOK 100.

Other income and expenses

Other income and expenses in 2018 mostly concerned write-downs of shares in subsidiaries of MNOK 279, reversal of loss in connection with the sale of Bring Citymail Sweden of MNOK 32 and a provision for loss in the logistics business of MNOK 20.

The write-downs mainly concerned shares in Bring Frigo AB of MNOK 59 and Bring Warehousing AS of MNOK 52 (cf. [note 9](#)).

Other income and expenses in 2017 were primarily related to provisions for losses on loans and a commitment to normalise the operating capital in Bring Citymail Sweden, MNOK 201 in total. In addition, shares in subsidiaries were written down by MNOK 166.

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).

	2018	2017
Interest income from group companies	58	64
Interest income	48	68
Gain on derivatives	136	49
Gain on loans at fair value through profit and loss ¹⁾		28
Currency gain	77	87
Dividends received	174	131
Other financial income	5	1
Financial income	497	428
Interest expenses to group companies	12	11
Interest expenses	90	79
Losses on derivatives	30	121
Loss on loans at fair value through profit and loss ¹⁾	50	
Currency losses	68	78
Other financial expenses	17	14
Financial expenses	267	302
Net financial income	231	125

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». [Note 18](#) has more information.

Interest income from group companies mainly related to loans and the group account scheme; interest income in 2018 primarily to return on market based investments and interest funds.

Net currency gain and net gain on derivatives concern gain and loss 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 Bring Frigo AB and Netlife Gruppen AS.

Interest expenses mainly concerned long-term financing. In 2018, the interest expenses comprised interest costs on net pension obligations constituting MNOK 16 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).

	2018	2017
Income tax		
Tax payable	57	43
(Increase)/reduction in deferred tax assets	61	82
Tax expense	119	124
Tax payable for the year	57	22
Adjustments of payments in previous years		21
Tax payable	57	43
Effective tax rate	30 %	48 %
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit before tax	391	256
23% tax (24% in 2017)	90	61
Other non-deductible expenses	88	103
Non-taxable income	(60)	(66)
Effect of change in tax rate recognised in income statement	1	6
Adjustment previous years		20
Tax expense	119	124

	2018	2017
Changes in pension estimate	24	(9)
Cash flow hedging		(1)
Effect of change in tax rate	3	2
Change in deferred tax recognized in comprehensive income for the year	27	(8)

The effective tax rate was 30 percent, mainly caused by non-deductible costs related to write-downs. Non-taxable income concerned received dividends and the sale of shares. A tax rate reduced to 22 percent in Norway is effective from 2019 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 1.

Changes in deferred tax assets

	01.01 2018	Recognised in equity	Recognised in income statement	Effect of change in tax rate ¹⁾	31.12 2018
Tangible fixed assets	14		42	(2)	53
Retained gains and losses	1		(0)		2
Receivables	(5)		1		(4)
Currency	3		(3)		
Pensions	(193)	24	29	6	(134)
Contribution fund	23		(15)		8
Provisions	(13)		7		(7)
Financial instruments	(8)		(2)		(10)
Total deferred tax/(tax assets) in balance sheet	(178)	24	60	4	(90)

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

	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)

Deferred tax assets are reduced by MNOK 88 mainly as a consequence of a reduction in deferred tax assets related to pension. This was offset by an increase in deferred tax concerning tangible fixed assets, primarily due to a disposal of goodwill (tax value) of MNOK 128. In other respect, the difference was a result of the difference in depreciation profiles between accounting and tax. The changed tax rate reduced deferred tax assets by MNOK 4.

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

Non-financial assets and liabilities

Note 7 Intangible assets

Intangible assets are non-physical assets and mainly concern capitalised IT development, including specially adapted software, and goodwill in connection with acquisitions of businesses. Intangible assets and goodwill are subject to significant estimation uncertainty (cf. section 3 "Accounting estimates" and section 8 "Intangible assets" in the Company's accounting principles).

	IT develop-ment	Projects in prog-ress	Good-will	Total
Carrying amount 01.01.2018	359	215	556	1 129
Additions	26	154		180
Additions internally developed intangible assets		29		29
Amortisation for the year	(122)			(122)
Write-downs for the year	(6)			(6)
Group transfers	(15)		(34)	(49)
Transfers from projects in progress	50	(50)		
Carrying amount on 31.12.2018	291	349	522	1 162
Acquisition cost 01.01.2018	2 087	221	556	2 864
Accumulated amortisation and impairment 01.01.2018	(1 728)	(6)		(1 734)
Acquisition cost 31.12.2018	2 091	355	522	2 968
Accumulated amortisation and impairment 31.12.2018	(1 800)	(6)		(1 806)
Carrying amount 31.12.2018	291	349	522	1 162
Depreciation method	Straight-line			
Useful life	3 - 10 years			

	IT develop- ment	Projects in prog-ress	Good-will	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

Total intangible assets related to IT development recognised in the balance sheet at 31 December 2018 constituted MNOK 291, of which MNOK 140 concerned 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 21. In addition, a development platform and shared customer software for the use of handheld terminals, solutions related to address and route registers, a production support system and several projects concerning web solutions were recognised in the balance sheet.

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 1,9 million users. The system's value in the balance sheet at year-end was MNOK 24.

For intangible assets with a finite useful economic life, the amortisation period was 3-10 years in 2018 (the same as in 2017), 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 2018 amounted to MNOK 349, of which approximately MNOK 290 concerned IT investments related to the group-shared transformation programme Nye Posten and Bring (NPB). The programme shall create systems to support line management in their efforts to achieve the Company's strategic and operational goals. The programme comprises group-shared improvement

initiatives and IT investments that in total shall contribute to give the Company and its subsidiaries an improved basis for its operations. The IT investments also concerned updating and improving the management of the Group's infrastructure, recognised at MNOK 30 in the balance sheet as at 31 December 2018.

Write-down of IT development and projects in progress

Impairment costs are presented on the line for write-downs 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 write-downs was recognised in 2018 or 2017 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 552 (MNOK 556 in 2017) and concerns e-commerce and logistics only.

Disposal of goodwill

Posten Norge AS' Home Delivery business was transferred to the subsidiary Bring Express Norge AS on 1 January 2018. The transaction implied a group transfer of goodwill of MNOK 34.

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 (operating result)

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 cash-generating entity E-commerce and Logistics, 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 for E-commerce and Logistics is stated in the table below. The growth rate does not exceed the long-term average rate in the areas where E-commerce and Logistics operate.

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

	Goodwill	Discount rate before tax (WACC)		Long-term growth rate	
		2018	2017	2018	2017
E-commerce and Logistics	522	9,4 %	9,1 %	2 %	2 %

Result from impairment tests in 2018

Based on the criteria described above, no need for any write-down of goodwill was identified in 2018 (the same as in 2017).

Sensitivity analyses

Sensitivity analyses have been performed on key assumptions for the cash generating units in the Company. Assumptions analysed were growth (reduced to 1 and 0 percent), the required rate of return (increase of 0,5 and 1 percentage points) and operating result (EBIT) margin (reduced by 10 to 50 percent). No increased write-down 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, furniture, equip- ment	Buildings, property	Plants under constr. Machi- nery	Plants under constr. Buildings	Total
Carrying amount 01.01.2018	423	400	54	97	2	976
Additions	40	77	2	101	7	226
Disposals		(8)				(8)
Depreciation for the year	(68)	(122)	(11)			(201)
Write-downs for the year	(4)	(1)				(5)
Group transfers	(1)					(1)
Transfers from assets under construction	88	23	7	(111)	(7)	
Carrying amount 31.12.2018	478	369	51	88	1	987
Acquisition cost 01.01.2018	1 318	1 135	140	97	2	2 692
Accumulated depreciation and write-downs 01.01.201	(895)	(734)	(87)			(1 716)
Acquisition cost 31.12.2018	1 231	1 148	127	88	1	2 594
Accumulated depreciation and write-downs 31.12.2018	(753)	(779)	(76)			(1 607)
Carrying amount 31.12.2018	478	369	51	88	1	987
Depreciation method	Straight-line	Straight- line	Straight- line			
Useful life	3-20 years	3-15 years	3-20 years			

	Machinery	Vehicles, furniture, equipment	Buildings, property	Plants under constr. Machi- nery	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)
Write-downs 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			

Additions of tangible fixed assets

Approximately MNOK 125 of total additions of MNOK 226 concerned machinery for mail and parcels handling related to the mail and logistics terminals in Oslo, Stavanger, Vestfold and Bodø. The rest was ICT and transport equipment in addition to furniture.

Note 9 Investments in companies and businesses

In the financial statements 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 31.12.18	Book value 31.12.18	Book value 31.12.17
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 %	290	416
Bring Cargo International AB	23.03.2011	Sweden	Transport	100 %	233	233
Netlife Gruppen AS	31.07.2016	Oslo	Dialogue services	87 %	202	202
Bring Express Sverige AB	24.05.1991	Sweden	Express	100 %	142	142
Bring Parcels AB	1999/2008	Sweden	Transport	100 %	91	91
Bring Mail Nordic AB	01.09.2005	Sweden	Mail	100 %	86	86
Bring Warehousing AS	12.04.2000	Oslo	Thirdparty logistics	100 %	62	114
Posten Eiendom Alnabru AS	01.01.2008	Oslo	Property	100 %	57	57
Bring Transportløsninger AS	30.06.2016	Oslo	Transport	100 %	47	46
Bring Linehaul AS	2000/2009	Jaren	Transport	100 %	37	37
Bring Express Suomi OY	01.07.2003	Finland	Express	100 %	31	36
Espeland Transport AS	30.06.2016	Alvdal	Transport	100 %	8	22
Bring Shared Services AB	07.06.2011	Sweden	Shared services	100 %	1	1
Bring Cargo International A/S (prev. Bring Danmark A/S)	18.11.2010	Denmark	Transport	100 %		7
Bring Frigo AS	01.01.2006	Oslo	Transport	100 %		
Bring Cargo Inrikes AB	30.11.2012	Sweden	Transport	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 %		
Neaktiva 1 AB (prev. Bring Citymail AB A/S)	01.05.2002	Sweden	Holding Shared services	100 %		
Bring Logistik AB	31.10.2011	Sweden	Shared services	100 %		
Bring AS	08.03.2005	Oslo	None	100 %		
Fetch AS	31.07.2017	Oslo	Transport	100 %		
Sold, liquidated and merged companies						
Posten Eiendom Svanholmen AS	11.04.2014	Oslo	Property			14
Bring Citymail Sweden AB	01.05.2002	Sweden	Mail			
Bring Frigo Norge AS	10.06.2004	Oslo	Transport			58
Bring Gudbrandsdalen AS	11.06.2014	Lom	Transport			16
Total investments in subsidiaries					3 401	3 693

In March 2018, Posten Norge AS sold Bring Citymail Sweden to the German company Allegra Capital GmbH, with accounting effect from 1 March 2018 (cf. [note 23](#) in Group accounts).

In October 2018, the Company sold its 100 percent share in Posten Eiendom Svanholmen AS, with a gain of MNOK 79.

In 2018, a merger between Bring Gudbrandsdalen AS and Bring Transportløsninger AS was determined. The merger was carried out pursuant to the Companies Act section 13-24 about mergers without consideration between companies with the same owner.

Capital contribution and write-downs of shares

For those companies where the carrying value of the shares exceeded the value in use of net assets, write-downs of shares in subsidiaries were carried out. Capital contributions were also given to some companies and accounted for as additions to the investment. The table below shows write-downs and capital contributions in 2018 and 2017.

2018: Company	Write-down	Capital contribution
Bring Frigo AB	126	
Bring Frigo AS	59	
Bring Warehousing AS	52	
Bring Transportløsninger AS	16	
Espeland Transport AS	15	
Bring Cargo International A/S	7	
Bring Express Soumi OY	5	
Bring Citymail Sweden AB		159
Total	279	159

2017: Company	Write-down	Capital contribution
Bring Citymail Sweden AB	140	67
Bring Express Suomi OY	25	61
Bring Danmark A/S		5
Total	166	133

Bring Citymail Sweden received a capital contribution in connection with the sale of the company in March 2018. In 2017, a provision was made for the write-down of this capital contribution as an implicit duty to carry out projects in the company (see [note 5](#)).

In 2017, the corresponding write-down of shares in subsidiaries amounted to MNOK 166, whereas the capital contribution constituted MNOK 133.

Investment in associated company

	Acquired	Address	Primary activity	Voting and ownership share 31.12.18	Book value 31.12.18	Book value 31.12.17
Danske Fragtmænd A/S	04.07.2013	Denmark	Transport	31,7 %	296	317

In 2018, Posten Norge AS replaced the agreement about exercising a sales option on the shares in Danske Fragtmænd A/S from 2017 with a new agreement. The new agreement has a repurchase period of 5 years. Interest shall be paid. The agreement gives Posten control, as several matters require unanimity in the Board. As at 31 December 2018, 7 percent of the Group's shares in the company are sold, and the ownership share is reduced by 3,3 percentage points from 34 to 31.7 percent

Note 10 Provisions for liabilities

The Company's provisions 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 Company's accounting principles

	Restructu-ring	Pension	Other	Total
Balance 01.01.2017	226	811	4	1 041
Provisions recorded during the year	30		10	40
Reversals of previous year's provisions	(54)			(54)
Provisions utilised during the year	(65)			(65)
Change in pension liabilities during the year		30		30
Balance 31.12.2017	137	840	14	992
Provisions recorded during the year	8		22	31
Reversals of previous year's provisions	(2)			(2)
Provisions utilised during the year	(64)		(8)	(72)
Change in pension liabilities during the year		(232)		(232)
Balance 31.12.2018	79	608	28	715
Short-term part of provisions	55		7	62
Long-term part of provisions	24	608	21	653

Restructuring

MNOK 3 of the year's provision of MNOK 8 concerned personnel related measures and MNOK 5 concerned premises. MNOK 31 of utilised provisions during the year constituted payments concerning the provision for "one joint mail flow".

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:

	2018	2017
Personnel related measures	50	94
Rent for vacant premises	27	29
Other measures		10
Severance pay	2	5
Total restructuring	79	137

The disbursements are expected to be MNOK 55 in 2019 and MNOK 24 in later years.

Pensions

Pensions are described in [note 2](#).

Other

Provisions of MNOK 22 in 2018 mainly relate to onerous contracts due to vacant premises in the Logistics division.

Disputes

In 2017, Posten received a claim for compensation related to changes in purchase volumes from a supplier. The matter is settled in 2019 without any significant effect on the financial statements.

No other disputes with any significant risk exposure for the Group have been noted in 2018.

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.)

2018	Note	Valuation hierarchy level	At fair value			At amortised cost		Total 2018
			FVO - Fair value over profit and loss	Derivatives at fair value over profit and loss	Derivatives at fair value over OCI/equity ¹	Receivables	Other financial liabilities	
Assets								
Interest-bearing non-current receivables	12					1 545		1 545
Other financial non-current assets	18	2		210	3	3		216
Interest-free current receivables	13,18					1 680		1 680
Interest-bearing current receivables	12					2 184		2 184
Liquid assets	14					3 515		3 515
Total financial assets								9 141
Liabilities								
Interest-bearing non-current liabilities	15,18	2	657				2 325	2 982
Interest-free non-current liabilities	16,18	2		10	2		2	14
Interest-bearing current liabilities	15						2 739	2 739
Interest-free current liabilities incl. tax payable	6,16,18	2		30	2		2 961	2 993
Total financial liabilities								8 729
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)								
Total value hierarchy level 3 (net)								
			(657)	169	(2)			(489)

1) Derivatives included in accounting hedging relations

2017	Note	Valuation hierarchy level	At fair value		At amortised cost			Total 2017
			FVO - Fair value through profit and loss	Derivatives at fair value through profit and loss	Derivatives at fair value through OCI/equity	Receivables	Other financial liabilities	
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							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)								
Total value hierarchy level 3 (net)								

The tables above are the basis for further information about financial assets and liabilities with references to the subsequent notes. In addition to the classification in measurement categories, they also show at which level in the valuation hierarchy the Company's instruments measured at fair value are considered to be. The table for 2018 is based on the new IFRS 9 standard. In accordance with the transitional rules, the table for 2017 has not been restated and is based on IAS 39.

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 2018 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 2018, and no registrations of financial assets or liabilities in or out of level 3, of neither assets, nor liabilities.

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 IFRS 9 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 shall be 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 2018 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 loans 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.)

	2018	2017
Loans to group companies	1 533	1 327
Other non-current receivables	11	19
Interest-bearing non-current receivables	1 545	1 346
Loans to group companies	2 149	2 253
Other non-current receivables	35	99
Interest-bearing current receivables	2 184	2 352

The reason for the increase in interest-bearing non-current receivables was mainly loans to Posten's property companies due to the building of new terminals. First year's instalments have 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 account scheme.

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).

	2018	2017
Accounts receivables	1 078	1 124
Receivables from group companies	187	101
Accrued income	257	274
Prepaid expenses	110	124
Receivables on employees	1	1
Other receivables	47	71
Interest-free current receivables	1 680	1 695
Account receivable by due date:		
Not due	977	1 011
0 - 30 days	82	91
30 - 60 days	16	17
60 - 90 days	1	5
Over 90 days	8	7
Provisions for losses on receivables	(6)	(8)
Total accounts receivables	1 078	1 124
Expected credit losses		
Balance at 01.01	8	7
Provisions recorded during the year	24	21
Actual losses recognised against provisions	(14)	(13)
(Over)/underfunded previous year	(12)	(7)
Balance at 31.12	6	8
Total actual losses on receivables	14	13
Provisions for losses on receivables by:		
General provision	6	8

The carrying amount of interest-free current receivables was approximately the same as their fair value as at 31 December 2018, 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. The Company applies the simplified method for provisions for expected credit losses on accounts receivable and is measuring the provision to an amount corresponding with the expected credit loss during the lifetime. This is made by a combination of individual assessments and a general assessment based on due date analyses and historical data. There were no indications that accounts receivable not yet due, or already provided for on the balance sheet date, are not collectible.

Accrued income mainly includes income related to foreign postal services. Other receivables primarily comprised receivables associated with social security refunds and receivables related to banking services and Post-in-Shops.

Note 14 Liquid assets

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (cf. section 16 "Cash and cash equivalents" in the company's accounting principles).

	2018	2017
Cash and cash equivalents	241	607
Short-term investments	3 274	3 235
Liquid assets	3 515	3 842

The reduction in liquid assets is primarily due to disbursements for operating investments and repayment of accounts payable.

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 2018.

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 2018 amounted to MNOK 65 (the corresponding amount in 2017 was MNOK 68), 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 compensation 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 interest-bearing current liabilities (cf. section 14 "Financial instruments" and section 17 "Loans" in the Company's accounting principles).

Interest-bearing non-current liabilities

	2018	2017
Liabilities at fixed interest		
Liabilities to credit institutions	484	558
Bond loans	613	613
Non-current liabilities at fixed interest	1 097	1 170
Liabilities at floating interest		
Liabilities to credit institutions	772	749
Financial lease obligations	1 113	1 113
Non-current liabilities at floating interest	1 885	1 862
Interest-bearing non-current liabilities	2 982	3 032

Interest-bearing current liabilities

	2018	2017
First year's instalment on non-current liabilities	100	375
Certificate loans	800	300
Liabilities to group companies	1 839	2 143
Other current liabilities		3
Interest-bearing current liabilities	2 739	2 821

Posten Norge AS did not raise any new non-current loans in 2018. A total of MNOK 375 in planned repayment and ordinary instalments on loans were made.

As of 31 December 2018, Posten Norge AS had non-current liabilities (including first year's instalment on non-current liabilities) at fixed interest of MNOK 1 197. These had an average weighted interest of 2,8 percent and are due in the period 2019-2023. Posten Norge AS also had non-current liabilities amounting to MNOK 1 885 at floating interest with a weighted average interest per December 2018 of 2,1 percent.

As of 31 December 2018, Posten Norge had certificate loans totalling MNOK 800. The certificate loans were classified as current interest-bearing liabilities, and the outstanding balance increased by MNOK 500 from 2017.

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

	2018	2017
Liabilities at 1.1	3 707	2 335
Cash flows from financing activities	125	1 400
Change in fair value	50	(28)
Liabilities at 31.12	3 882	3 707

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).

	2018	2017
Non-current derivatives	13	22
Other non-current liabilities	2	2
Interest-free non-current liabilities	14	24
Provisions for payroll expenses and public charges	1 444	1 515
Accounts payable	302	403
Provisions for accrued expenses	491	492
Prepaid revenues	342	395
Debt to group companies	168	203
Restructuring	55	62
Current derivatives	33	16
Other current liabilities	101	322
Interest-free current liabilities	2 936	3 409

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 reduction in 2018 is primarily due to fewer employees in 2018.

The reduction in accounts payable and debt to group companies in 2018 was mostly caused by down payment of supplier debt in December 2018 due to a transition to a new ERP system.

The provisions for accrued expenses included provision for remuneration for "Post-in-Shop" services, costs to foreign postal companies and maintenance and service connected with the Company's car fleet.

Prepaid revenues mainly concern advance billing of franking machines and unused sold stamps.

[Note 10](#) has details on restructuring costs.

Other current liabilities primarily included guarantees for financial instruments. The reduction in 2018 is primarily due to a reduction of the provision for a loss in one of the subsidiaries in the mail business. This company was sold in 2018 (the Group's [note 23](#)).

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 and applies for Posten Norge AS, including market risk (currency and interest rate risk) credit risk and liquidity risk. The Company uses derivatives to reduce market risk, and [note 18](#) 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 fluctuates 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).

2018	Assets	Liabilities	Nominal value ¹⁾
a) Cash-flow hedging			
Interest-rate swaps NOK	3	(2)	1 383
Forward exchange contracts EUR		(2)	8
b) Other financial hedges (hedges not included in hedge accounting according to IFRS)			
Interest-rate swaps NOK	1	(10)	248
Forward exchange contracts SEK		(30)	766
Forward exchange contracts EUR			7
Combined interest-rate/currency swaps	210		447
Total	213	(46)	

1) Amounts in transaction currency

2017	Assets	Liabilities	Nominal value ¹⁾
a) Cash-flow hedging			
Interest-rate swaps NOK		(3)	725
Forward exchange contracts EUR		(2)	10
b) Other financial hedges (hedges not included in hedge accounting according to IFRS)			
Interest-rate swaps NOK	3	(19)	786
Forward exchange contracts SEK		(15)	956
Forward exchange contracts EUR			7
Combined interest-rate/currency swaps	160		447
Total	164	(38)	

1) Amounts in transaction currency

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 agreements.

a) Cash flow hedging

Interest rate swaps

At the end of 2018, the Company had a bilateral loan of MNOK 200. In order to secure fixed interest rate terms, a fixed interest rate swap for a corresponding amount and maturity was made 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 a term of 5 years. The same year, Posten Norge raised a bond loan of 7 years of MNOK 350 at a fixed coupon that in its entirety was swapped to floating interest in the same transaction. MNOK 88 were swapped back to fixed interest in 2015 and MNOK 100 in 2017. At the implementation of IFRS 9 in 2018, the hedge relations qualified for hedge accounting, this is a change from the recognition pursuant to IAS 39.

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 was partly hedged by a fixed interest swap of MNOK 250. Posten Norge also entered into an amortising bilateral loan with floating interest terms and maturity on 16 December 2024. Half of the loan was in 2018 hedged at a fixed interest swap with a future start date in 3 years. Accordingly, the loan has floating interest terms for 3 years and fixed terms for parts of the loan during the last 4 years.

The Group's [note 18](#) has due dates analyses of the financial liabilities.

Almost all critical terms (the dates for interest determination, calculation methods, reference interest rate etc.) related to the derivatives described above are in accordance with underlying loan agreements. Accordingly, the cash flows of the interest rate swaps basically correspond with the interest payments on the loans and there are no sources for hedging ineffectiveness.

Forward contracts EUR

Posten Norge had revenues of MEUR 20 for distributing mail from abroad in 2018 (MEUR 24 in 2017) and is expecting a little more than MEUR 20 in 2019. 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 2018, forward contracts for euro revenues in 2019 totalling MEUR 8 with a negative value of MNOK 2 had been made. As a consequence of forward contracts realised in 2018, MNOK 2 were reclassified from equity to a reduction in revenue in the Mail segment (MNOK 2 in 2017).

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 31.12.2016	(2)	2	
Changes in value	(1)	(5)	(6)
Transfers to income statement ¹⁾		2	2
Deferred tax		1	1
Balance at 31.12.2017	(2)	(1)	(3)
Changes in value	1	(3)	(2)
Transfers to income statement ¹⁾	0	2	2
Deferred tax	(0)	(0)	(1)
Balance at 31.12.2018	(2)	(2)	(3)

1) Positive figures represent losses.

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

Forward contracts SEK and EUR

The Company uses forward currency contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Rollover forward contracts constituted MSEK 113 and MEUR 7 as of 31 December 2018. The changes in value are recognised in the income statement and will offset changes in the loans in the income statement as a consequence of currencies.

Investments in foreign subsidiaries are hedged at group level by forward currency contracts in Posten Norge. As of 31 December 2018, the Company had made forward contracts amounting to MSEK 653 (MSEK 843 in 2017).

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 floating interest.

Posten Norge has made use of the "fair value option" in IFRS 9 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 2018, the two loans from the Japanese life insurance companies were recognised at a total value of MNOK 657 (MNOK 607 in 2017), where the value changes from the borrowing date constituted MNOK 210 (MNOK 160 in 2017). This value change corresponds to the interest and currency swap agreements, and the derivatives were 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 10 as at 31 December 2018.

Upon entering into the loan agreement for 5 billion Japanese yen in 2013 and the combined interest rate and currency agreement, the Company 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 2018, Posten Norge had received MEUR 9 from the counterparty. This is recognised as a current liability in the balance sheet.

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 (cf. section 18 "Equity" in the Company's accounting principles).

As of 31 December 2018, 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 Posten Norge AS the future prospects shall be made. The proposed dividends for the accounting year 2018 are MNOK 124.

At the Annual General Meeting in June 2018, it was determined to distribute dividends of MNOK 194, corresponding to the Board's proposal in the 2017 financial statements. The dividends were paid in August 2018.

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 Company has not pledged property of any significant value.

	2018	2017
Guarantees for group companies	656	682
Other guarantees	241	176
Total guarantees	897	858

As at 31 December 2018, Posten Norge AS had issued a letter of support for Bring Cargo International A/S to Dansk Retursystem and a delivery guarantee to Statoil Petroleum AS for Bring Cargo AS. A letter of support has also been issued for the subsidiary Bring Cargo International 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 2018. From 2019, the Group will implement IFS 16 *Leases*. The standard requires that the lessee recognises lease agreements in the balance sheet, ref. the Company's accounting principles section 2.3.

1.2 Operating lease agreements

	2018	2017
Ordinary lease payments for buildings ¹⁾	735	873
Ordinary lease payments for vehicles	245	236
Ordinary lease payments for computer equipment	1	2
Ordinary lease payments other	10	9
Subletting revenues	(89)	(80)
Total leasing costs	903	1 039
Future minimum lease payments related to agreements that cannot be cancelled, due as follows²⁾:		
Next 12 months	813	625
1 - 5 years	2 409	1 301
After 5 years	7 464	937
Future minimum lease payments due	10 686	2 863

¹ Ordinary lease payments buildings include Posten Norge's share of joint costs and operating expenses

²⁾ Includes subleases and options reasonably certain to be exercised

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 many of the leases, the Company is entitled to extend the lease period when the lease expires. When it is reasonably certain that such extensions will take place, the lease amount is included in the minimum lease in the table above.

The most significant lease agreements concerned Østlandsterminalen at Robsrud, Posten and Bring'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 centres in Trondheim, Narvik and Vestfold, are leased.

The lease agreement for Østlandsterminalen expires on 30 November 2026, but has an option for an extension by 4 plus 5 years.

The lease contracts for the buildings at Posten and Bring's logistics centre at Alnabru expire on 31 December 2032 (building B1) and 31 December 2047 (buildings B2 and B3), respectively. The lease is index-linked on an annual basis, and the lease contracts have an option for extensions of 2 plus 10 years.

The lease period for Posthuset Biskop Gunnerus' gate 14 A expires on 31 December 2025, without any option for an earlier notice, but with the right to renew for a period of 10 years. The lease is index-linked on an annual basis.

The lease agreement for the terminal in Bergen expires on 20 December 2022, the freight terminal in Bergen (Jekteviken) runs until 15 December 2022. The lease agreement in Stavanger (Forus) is continuing with the right to a 2 months' extension, and the freight terminal in Stavanger is continuing with 12 months' term of notice. Posten and Bring's logistic centre in Trondheim expires on 30 April 2037 with an option of 2 plus 10 years. Posten and Bring's logistics centre in Vestfold runs until 1 October 2038 with an option of 2 plus 10 years.

The lease agreements for the Bring terminals in Ålesund (Digerneset) and Drammen are also significant, expiring in 2032 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 required 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 2018 was approximately 3 500, in addition to approximately 120 trailers.

2. Lessor

The Company had no significant leases as lessor as at 31 December 2018.

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 control 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 shared costs in Posten Norge AS are distributed on the group companies according to distribution formulas, dependent of the various types of costs.

	2018	2017
Purchases of goods and services from		
Subsidiaries	559	564
Associated companies		
Sales of goods and services to		
Subsidiaries	1 426	1 308
Associated companies		
Leases of property from		
Subsidiaries	364	364
Lease of property to		
Subsidiaries	68	47

The increase in the purchase of goods and services from subsidiaries from 2017 to 2018 mainly relates to the sale of Bring Parcels AB and Bring Express Norge AS. The increase in leased property to subsidiaries is a result of increased leasing costs from Bring Warehousing AS and Bring Frigo AS.

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

	2018	2017
Accounts receivable	160	91
Other receivables	3 710	3 591
Accounts payable	30	43
Other payables	1 978	2 303
Net	1 862	1 336

Other receivables and other liabilities:

Other receivables and other liabilities in the Company basically concerned the cash pool system and loans to subsidiaries (cf. [note 12 and 15](#)).

Remuneration to the Board and management

[Note 1](#) and [note 2](#) in the Group's financial statements have 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

Postal regulations comprise the Postal Services Act with associated regulation and the licence given Posten as a bidder required to deliver.

No significant changes were made to the act or regulation in 2018, but on 1 January 2018 Posten joined prioritized and unprioritized mail to one joint mail flow with two days delivery time. This was in accordance with the change in a new, temporary licence effective from the same date.

Basic bank services in the rural postal network

Posten is obliged to offer basic bank services in the rural postal network, ref. the act *Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett*. The duty 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.

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. This also applies for basic bank services through Posten's forwarding network. 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 2018 amounted to MNOK 507. This is MNOK 185 lower than the net costs calculated by Posten in advance.

The result effect of the final settlement of government procurements of commercially non-viable postal and banking services for 2017 constituted MNOK 29 in 2018. MNOK 14 concerned a reversed provision and MNOK 16 (incl. interest) constituted recalculation for 2017 in line with the Norwegian Parliament's resolution.

A total of MNOK 536 in government procurements of commercially non-viable postal and banking services were taken to income in 2018.

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 five 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 and banking services by carrying forward the requirement to distribute 5 days a week. The report shows that by implementing 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 fall in volume has accelerated stronger than expected in 2018 and is considerably higher than assumed in the report.

The Government's proposal to reduce the Postal Act's requirement to distribution days is to be presented to the Parliament. A change to fewer distribution days can be carried out in 2020 at the earliest. It is important for Posten that the Government in future pays Posten for the net costs of the services required to be delivered through government procurements if no room is given for continued adjustment of the service level in line with falling mail volumes and the large changes in customer needs

In the Parliament's budget discussions for 2019, the governing parties and Kristelig Folkeparti agreed to ask the Government to put forward a motion to remove the current exemption for VAT ("the 350 kroner limit") on private imports of low value articles from 1 January 2020, i.e., to introduce "VAT from the first krone". The motion shall be put forward in connection with the fiscal budget for 2020. The change will imply that the recipients will be charged with customs duty related to the costs for individual clearance through customs that with the current exemption is not dutiable. This is expected to result in a significant fall in volumes and negative financial consequences for Posten.

Note 24 Events after the reporting period

«Events after the reporting period» are those events taking place between the end of the reporting period and the date when the financial statements are approved for publication. It can be events providing new knowledge about matters existing at the end of the reporting period and events concerning matters arising after the reporting period.

Restructuring of route preparation

In the autumn of 2018, discussions started between Posten Norge AS and trade unions about the possibility for restructuring by moving the route preparation and parts of Postens Reklamesentre [Advertising centres].

The background for the restructuring is the large economic challenge the Mail segment is facing as a consequence of the increasing fall in volume for addressed mail. The effect of the restructuring is expected to be:

- Utilization of economics of scale in investments made at the central terminals
- Movement of night sorting to daytime
- Reduction of transport costs by using the existing line traffics in a more optimal manner
- Reduction of areal use and/or reduction of reinvestments in new buildings.

At the end of 2018, the discussions had not resulted in any specific plan for the restructuring, and no provision was therefore made.

During discussions on 1 February 2019, a detailed plan for the restructuring was adopted by the parties. This plan also includes moving parts of Posten's Advertising Centers. The restructurings will take place from September 2019 to Marc 2020. Preliminary restructuring cost is estimated at MNOK 120 – 130 and comprises approximately 300 full-time equivalents.

Alternative performance measures (APM) applied in the 2018 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:

Organic growth

Organic growth provides the Group's management, Board and other users of the financial information the opportunity to analyse the underlying growth of operations.

	31.12 2018	31.12 2017
+ Revenue (current year)	23 894	24 678
- Revenue (last year)	24 678	24 772
= Nominal change in revenue	(783)	(94)

	31.12 2018	31.12 2017
+ Nominal change in revenue	(783)	(94)
+/- Impact exchange rates	64	121
+/- Acquisitions of companies		161
Sale of companies*	1 306	
+/- Change in government procurements	(193)	(6)
= Organic change in revenue	394	182

* Revenue last year is adjusted for companies sold current year

	31.12 2018	31.12 2017
Organic change in revenue	394	182
Adjusted revenue*	23 765	24 954
= Organic growth	1.7 %	0.7 %

* Adjusted revenue is revenue adjusted for exchange rates, acquisitions and government procurement.

Operating profit/loss before depreciation (EBITDA), adjusted operating profit/loss, operating profit/loss (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. The adjusted operating profit/loss is EBITDA before other income and expenses and includes depreciation. Operating profit/loss (EBIT) includes the Group's write-downs, 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 investments are excluded. It is also assumed that the target figures contribute to a more comparable evaluation of operating results of the Group's competitors.

	2018	2017
+ Revenue	23 894	24 678
- Costs of goods and services	10 270	10 317
- Payroll and social expenses	8 853	9 451
- Other operating expenses	3 586	3 524
= Operating profit before depreciation (EBITDA)	1 185	1 386

	2018	2017
+ Operating profit before depreciation (EBITDA)	1 185	1 386
- Depreciation	654	683
= Adjusted profit	531	703

	2018	2017
Adjusted profit/	531	703
Total revenues	23 894	24 678
= Adjusted profitmargin	2,2 %	2,8 %

	2018	2017
+ Adjusted profit	531	703
- Write-downs	158	59
+/- Other income and expenses	(35)	(57)
+ Share of profit or loss from associates and joint ventures	8	(9)
= Operating profit (EBIT)	415	692

	2018	2017
Operating profit (EBIT)/	415	692
Total revenues	23 894	24 678
= Operating profit (EBIT) margin	1,7 %	2,8 %

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, reduced by commercial financial investments in addition to cash and cash equivalents.

The Group's liquidity reserve includes all assets 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 2018	31.12 2017
+ Interest-bearing non-current liabilities	3 015	3 072
+ Interest-bearing current liabilities	910	689
- Market-based financial investments	3 274	3 235
- Cash	93	69
- Bank deposits – corporate cash pool account	176	578
- Bank deposits	70	56
= Net interest-bearing debt (receivable)	312	(176)

	31.12 2018	31.12 2017
+ Market-based investments	3 274	3 235
+ Syndicate facility	3 482	3 444
+ Credit facilities		750
- Certificate loans	800	300
= Long-term liquidity reserve	5 956	7 129

	31.12 2018	31.12 2017
+ Long-term liquidity reserve	5 956	7 129
+/- Deposits on group account	176	539
+/- Deposits outside cash pool account	70	94
+ Bank overdraft not utilised	550	550
= Short-term liquidity reserve	6 752	8 312

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:

	2018	2017
+ Intangible assets	2 134	2 162
+ Tangible fixed assets	5 765	5 831
+ Current assets	7 431	6 694
- Liquid assets	3 563	2 527
- Interest-bearing current assets	66	96
- Interest-free current liabilities	4 548	4 992
+ Tax payable	97	111
= Invested capital*	7 251	7 183

*Rollover twelve months

	2018	2017
Last 12 months' accumulated adjusted profit/ Invested capital	531	703
= Return on invested capital (ROIC)	7.3 %	9.8 %

*Rollover 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:

	2018	2017
+ Total investments	979	981
- Investments due to acquisitions	17	22
= Investments before acquisitions¹⁾	962	959

¹⁾Equivalent to Investments in tangible non-current assets and intangible assets in the cash flow statement

	2018	2017
Profit for the last 12 months after tax/ average equity at balance sheet date ¹⁾	248	388
= Return on equity after tax (ROE)	3,9 %	6,3 %

¹⁾ (Opening + closing balance)/2

	2018	2017
Equity on balance sheet date/ Equity and liabilities (total capital)	6 481	6 375
= Equity ratio	40,3 %	37,6 %

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, performance and financial position of the business of the Group and the parent company, together with a description of the key risks and uncertainties that the Company is facing.

27 March 2019

Idar Kreutzer (leder)

Tove Andersen (nestleder)

Henrik Højsgaard

Anne Carine Tanum

Finn Kinserdal

Liv Fiksdahl

Odd Christian Øverland

Lars Nilsen

Ann Elisabeth Wirgeness

Erling A. Wold

Tone Wille (konsernsjef)

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 sheets as at 31 December 2018, income statement, statements 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 2018 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 2018. 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 1 361 on the balance sheet. Goodwill impairment of MNOK 141 has been recorded in the 2018 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 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 the impairment models, including growth, margins and discount rates based on prognoses approved by management and available market and industry information. In

addition, we considered the mathematical accuracy of the models and the sensitivity of the assumptions applied. We tested 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 principles foot note 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 of Directors 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 statement on corporate governance

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 statement on corporate governance 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.

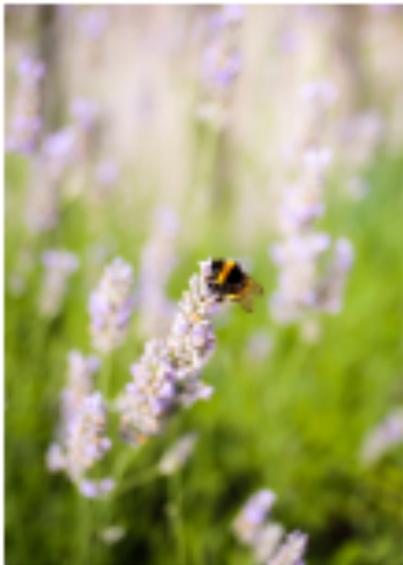
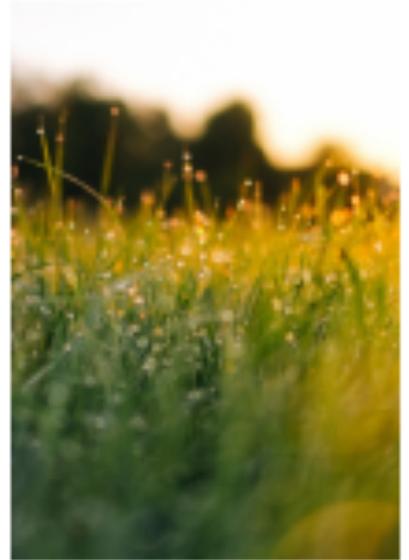
Opinion on registration and documentation

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, 27 March 2019
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

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



Sustainability Report Posten Norge AS – 2018

SUSTAINABILITY REPORT POSTEN NORGE AS – 2018	2
INTRODUCTION.....	3
A WORD FROM THE CEO.....	6
OUR KEY STAKEHOLDERS.....	7
2018 MATERIALITY ANALYSIS.....	8
INDICATORS - SOCIETY	9
HEALTH, SAFETY AND WORKING ENVIRONMENT.....	9
ATTRACTIVE AND EVOLVING WORKPLACE.....	14
EQUAL OPPORTUNITIES.....	19
INTEGRATION.....	21
WORKING CONDITIONS IN THE SUPPLY CHAIN.....	23
INFORMATION SECURITY.....	30
INDICATORS - THE ENVIRONMENT	34
EMISSIONS-FREE AND EFFICIENT TRANSPORT, AND LOGISTICS.....	34
LOCAL AIR POLLUTION (PARTICULATE MATTER, NOx, SOx).....	40
CLIMATE-EFFICIENT BUILDING.....	42
WASTE FROM YOUR ACTIVITIES AND TERMINALS.....	44
POLLUTION TO THE SEA.....	45
INDICATORS-ECONOMY	47
ANTI-CORRUPTION AND COMPETITION CONSIDERATIONS.....	47
SOCIO-ECONOMIC RIPPLE EFFECTS.....	53
CUSTOM TOPIC	54
THREAT MONITORING AND PREPAREDNESS.....	54
MAKING LIFE SIMPLER FOR CUSTOMERS AND RECIPIENTS.....	56
ENABLE CIRCULAR SOLUTIONS FOR CUSTOMERS AND RECIPIENTS.....	57
INNOVATION EFFECTS OF POSTEN'S PURCHASING.....	58
DRIVING FORCE FOR SUSTAINABLE FRAMEWORK CONDITIONS.....	60
OVERVIEW OF REPORTED INDICATORS IN 2018	63
GRI INDEX, GENERAL INDICATORS.....	63
GRI INDEX, TOPIC-SPECIFIC INDICATORS.....	64

Introduction

About the report

Business, governments and individuals are becoming increasingly aware of what is needed to ensure the sustainable development of companies and the world. Posten Norge has worked systemically on sustainability since 2010 and reports annually on the most significant areas. You can read about our initiatives and results from the last year in this report. We use the reporting standard Global Reporting Initiative (GRI), which is required by our owner, the Ministry of Trade, Industry and Fisheries, cf. "Diverse and value-creating ownership" (Government White Paper No. 27, 2013-2014).

This is Posten Norge

Posten Norge is a Nordic postal and logistics group that seeks to simplify and increase the value of trade and communication for people and enterprises in the Nordic region. Our vision is "We make everyday life simpler and the world smaller". This vision is our guiding star and sets the standard for what we should prioritize and strive for.

The Group had an annual turnover of MNOK 24,000, and has its own operations in Norway, Sweden, Denmark, Finland, Poland, Slovakia, Belgium, the Netherlands, the UK, France, Germany, Greece, Hong Kong and Italy. Total capital is MNOK 16,000, with an equity ratio of 40.3%.

The head office is located in Oslo, Norway, and we have a presence in most countries in the world through our partners.

Posten Norge has two brands in the marketplace. The **Posten** brand for the entire Norwegian population: Posten delivers mail and parcels to private customers in Norway and emphasises 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 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.

Posten Norge AS is a limited liability company wholly-owned by the Norwegian government and is the parent company in the Posten Norge Group. 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.

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 purchase together. Each division has an independent responsibility for the performance of their service portfolios in the Nordic region.

- Mail Division: Flexible services for home customers. Addressed and unaddressed mail distribution to the corporate market.
- E-Commerce and Logistics Division: Standardised packaging, cargo and warehousing services for e-commerce and other business customers.
- International Logistics Division: Customer-specific solutions for the offshore segment and major industrial customers. International forwarding.
- Express Division: Innovative solutions for express, courier and home delivery.

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 cooperation between managers, employees, management bodies, owners and the authorities reflect our basic values. The values were changed in 2018 and are now: Take responsibility, Want more, Be a team player.

There are a total of 15, 021 employees in 14 countries in the Group. In addition to its own employees, a considerable number of services are purchased, for example at in-store post office and from transport subcontractors.

Employees	Permanent		Temporary		Total
	Women	Men	Women	Men	
Norway	3,970	7,634	201	525	12,330
Sweden	363	1,177	27	120	1,687
Denmark	48	207	3	1	259
Belgium	1	3			4
Finland	18	27	1		46
France	7	40	5	18	70
Germany	1	2			3
Greece	7	8	1		16
Hong Kong	2	1			3
Italy		1			1
Poland	8	4			12
Slovakia	22	306	7	127	462
The Netherlands	11	33	3	14	61
England	18	49			67
Total	4,476	9,492	248	805	15,021

	Full-time	Part-time	Total
--	-----------	-----------	-------

	Figures	Per cent	Figures	Per cent	Figures	Per cent
Men	8,776	73%	1,521	51%	10,297	69%
Women	3,270	27%	1,454	49%	4,724	31%
TOTAL	12,046	100%	2,975	100%	15,021	100%

In March 2018, the Group sold the Bring Citymail business in Sweden. In reporting that refers to 2017, figures from Bring Citymail for the period March-December are excluded, so that figures are comparable.

For 2018 reporting, a new materiality analysis has been conducted. This resulted reporting in 18 significant areas being identified. Compared with the materiality analysis conducted in 2015, 5 topics received increased importance to stakeholders, 5 topics have the same importance, 8 topics are new, and 8 areas were taken out, adjusted or regrouped.

Reporting is conducted in accordance with GRI Standards and the period covered is from 1 January to 31 December 2018. Reporting takes place annually and this year's report will be published after being reviewed by the Board of Directors on 27 March 2019. It is made available at postennorge.no/baerekraft. The English edition will be available from 9 May 2019. The report for 2017 was published after being reviewed by the Board of Directors on 15 March and the English edition was published on 8 May 2018.

For financial reporting purposes, the Group has split operations into two segments, Mail and Logistics. This division is not used in the GRI report, instead we report for the Group as a whole.

Posten Norge AS participates in the following external initiatives: The UN's Global Compact, Zero, SINTEF and Næring for klima.

Posten Norge AS is a member of the following associations: International Post Corporation, Nordic Swan Purchasing Club and Grønt Punkt.

The contact point for questions regarding the report is the SVP corporate communication, Randi Bjerkeland Skagemo, randi.skagemo@posten.no

A word from the CEO

Changes are taking place at an ever increasing pace which means that a clear strategic direction for long-term value creation is more important than ever before. For Posten, sustainability is about long-term viability for the world and for the Group. It is about continuously developing a business that is relevant and profitable in the future, and about taking care of the needs of those who live today without having to negatively affect the opportunities of future generations. We must therefore be aware of how we use and affect resources. Those of us in charge of large companies have a responsibility to lead the way. Collaboration between businesses as well as between business and politicians is important - and necessary - to set the direction and secure sustainable framework conditions.

In brief, 2018 looks like this: Customers are more satisfied, and new and former customers have been added. The logistics market is growing, but it is a demanding market which is highly competitive. Letter volumes are falling faster than ever before and there has never been a greater need to restructure the Mail Division. At the same time, the Group is developing new services and preparing for the future. In our digital age, customers want simple, flexible and sustainable solutions - where they can choose when and where packages are delivered. We shall make everyday life easier and the world smaller for our customers - that's what our working day is all about.

Our sustainability work shows how we rely on the interaction between all our resources in order to remain a relevant and preferred supplier over the long term. Posten's nationwide infrastructure constitutes an important part of the value chain for a large part of our business, and thus affects growth, earnings and development for many companies, not just for ourselves.

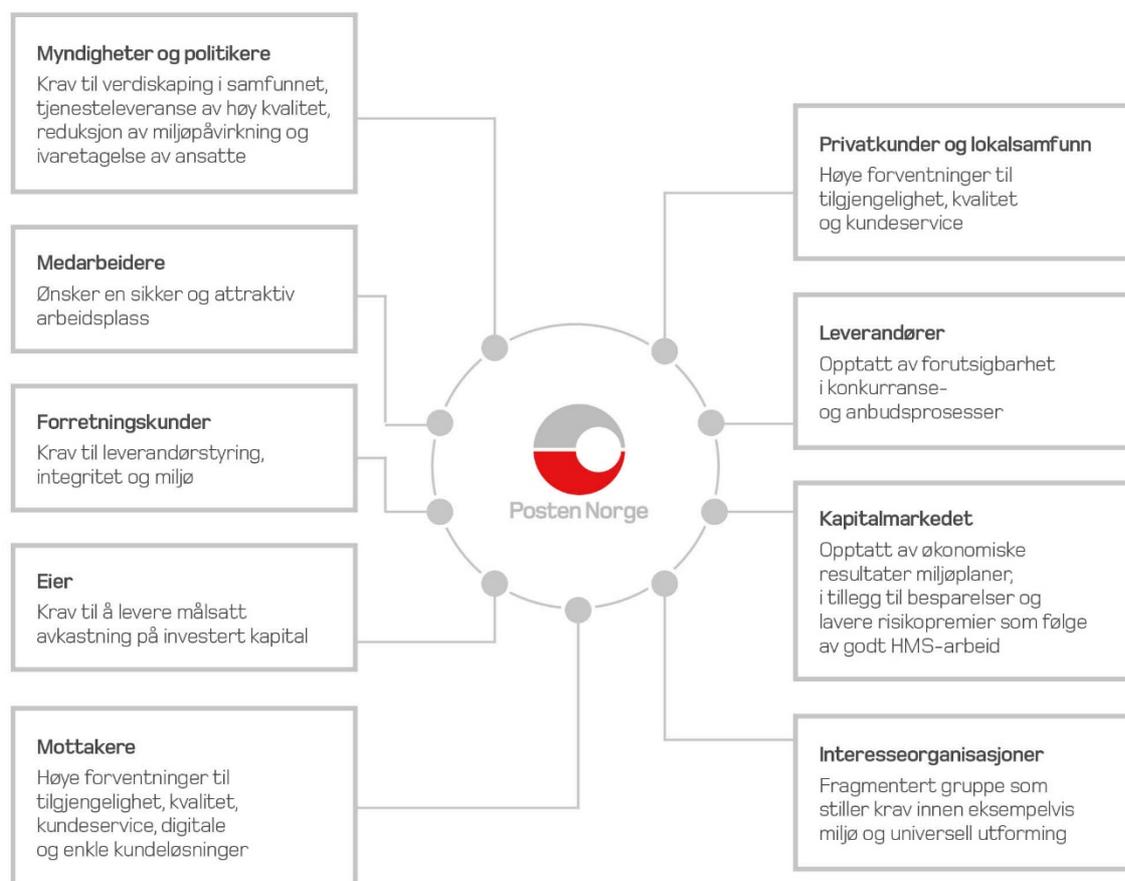
We have worked systematically on sustainability since 2010 and this work is an integral part of our business. By measuring results and carrying out reporting, we make it easy for our stakeholders - whether they are our owners, the authorities, partners, suppliers, employees or customers - to know which values we have created throughout the year and which footprints we have created in society. This helps to create confidence that we are doing things right, and that we are a leader in sustainable development.

The Group's main goals - Engaged and competent employees, Innovative and sustainable development, Satisfied and loyal customers, and Cost-effective and profitable growth - reflect our most important resources. They set a clear direction on what we must succeed in to ensure sustainable development for us and the world around us.

Our key stakeholders

In view of the Group implementing a new corporate strategy in December 2017, a new materiality analysis was conducted in 2018 which is linked to this new strategy. This will form the basis for sustainability reporting in 2018. Defining our key stakeholders has been a central element of the materiality analysis, and 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 most important key stakeholders



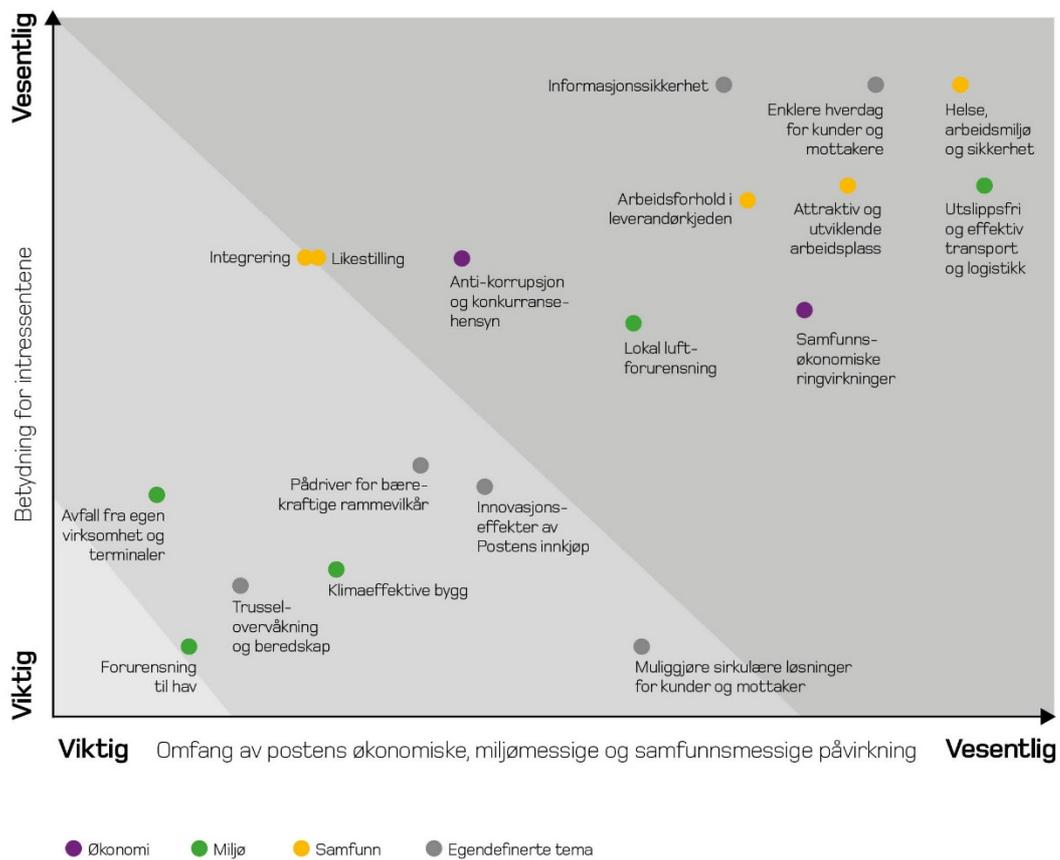
2018 Materiality Analysis

One of the fundamental principles of GRI Standards is that companies shall design their sustainability reporting based on the sustainability topics that are most significant to the company.

Materiality in this context is determined by:

- The extent of the company's financial, environmental and social impact (x-axis)
- Factors that will significantly affect the assessments and choices of the company's stakeholders (Y-axis)

The matrix shows the most important and significant topics for stakeholders when it comes to our impact on the environment.



INDICATORS - SOCIETY

Health, safety and working environment

GRI indicators: 403-1, 403-2, 406-1

Explanation and demarcation of topic

It is important to Posten Norge for employees' working conditions to be taken seriously. Healthy and motivated employees and managers are essential in achieving our goals. Health, safety and working environment and relevant to everyone who performs work for the Group, both employees and external personnel.

How the Group works

HSE is the first item on the agenda at all management and Board meetings. This helps to maintain awareness of the topic throughout the Group.

Development work and long-term strategic work on health, safety and working environment are centralised under Corporate Staff HR/HSE. The Divisions order services from Corporate Staff HR/HSE, which also functions as a coordination centre for the line managers in the divisions. Out in the regions and business areas, there is also a local support apparatus in this area.

In collaboration with the business, Corporate Staff HR/HSE shall ensure that:

- That activities are coordinated, and that best practice is used.
- That priorities are determined based on what increases value for customers and is best for the Group.
- That the work will be based on dialogue and proximity with the business and contribute to implementation capacity.
- We will work according to the Group's strategic principles: Customer-oriented, Simplified and Profitable.

The purpose of HSE work is to manage our most important resource - our employees - in the best possible way. Facilitating a healthy working environment where no workers become ill or injured at work helps to increase loyalty and reduce costs relating to sickness absence and turnover. We face fewer operational challenges as attendance increases and more employees are at work. Productivity and quality increase, employee satisfaction improves, and we achieve major cost savings.

The Group has numerous and diverse tasks that affect the laws and regulations that apply specifically to the individual location. We undertake to comply with applicable laws and regulations and to act in accordance with the applicable cooperation arenas. Goals concerning sickness absence, disability, personal injuries, near-accidents and reported cases of harassment and discrimination are determined and reported upon.

HSE is a management responsibility at all levels of the organisation, and HSE-related problems are resolved on an ongoing basis at the lowest possible level.

Use of the occupational health service, results and plans from the organisational survey, tripartite cooperation and the use of risk assessments and work on Norwegian Labour Inspection Authority cases are and will continue to be important measures in terms of reducing sickness absence.

The work on finding clarification for employees with repeated and/or long-term sick leave is important and something that is undertaken in collaboration with major cooperative actors such as the occupational health services and NAV.

Systematic follow-up of people on sick leave contributes to predictable processes for all parties involved. Posten's routines for following up sickness absence have been and will continue to be an important tool.

For several years the Group has prioritized its efforts towards employees with the highest sickness absence and the initiatives to get them back to work. The "It helps" methodology, which targets employees who have been absent due to sickness for 24 days or more every year for the past three years has been central in these efforts. The work and methodology of "It helps" has been very effective.

Posten records personal injuries based on the Federation of Norwegian Industries' standard. Over time, the Group has established a number of tools to help build a robust safety culture. A separate Group-wide safety standard has been prepared that is used both for audits and self-evaluations. The employees in the Group's operational departments must have a safety interview with their manager each year, with risk factors and attitude to safety rules as the topic.

Registering near-accidents and hazardous conditions is an important instrument in safety work. This helps to uncover risk factors while also creating awareness of the safety work. In 2018, a "best practice" was prepared where all the instruments are described as well as tips on the best way to apply them.

There are additional channels for feedback and processing complaints, both via the immediate superior, the notification department and the AMU - tripartite cooperation.

Evaluation of the work

The Group evaluates HSE work through:

- The work undertaken in the local cooperation groups within HSE.
- Staff meetings, morning meetings and other meetings with employees for information and dialogue.
- Feedback that employees give the manager through the PLUSS review (employee review).
- Identification and feedback, we receive through the organisational survey.
- The participation of the safety representative in the various HSE routines/HSE work.

- Risk assessments to ensure that we systematically consider what could cause injury or illness in the workplace and ensure that preventive measures are implemented. The result of the risk assessment again provides the basis for prioritizing measures.
- A separate Group-wide safety standard that is used both for audits and self-evaluations.

The last few years have been characterised by good HSE results. However, the trend for sick leave, injuries and accidents has levelled out somewhat, but the fundamental idea that the systematic use of HSE tools and measures gives good results continues.

Systematic injury prevention, sickness absence monitoring and zero tolerance for discrimination have proved to be effective approaches.

In 2018, no cases of discrimination were reported via the Group's notification channel.

Through a joint, annual planning process, changes that affect HSE work are adapted and handled. 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. Posten will continue its active collaboration with those actors supporting us in our efforts to create a better working environment.

In order to reverse the negative injury trend last year, several measures will be implemented in 2019. A Group-wide campaign will increase awareness of safety work. In addition, all managers will use "Best practice" through HSE management training. The number of investigations will be increased and audits and self-evaluation of HSE Safety Standards shall be maintained to the same extent as before.

The average age of the Group is increasing, and this presents challenges when it comes to reaching our goal of a continued fall in sickness absence. Given that we know that musculoskeletal disorders are the most common cause of disability among the oldest workers, and that the average age of entry is increasing, preventing muscle and skeletal problems will be an important focus area in the future. Identifying and treating working environment factors that restrain and promote occupational health and the working environment will be important in the future and is also in line with the new Inclusive Employment (IA) agreement with the government.

Based on analyses and field work on sickness absence, which gives indications of how absenteeism patterns look in the different job families but also in individual cases, it is desirable to prepare a more targeted model for follow-up/measures. A new Inclusive Employment agreement provides guidelines and is in line with Posten's work and focus on preventive working environment work and/or frequent, long-term sickness absence. The emphasis on a preventive working environment work means that attention is focused on how specific work processes can be planned and organised.

Indicator 403-1 Employee representation on formal HSE committees with representatives from management and employees

HSE is a management responsibility at all levels of the organisation. HSE-related problems are solved continuously at the lowest possible level. Active participation by employees and employee representatives is a prerequisite for achieving a good, safe and health-promoting working environment. This is handled systematically through tripartite HSE collaboration.

Tripartite meetings are regularly carried out at all levels of the organisation. The routine description for the Working Environment Committee in Posten Norge AS describes organisation, roles and authority. The Group ensures employee participation in the systematic HSE work in several ways, through:

- AMU and tripartite collaboration
- staff meetings, morning meetings and other meetings with employees for information and dialogue feedback that employees give the manager as an employer through the PLUSS review (employee interview)
- Identification and feedback we receive through the organisational survey
- the participation of the safety representative in the various HSE routines/HSE work

96 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.).

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

Specific Group-wide and business-specific goals are set for:

- Sickness absence (%)
- Disability (%) (parent company)
- Number of personal injuries with absence: H1 value
- Total injuries with and without absence. H2 value
- Reporting of near-accidents/adverse incidents

HSE developments are monitored monthly.

Sickness absence rate

Sickness absence in the Group ended at 6.0% in 2018. This is 0.2 percentage points higher than the target for the year. The increase in sickness absence in 2018 occurred in long-term sickness absence certified by a doctor, while self-reported sickness absence has been at stable, low level in recent years. It is not possible to report on occupational sickness and reporting only covers own employees.

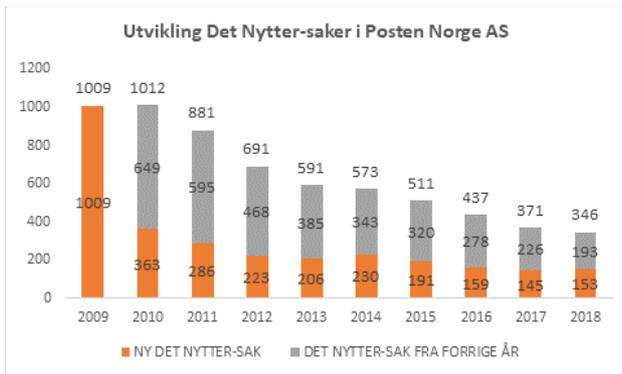
Sickness absence in the Group remains lower than sickness absence in the Norwegian labour market.

For 2018, the HSE data for Bring Citymail up to the end of February will be included in the figures. In order to obtain the most accurate basis for comparison, the HSE data for Bring Citymail is removed from the basis for the last 10 months of 2017 and 2016.

The disability percentage ended in 2018 at a low 0.9% of own full-time equivalents in Posten Norge AS.

For several years the Group has also prioritized its efforts towards employees with the highest sickness absence and the initiatives to get 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 days or more every year for the past three years. The work of "It helps" has been very effective.

There was a decrease from 371 cases in 2017 to 346 cases in 2018. From 2009 to 2018, the number of cases was reduced by 66%.



(Note that these numbers only apply to the parent company and not the Group).

Injuries and accidents

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.

In 2018, 33,575 near-accidents and adverse events were recorded. Injuries and accidents in the Group totalled 223 personal injuries (H2) in 2018. The H2 value for 2018 ended at 9. This is 3 higher than the goal for the year. The H1 value for 2018 ended at 4.9. This is 0.9 higher than in 2017.

2018	Women	Men
Sick leave percentage	8.4%	5.8%
H1	5	4
H2	10	8
Fatalities		1

	H1 value	H2 value	Fatal accidents	Sickness - percentage
The Group	4.9	9.0	1	6.0%
Posten Norge AS	4.7	8.2	1	6.7%
Mail Division	3.8	7.7	1	6.8%

E-Commerce and Logistics Division	6.3	10.6	6.6%
International Logistics Division	6.8	9.7	4.3%
Express Division	4.1	13.6	4.3%

A separate Group-wide safety standard has been implemented and is used both for audits and self-evaluations. The employees in the Group's operational departments must have a safety interview with their manager each year, with risk factors and attitude to safety rules as the topic. The compliance level was 86% in 2018.

The number of investigations into serious incidents decreased in 2018 as a result of changing criteria for which events are to be investigated. 20 investigations were conducted. The criteria will be changed back in 2019 in order to increase the number of investigations

Indicator 406-1 Number of incidents of discrimination and measures initiated in connection with these

Posten has a Group policy against discrimination that is part of Posten's ethical guidelines - whereby no manner of harassment or discrimination as on grounds of race, religion, nationality, sexual orientation, gender or anything else will be tolerated. This is in line with the new Discrimination Act in 2018.

There were no cases concluding that discrimination had taken place for the Group's notification scheme during 2018.

Attractive and evolving workplace

GRI indicators: 401-1, 401-2, 404-1, 404-2, 404-3, 202-1

Explanation and demarcation of topic

Our employees are the Group's most important resource. A health-promoting work environment, the right composition of employees and managers and, not least, good managers are essential for meeting the financial demands of the owner.

Creating attractive workplaces for both existing and new employees is extremely important to the Group. Engaged and competent employees are one of the four main objectives of the Group and are required to create an attractive workplace.

Employees finding that the workplace is attractive is relevant throughout the Group and in all job categories.

How the Group works

All employees and managers at Posten contribute every day to creating attractive workplaces. An attractive workplace is created by employees when meeting with customers both directly and digitally, and through the media's coverage of our business. The Group regularly implements measures to upgrade its

employees' competence and ability to change. We conduct annual performance and career development reviews.

An attractive workplace invites the more committed and talented individual, and if we are to succeed in achieving our goals and strategies, we are dependent on our employees. We are committed to developing our existing employees and attracting the skills we need today and in the future.

One of the Group's four main goals is for engaged and competent employees.

Corporate Staff HR/HSE have the main responsibility for following up this goal in cooperation with managers and HR employees throughout the organisation. The results of the organisational survey and PLUSS reviews are used to map and follow up this work. Good dialogue with employee representatives is also an important contribution to this work.

The Group works continuously to create engaged and competent employees. This is primarily undertaken through dialogue between the employees and their manager in the daily work. In addition, the Group has various courses and programs for employees, such as the E-learning programme, basic training in the working environment, management training and retraining in connection with restructuring. The Group also offers apprenticeships and trainee programmes.

Evaluation of the work

Posten uses the organizational survey to determine whether the workplace is perceived as attractive. The organisational survey contains four questions about workplace attractiveness and four about competence. The survey also maps the extent of completed PLUSS reviews.

The organisational survey helps to map well-being and workplace attractiveness. In 2018, nearly 9 out of 10 answered that they like their job and would like to continue working at the company, while 8 of 10 are proud to work for us.

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 inter-Group mobility.

In 2018, the Group recruited 1,530 new employees (permanent and temporary staff), 87 per cent of whom were employed in full-time positions. 79 per cent of the new hires were men.

New employees in Norway	Women	Men
Under 30 years old	16	63
30 to 50 years	76	210
Over 50 years old	63	215
TOTAL	155	488

New employees outside Norway	Women	Men
Under 30 years old	74	268
30 to 50 years old	81	385
Over 50 years old	9	70
TOTAL	164	723

Resignation and turnover in Norway	Women	Women - turnover	Men	Men - turnover
Under 30 years old	60	14%	133	12%
30 to 50 years old	126	9%	282	9%
Over 50 years old	228	9%	352	9%
TOTAL	414	10%	767	9%

Resignation and turnover in Norway outside Norway	Women	Women - turnover	Men	Men - turnover
Under 30 years old	27	22%	87	22%
30 to 50 years old	58	18%	251	20%
Over 50 years old	26	23%	95	19%
TOTAL	111	20%	433	20%

Indicator 401-2: Benefits for full-time employees that are not offered to temporary or part-time employees, by site of significant operation

99.8 per cent of employees in the Group work for a company in which the same benefits are offered to temporary employees and permanent employees. An exception 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 as well as staff paid by the hour who are not covered by group life insurance. This area is regulated by settlements and agreements or agreed by the individual company.

Indicator 404-1: Average number of training hours per year per employee

In 2018, an average of 15.26 hours of training was given to employees in the Nordics.

Program	Employee group	Total Hours	Average hours per year
E-Learning	All	2,411	0.18
Working environment	Employees	1,350	0.10
Apprentices	Employees	198,900	14.81
Aspiring Managers	Employees	1,152	0.09

Trainee programme	Employees	7,800	0.58
Senior Management Programme	Managers	2,040	2.29
Middle Management Programme	Managers	1,008	1.13
First Line Manager Programme	Managers	3,888	4.36
TOTAL	All	218,549	15.26

Indicator 404-2: Programme to upgrade employee competence and increase ability to change

A greater number of competent employees increases the organisation's human capital and contributes to making 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, both in the Group and outside.

In addition to the upgrading of skills that takes place on the job, courses and programmes are offered such as:

E-Learning: The Group has its own learning portal, the Posten and Bring Academy. E-Learning courses are less extensive courses lasting a maximum of 1 hour within a number of areas. These can be taken both individually and in combination with meetings.

Basic training in the working environment: The Group also has its own concept for statutory foundation training on the working environment. The training is intended to provide the participants with an understanding of our HSE work in Posten and Bring and improve cooperation between the various stakeholders in HSE work. The training is intended for managers, employee representatives, safety representatives and HR/HSE employees.

Recruitment and training:

Apprentices: 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 relevant vocational education in transport and logistics.

Aspiring Managers: The Group wants to recruit more first-line managers from among its own employees. The programme aims to develop qualified management candidates who can be employed as first-line managers when needed in production or distribution

Trainee programme: The trainee program aims to develop qualified managers with critical competence.

Management Training: The Group continues to work systematically on developing management teams and individual managers as needed. The Group has specially adapted management programmes for different levels. Top manager, middle manager and first-line manager programmes.

Restructuring: For employees in realignment programmes, the Group can offer re-training based on an individual needs-assessment. The Group also offers educational scholarships. The scholarship scheme should help to motivate employees to strengthen their formal competence.

The Group works to identify leadership talent in order to ensure a good supply of managerial candidates. This is achieved through PLUSS reviews, manager reviews, the Group's common CV database and other means.

Overview of programmes and scope

Program	Course Hours	Number of participants	Total Hours
E-Learning	1	2,411	2,411
Working environment	18	75	1,350
Apprentices	1,950	102	198,900
Aspiring Managers, 12 days of 8 hours	96	12	1,152
Trainee programme	1,950	4	7,800
Senior Management Programme, 5 days of 8 hours	40	51	2,040
Middle Manager Programme, 9 days of 8 hours	72	14	1,008
First-line manager programme, 9 days of 8 hours	72	54	3,888
TOTAL	4,199	2,723	218,549

In addition, there are 47 educational scholarships of unspecified scope.

Indicator 404-3: Benefits for full-time employees that are not offered to temporary or part-time employees, by site of significant operation

The Group uses a digital application for conducting PLUSS reviews. In addition, ambition and willingness to be mobile organisationally and geographically are mapped.

Based on self-reporting in the annual organisational survey, 88% state that they have completed PLUSS. 80% of employees responded to the organisational survey. This is a high response rate and it is therefore reasonable to assume that 88% of the employees have completed a PLUSS review during 2018.

Indicator 202-1: Conditions for standard starting salary by gender compared with local minimum wage rates at sites of significant operation

In this context, significant operations are defined as Posten Norge AS. Employees of Posten Norge AS constitute 73% of the Group's employees, and 74% of permanent employees.

Nordic countries do not operate national minimum wage systems. Wage levels and starting wages are governed by the relationship between employee representatives and the employer. 95.3 per cent of the Group's permanent and temporary employees are employed in a Nordic country. 94% of the Group's permanent employees work in a company that is covered by one or more collective wage agreements.

The lowest salary level in operational positions and corporate staff/management is determined in the job structure which is renegotiated in annual negotiations with the unions, (see table below).

Starting salary and average salary in Posten Norge AS, 2018

Standard starting salary (NOK/year in 100% position)	Women	Men
Salary at the lowest level in operations	376,500	376,500
Salary at the lowest level in corporate staff and management	435.400	435.400

Equal opportunities

GRI indicator: 405-2

Explanation and demarcation of topic

Employees are the Group's most important resource. To get the best employees, the Group must recruit from the entire population of qualified women and men. This applies to both internal and external recruitment.

Equal opportunities are relevant throughout the Group and in all job categories.

How the Group works

The Group continuously considers various measures to improve the equality of women and men in the Group, both equal pay and the number of women. We evaluate the effect of existing measures and implement adaptations and changes based on best practice. Corporate Staff HR/HSE is responsible for identifying possible measures and implementing and measuring effects.

The aim is to increase the number of women in all positions so that there is a more even balance between women and men. To succeed, it is essential to have concrete measures in which we both challenge existing practices and follow up the results of the measures. Posten has Group-wide guidelines for recruitment which strives to be neutral with regards to gender, age and ethnicity. The ambition is to achieve a gender balance among managers that reflects the total distribution in the Group.

Corporate Staff HR/HSE is responsible for the Group-wide management programme and the implementation of the Management Review and follows up the intention of measures.

Specific measures

1. Recruitment

We strive for neutral recruitment processes that are not coloured by gender and we want a qualified candidate of each gender at the final interview stage.

2. Management development

We emphasize gender balance when nominating for the management programme.

3. Management teams

In the Management Review we encourage the number of women involved in succession planning, where both genders should be represented. We measure, report and discuss the gender balance in the management groups each year, which shall reflect the distribution in the rest of the Group.

4. Increased visibility of female managers

We initiate various activities to make female managers visible in internal newspapers and on the intranet.

Evaluation of the work

We measure the composition of women and men per country and function each year. We measure the composition of new employees in and outside Norway each year, broken down by age and gender. The same applies to salaries.

The annual evaluation is used to assess the effect of the measures. In 2018, the proportion of women in the Group was 1.5 percentage points lower than in 2017.

We have increased discussion of the measures and set stricter requirements for results.

Indicator 405-2 Relationship between base salary and remuneration of women in relation to men by category of employee, at sites of significant operation

In this context, significant operations are defined as Posten Norge AS.

Salary	Women	Men
Senior Executives	99.1%	100%
Managers	100.4%	100%
Employees	100.0%	100%

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, 0.4 per cent more than men (see table above).

Posten Norge has no remuneration or arrangement that differentiates on gender.

Posten Norway's wage policy shall:

- Be a tool in the competition for labour and contribute to the company being able to recruit, develop and retain competent employees and managers.
- Stimulate efforts and results and help the company reach its goals.
- Help reinforce the business culture.

Wage policy shall support Posten's competitive situation:

- Posten's wage level must be adapted to the company's financial situation and wage capacity. Within these limits, the wage level shall reflect market wages.
- Posten shall not be a wage leader but will compete on wages with the market in general regarding competence that it is important for the company to acquire or retain employees.
- Geographical differentiation of wages may be used as an instrument.
- The wage level is important for being an attractive employer, but wages are just one of several elements that determine Posten's attractiveness.
- Wage relations internally within the company shall be such that they lay the foundation for resource management and flexibility/rotation which contributes to strengthening Posten's competitiveness.

Integration

GRI indicator: 405-1

Explanation and demarcation of topic

Posten has a large workforce requirement with just over 15,000 employees of 70 different nationalities. Posten has several measures and a general focus on ensuring integration and equal opportunities for employees with minority backgrounds. The Group wishes to improve the integration of employees with an immigrant background as the Group's employees shall reflect the diversity of the population in terms of gender, age, experience and ethnic background, to increase well-being, innovation and achievement.

Integration is relevant throughout the Group and in all job categories.

How the Group works

The Group continuously considers various measures to improve integration. We evaluate the effect of existing measures and implement adaptations and changes based on best practice. Corporate Staff HR/HSE is responsible for identifying possible measures and implementing and measuring effects.

The purpose of the measures is to ensure good access to qualified employees by assessing all applicants regardless of gender, age or ethnicity. We have Group-wide guidelines for recruitment which strives to be neutral with regards to gender, age and ethnicity. In 2020, Posten's goal is to have a 17% share of employees with minority backgrounds in the Group.

Corporate Staff HR/HSE has the overall responsibility with support from managers and HR staff in the various divisions and staffs.

Specific measures

1. Recruitment

We strive for neutral recruitment processes that are not influenced by ethnic backgrounds.

2. Special measures for employees with an immigrant background

"You make the difference" is an internal trainee programme targeting operational employees that have higher education they are not applying in their current position. Participants must have a family background from outside of the Nordic region.

3. Own mentor program for unemployed immigrant women

The Group wants to take corporate social responsibility beyond its own company and assist unemployed female immigrants. The women each get their own mentor: The purpose is to give the women increased knowledge about Norwegian working life, build a network and get help and support in the job search process.

Evaluation of the work

We measure the effect of measures 1, 2 and 3

1. % share of employees with immigrant backgrounds per job family to assess whether measures 1 and 2 have the desired effect
2. % share that have a relevant job after having completed the course
3. % share of immigrant women who get a job after completing the courses

We have no measures to reach the total share of 17% but know that the measure for the share in management and staff works.

Indicator 405-1: Diversity in management bodies and among employees

Age distribution	< 30 years old	30-50 years old	>50 years old
The Group's Board of Directors	0%	10%	90%
Managers	3%	53%	44%
Employees	14%	40%	46%

The table includes all employees in Norway

Gender distribution	Women	Men
The Group's Board of Directors	40%	60%

Managers	28%	72%
Employees	32%	68%

The table includes all employees

Ethnic background	Minority	Non-minority
The Group's Board of Directors	0%	100%
Staffs/management/admin	8%	92%
Employees in operations	19%	81%

The table only includes permanent employees in Norway

Working conditions in the supply chain

GRI indicators: 414-1, 414-2

Explanation and demarcation of topic

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 can influence industry standards and conditions in a positive manner by working on corporate social responsibility in the supply chain.

Several types of stakeholders are concerned about the Group's supplier Management:

- 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.

This is relevant in the supply chain and activities within the core business have priority.

In 2018, the Group's companies purchased goods and services from more than 15,000 different suppliers in the industry categories of freight transport, vehicles, production, construction and services. Of these, approximately 800 suppliers had a turnover of over MNOK 2 and approximately 4,000 suppliers had a turnover of over NOK 100,000.

The Group is exposed to the highest risk of breach of the Code of Conduct for suppliers (the Group's minimum requirements that apply to all suppliers to the Group) in road transport. Within international

freight transport on the road, risks are associated with breaches of drivers' labour rights and traffic safety. Within courier, express and home delivery transport, there is the highest risk within the field of work-related crime, linked to violations of pay and working conditions, social security, tax and duty crimes or organised crime that minimises the production costs for goods and thus distorts competition.

As suppliers and subcontractors represent Posten and Bring to a substantial degree and perform work for the Group, the suppliers affect the company's ability to deliver customer promises and other strategic goals.

How the Group works

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 followed up 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 purchasing 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.

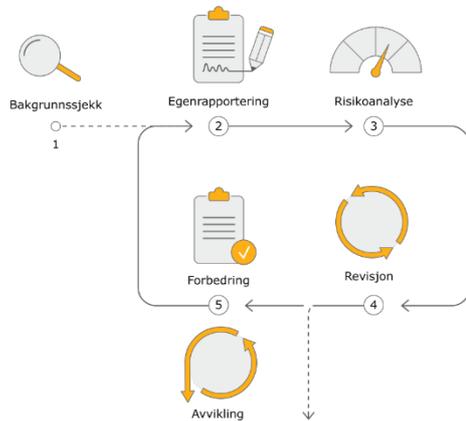
One goal is for the Group's ethical standards for suppliers to be met through preventive work, risk assessments and checks of its suppliers.

All suppliers to the Posten Group or Group companies shall:

- Accept and sign the Code of Conduct for Suppliers
- Sign a contract pursuant to the Group's purchasing policy

Significant suppliers to the Posten Group or Group companies shall:

The following process applies to significant suppliers, as well as suppliers within risk-prone industries. The process is divided into five phases: background check, self-reporting, risk analysis, auditing and improvement.



Vendor management process - An important aim of the process is to create continuous improvement as well as to reduce risk in the supply chain

1. Background check

Prior to entering into a contract with a new *Road transport* supplier, a background check should be carried out. This should follow the routine description "Background check of transporters". For other supplier agreements, the Group's purchasing policy applies.

2. Self-reporting

The supplier must be registered in a Group-wide IT system and carry out self-reporting. The answers must be complete, and any ambiguities should be followed up. The information shall be updated every two years by the supplier. Self-reporting is industry-specific and covers:

- company information
- business management (routines, policies, certifications, etc.)
- labour rights
- HSE
- external environment

As part of its self-reporting, it is compulsory that the supplier accepts the "Code of Conduct for Suppliers" and the "Environmental Declaration for Carriers"

3. Risk analysis

Group staff HSE and Corporate Social Responsibility carry out a risk analysis of suppliers. A supplier is categorised as high risk if it:

- achieves a low score from self-reporting
- has operations in countries or markets with a high associated risk of violation of the Group's code of conduct
- has a bad reputation and/or there is a concrete suspicion of a breach of the Group's code of conduct
- has significant sales to the Group
- has a weak financial position

If there is suspicion of a serious violation of the law or the Group's code of conduct by a supplier, the supplier must be prioritized for auditing. If the situation applies to a transport supplier, the carrier must not be used until the facts of the case have been clarified. This is pursuant to "Instructions for a serious violation by a carrier".

4. Audit

Based on the points above, a list of priority suppliers to be audited will be prepared. The list is decided by the *Council for Social Responsibility in the supply chain*. The council comprises the Director for HR/HSE, the Legal Director, the Director of Purchasing and the Director of CSR.

The audit is based on the self-reporting provided by the supplier. In addition, the review shall focus on specific identified risk points. These apply to:

- Conditions that may be contrary to the code of conduct for suppliers
- Negative publicity in the media related to the company, senior employees and/or shareholders
- Other areas that may entail a risk for the Group

The audit will reveal the supplier's 1) ability to comply with the ethical requirements, and 2) whether there are particular risk factors that the Group should be aware of. The supplier must, prior to the audit, receive a list of questions/requirements to prepare for the meeting (see "The Supplier's preparations for auditing of ethical standards"). This list must be adapted to the specific project and any specific risk points identified. The audit can be carried out at a physical meeting or by telephone/internet and must follow the instructions described in "Vendor audit template". The audit shall be carried out by Corporate Staff HSE and Corporate Social Responsibility, or an independent third party, or an employee of the Group appointed by Corporate Staff HSE and Corporate Social Responsibility.

In addition to auditing a selection of suppliers, random checks shall be carried out within business areas with a particular risk of breach of the Group's standards. Unannounced control operations shall be carried out in accordance with "Routine description for unannounced control operations".

5. Improvement

Auditing and control activities shall be summarised in a report that contains deviations and observations revealed in relation to the Group's requirements and standards. In principle, if a deviation from the Group's requirements for a control process are revealed, an audit should be carried out to verify the deviation. If any deviation from the Group's requirements are revealed in an audit, an assessment shall be made of whether the cooperation with the supplier shall be discontinued, or whether an improvement plan shall be prepared for when the recommended measures must be rectified. The report with recommendations for improvement measures and a deadline for feedback is handed over to the by division coordinator of the relevant division. It is the local management in Posten and Bring that is responsible for ensuring that the measures are followed up by the supplier. The division coordinator shall provide feedback to the Corporate Staff HSE and Corporate Social Responsibility within the deadline for recommended measures.

If the supplier does not show willingness or ability to improve the agreement the Group has with the supplier shall be discontinued. Deviations from the Corporate Staff HR/HSE recommendations to terminate are reported to Group management. Terminated carriers shall be blocked for use in the TMS (Transport Management System) pursuant to the "Routine for blocking suppliers in TMS".

If the supplier is engaged as a supplier again later, an audit shall be conducted to investigate whether the supplier is in compliance with the Group's ethical requirements before the supplier can be utilised.

Other improvement measures

For vendors that are not defined as high risk, local CR coordinators can review the vendor's self-reporting in a meeting with the vendor, focusing on identifying improvement opportunities.

Evaluation of the work

In 2018, an internal control project was carried out in the Express Division related to the risk of work-related crime and the division's handling of this, with subsequent improvement measures being continued in 2019. A similar internal control project was carried out in the International Logistics Division in 2017, with subsequent improvement measures in 2018.

A number of recommended improvement measures were given in the external reports that were approved and implemented. Among other things, there is an increased focus on carrying out a background check of suppliers before entering into contracts, as well as improved risk analysis of the supplier universe.

Indicator 414-1: New suppliers that were assessed on social criteria

A new process for Corporate Social Responsibility has been established in the supply chain, with increased focus on background checks of road transporters before entering into contracts, as well as the follow-up of documented deviations. An important purpose of the process is to create continuous improvement and to reduce risk in the supply chain. The process is divided into the main areas of a background check, the

supplier's self-reporting, risk analysis, auditing and control, improvement and if applicable the discontinuation of the supplier relationship.

The process is being implemented and this topic has been reviewed in several management groups in different business areas. This work continues in 2019. The process is Group-wide but can be adapted to the needs of different business areas.

Indicator 414-2 Negative social impact in the supply chain and measures implemented

In 2018, the Group's companies purchased goods and services from more than 15,000 different suppliers in the industry categories of freight transport, vehicles, production, construction and services. Of these, approximately 800 suppliers had a turnover of over MNOK 2 and approximately 4,000 suppliers had a turnover of over NOK 100,000.

The Group is exposed to the highest risk of breach of the Code of Conduct for suppliers (the Group's minimum requirements that apply to all suppliers to the Group) in road transport. Within international freight transport on the road, particular risks are associated with breaches of drivers' labour rights and traffic safety. Within courier, express and home delivery transport, there is the highest risk within the field of work-related crime, linked to violations of pay and working conditions, social security, tax and duty crimes or organised crime that minimises the production costs for goods and thus distorts competition.

The Group's risk analysis of the supplier universe has been further developed and is based on the supplier's self-reporting, turnover/materiality, negative media coverage, credit rating, tax issues, industry and country risk (corruption risk, sanction risk, and risk related to money laundering and financing of terrorist). The suppliers are ranked for risk and suppliers with a high risk are followed up with an audit or other risk-reducing measures.

Internal control: risk management of work-related crime

In 2018, the internal control committee of the Board of Posten Norge AS commissioned an examination of the risk of work-related crime among subcontractors in the Express Division and the division's handling of this. The reason for the order was a risk analysis that pointed to the following challenges in the transport industries of courier, express and home delivery in large cities in the Nordic countries:

- Industries using small vans (less than the 3.5 permitted total weight) are only subject to minimal regulation.
- Recruitment challenges for drivers and transporters, which can adversely affect the seriousness of the industry.
- High proportion of people of foreign origin, also from conflict areas outside Europe, who in some cases are exploited by unserious employers.
- Varying competence on regulatory requirements in the supplier market
- Focus from customers, authorities and the media, which places high demands on the Group's activities.

- Deviations from the Group's minimum requirements and statutory requirements uncovered in controls and audits in the Group's supply chain.

The externally conducted survey showed a high level of awareness of work-related crime in the supply chain at all levels of the Group, but that system and work routines need further improvement. Follow-up of the recommended measures has been initiated, which will be implemented in the first half of 2019.

The Group has initiated meetings and dialogue with the Norwegian Labour Inspection Authority, the Norwegian Public Roads Administration and the Norwegian Tax Administration with the purpose of carrying out quality assurance on the risk-reducing measures that are implemented. An exchange of experiences has also been held with the Labour related crime centre in Oslo (which is a collaborative project between various government agencies to combat work-related crime). Of other relevant activities, representatives from the Group provided input to the Police Directorate's investigation of work-related crime and held a presentation on corporate responsibility in the supply chain of the tripartite conference "Transport and safety - take control of the task" at the Skatt Øst offices.

Auditing and control

152 self-assessment have been registered in the Group's risk management system and there is now a total of 1,633 registered responses in the system. Suppliers with Group-wide agreements and significant transport suppliers throughout the Group are registered in this system.

Corporate Staff HR/HSE carried out 22 unannounced control operations where 106 different subcontractors were checked without prior notice. In these checks, a total of 162 vehicles and 248 persons (162 drivers, 86 driver's mates/load assistants) were interviewed on working conditions, working hours, HSE and wages. In addition, ID and driver's licenses were controlled using a mobile ID scanner. In addition to these controls, the Group's subsidiaries carry out several controls and, on their own, which are not counted/totaled.

Potential violations of the Group's ethical standards for suppliers, the Working Environment Act and the Group's environmental requirements were documented in the controls. The observations were followed up by further investigations to verify the conditions and/or audits were carried out by suppliers with potential deviations.

Based on the Group's risk analysis of the supplier universe, a list of risk suppliers is drawn up. The suppliers on the list are followed up with audits or spot checks. The topic of the audits is compliance with the Group's minimum ethical and environmental requirements. A total of 20 audits and 2 spot checks were carried out. Improvement plans were initiated after 18 of the 22 audits (this applied to 82% of the risk providers). Because of controls or audits, 4 supplier relationships were discontinued (this applied to 18% of the risk suppliers). In these cases, the risk of further breaches of the Group's minimum requirements

was considered to be so high that the supplier was banned from supplying any of the Group's companies. As of 31 December 2018, 2 of the 4 discontinued suppliers were no longer active suppliers to Bring, while the other two were in the process of being discontinued. A Swedish supplier's agreement with Bring was terminated based on an ongoing police investigation of the owner and the managing director of the business.

Information security

GRI indicator: 418-1

Explanation and demarcation of topic

Posten relies on good information security to protect our information values and business services, especially with a view to:

- Protect personal data from our customers and employees, as well as fulfil our obligations under the Personal Data Act
- Ensure that information is accurate and available when needed, and that commercially sensitive information does not become known to our competitors
- Be able to adopt innovative solutions that enable us to work more efficiently and cost-effectively
- Establish a security culture to create trust as a serious player and partner in the way we communicate and use internet services, including social media.

Satisfactory information security is a key factor in the entire Posten value chain and impacts all business processes where information is processed.

Large amounts of personal data are included in the processes for mail and package distribution. This makes it especially important to maintain high standards of information security in the support systems of these processes. Similarly, mobile electronic information processing increases the requirements for accessibility to the information from different locations. This makes the Group more vulnerable to the risk of a breach of information security. At the same time, we see that new technology gives us new mechanisms for increased security.

The use of external suppliers, cloud services and mobile services results in longer and more complex value chains. Processes, people and IT systems are becoming more interwoven. This in turn results in several attack surfaces where information can be exchanged and spread.

Posten is still responsible for the information we manage in our role as data controller. We are responsible for maintaining satisfactory information security throughout the entire value chain. This is embodied in data processing agreements we have entered with those of our suppliers who process personal information on behalf of the Group. The data processing agreements describe the parties' rights and obligations to

ensure that personal data is not used improperly or obtained by unauthorised parties. Similarly, it is the responsibility of the supplier to follow the instructions that Posten has laid down in the agreements as data controller, including providing organisational and technical security measures to maintain satisfactory information security and to notify and handle security breaches.

How the Group works

Posten has implemented a managerial information security management system (ISMS) based on the Information Security Forum (ISF) Standard of Good Practice. This framework covers all controls from ISO/IEC 27002 and COBIT 5.

The information security department has established a good dialogue with Group Management on the safety work. We report status every quarter, as well as on an ongoing basis for serious incidents. Half-yearly reports are completed about the most important risks the Group is facing and security measures to counter these.

Posten is dependent on everyone who processes information in or on behalf of the Group doing this with a sufficient level of security. Information security is no better than the weakest link. We therefore require information security for all procurement and this is included in agreements. During the contract period, we follow up the security work of our suppliers in the form of risk analyses, vulnerability tests and safety reviews. For our employees, we regularly conduct e-learning courses on information security and online fraud.

The threat picture that Posten faces above is constantly changing. We therefore participate in various forums to keep us updated on the situation.

The purpose of information security is to support and secure the operation of the business, the public's trust and reputation in the public space by preventing and limiting the consequences of adverse security incidents. Guidelines are defined and anchored in the Group policy for information security.

Posten is obliged to fulfil all relevant legal requirements for information security. Data protection legislation is particularly relevant as Posten processes large amounts of personal data.

The aim is to establish and maintain a security level that safeguards information, products and services and takes reasonable consideration of cost, risk and operational matters.

The control measures should be of such a nature as to safeguard the company's business activity against interruptions and reduce the damage from of adverse events. Information must be secured against unauthorised changes, destruction, public disclosure and loss. Selective logging and documentation shall make it probable that irregularities are detected. Responsibility, control and routines are crucial to safeguarding our values and safeguarding the efforts and investments made by Posten.

A separate security organisation has been defined in Posten where the CEO has overall responsibility. The operational responsibility lies with the Information Security Manager in the information security department.

Posten's information security department consists of six people, two of whom work on access management. In addition, the department for IT infrastructure contributes 1 resource and our main suppliers EVRY, TCS, Capgemini and DXC each contribute 1-3 dedicated resources to the work. In total, about 14 full-time resources are involved in information security work in the Group.

Reporting channels have been established for serious security incidents. These apply to employees, suppliers and customers, and their follow-up is supported by procedures for handling security deviations.

Posten has carried out a separate project to comply with new personal data legislation that became applicable from 2018. As part of the project, risk analyses have been carried out for all the main processes in the Group that process personal data. Measures have been identified for compliance with GDPR. Routines and procedures for handling security breaches and access requests have been updated in accordance with the GDPR requirements. All employees are invited to conduct e-learning courses on GDPR and online fraud.

The information security department has devoted considerable resources to establishing solutions to targeted and advanced cyber-attacks. This work will continue in the future.

Evaluation of the work

In 2018, Posten's management system for information security has been subject to internal and external auditing. All employees have received e-learning courses on information security and online fraud in particular. As part of this, everyone has been asked to provide feedback on how the security work functions for the individual.

A routine and process for safety deviations has been established, and this is reviewed in monthly IT Risk and Security Compliance Committee (ITRSCC) meetings with the main suppliers. The meeting is led by the Information Security Manager.

Benchmarking of the information security work is carried out according to the Information Security Forum (ISF) model. Proposed changes to the Group's governing security documentation are handled in accordance with the established administrative regime for this. The result of benchmarking activities is made visible in the form of scores within relevant areas for safety work. This makes it possible to focus on areas in which we are weak.

We find the above approach to be effective, both in maintaining a high level of information security and by contributing to continuous improvement.

In 2018, the biggest changes have come as a consequence of external factors. In particular, this applies to new privacy laws and a changed threat scenario associated with more advanced cyber-attacks and Advanced Persistent Threats (APT).

We have established new routines for processing personal data and are working on more advanced tools and log consolidation to detect and handle APT attacks.

Indicator 418-1: Justified complaints concerning violation of customer privacy and loss of customer data

For 2018 we can report the following:

- a. *Total number of justified complaints received regarding customer privacy violations divided onto:*
 - i. *complaints received from customers or third parties and confirmed by us: 7*
 - ii. *complaints from supervisory authorities: 0*
- b. *Total number of cases identified where the customer's personal information has been lost or mislaid: 8*

INDICATORS - THE ENVIRONMENT

Emissions-free and efficient transport, and logistics

GRI indicators: 305-1, 305-2, 305-3, 305-4, 308-1, 308-2

Explanation and demarcation of topic

In Paris in 2015, the world gathered to sign an agreement to limit global warming to well below 2 degrees, and preferably to 1.5 degrees. In the autumn of 2018, the UN Intergovernmental Panel on Climate Change presented a special report showing that the world's total emissions must be halved by 2030 if the Paris agreement can be met. The report shows that the world must carry out major restructuring in all sectors far faster than previously assumed. Posten has a strong interest in restructuring its own operations so that we are prepared for a sustainable future and can satisfy customers and stakeholders who make ever higher demands for sustainable transport solutions.

The Group is a major Nordic logistics player and our core business is to distribute mail and parcels to private individuals and businesses. We are present throughout the Nordic region and the Group's activities lead to significant emissions. In addition to a significant vehicle fleet, the Group also purchases transport services from external subcontractors.

How the Group works

In 2018, the Group used 48 million litres of diesel fuel, of which 13 million litres were biofuel equivalent to 33,227 tonnes CO₂e. In 2018, we achieved a 4 per cent reduction in greenhouse gas emissions equivalent to 15,850 tonnes CO₂.

Our two greatest climate challenges are minimising local pollution and reducing CO₂ emissions from heavy goods vehicles. Our most important initiatives are therefore, electrifying vehicles used in urban area and phasing out heavy goods vehicles and our own vehicles that use fossil fuels. Environmental requirements are imposed on external transport suppliers. Our climate footprint is reported and measured every year and is part of our climate accounting.

Goals for the Group and the business areas are established for each year as well as until 2025. The environmental objective is followed up in quarterly reporting, Business Review, management KPI maps and PLUS reviews. The Board of Directors and executive management team are regularly updated on the status, risk profile and ongoing initiatives. Environmental work is also defined in a separate policy and strategy supported by action plans. The climate footprint of our own vehicles and hired transport is measured annually through a reporting system and audited by an external third party.

The HSE and Social Responsibility department in the Corporate HR/HSE unit ensures a systematic, Group-wide re-use of good solutions and a unified approach. Furthermore, a Group-wide community network ensures that we share experiences and best practices across the organisation.

The Group's customers, owners and other stakeholders are setting higher demands for the mitigation of climate impact. We believe that by testing, demanding environmentally efficient solutions and working together with partners and stakeholders we can contribute to sustainable transport solutions which in turn will strengthen our competitiveness.

In 2017, we set ourselves a new and ambitious goal to be using only renewable energy sources in our vehicles and buildings by 2025. The Group has come a long way with electrification of the vehicle fleet and probably has Norway's largest, consisting of over 1,200 electric vehicles. In 2018, we expanded our focus on zero emission vehicles and were the first in Norway to use Maxus and E-Crafter. These are large vans that distribute goods to businesses in city centres. We have also ordered electric carts from Nicola and Tesla.

By grouping our zero emission solutions in the cities, we now distribute letters and small packages free of emissions in 49 cities. A frequent replacement rate results in a young vehicle fleet with modern and efficient engine technology. 95% of the vehicles in the parent company have EURO VI technology. By 2020, the Group will work towards all vehicles having EURO VI or newer technology. As a major logistics player, we work continuously to optimise our transport, increase the capacity utilisation and move more goods from road to train.

A very important prerequisite for achieving a green transition in the transport sector is a well-functioning market for renewable solutions where supply, demand and availability are satisfactory and with predictable framework conditions. Posten and Bring have therefore worked actively to improve the framework conditions so that vehicles running on electricity and biofuels become competitive compared to fossil fuel vehicles. For several years we have been a driving force in testing and piloting new environmentally efficient solutions and in creating a market for zero emission solutions. Posten has established a fund to support units that want to pilot environmentally efficient vehicles. The Group has 185 heavier vehicles running on renewable diesel, biogas and bioethanol.

A new logistics network with energy-efficient terminals brings together several units, which results in fewer kilometres driven and a reduced climate footprint. An example is our new terminal in Mölnlycke in Gothenburg, where co-location of units reduced the number of kilometres driven and thus CO2 emissions by 52 tonnes.

A large proportion of the Group's emissions comes from subcontractors. We set environmental requirements for our transport suppliers on a dedicated reporting form that is monitored through audits and controls.

As a major purchaser, the Group sets environmental requirements on all its suppliers in all purchasing stages, from pre-qualification to contract follow-up. The Group has also become a member of the Nordic Swan Purchasing Club, which means that we are actively working to increase the proportion of Swan-labelled products and services in purchases made by Posten.

In 2018, almost 6,950 litres of diesel leaked from a fuel plant at Alnabru. 4,600 litres were collected and about 1,950 litres were not accounted for. An external report states that there is no reason to believe that this volume has reached the Alna river, and that some diesel is in the tank pit and along pipe channels. The facility is closed, and the incident is still being processed by a number of parties such as the police, the fire service, the Norwegian Coastal Administration, the tank vehicle supplier, the insurance company and a third party.

Evaluation of the work

The Board of Directors and Group management team are regularly updated on the status and risk profile of environmental work and any ongoing initiatives. The work is also defined in a separate environmental policy and strategy supported by action plans in the business areas.

The Group has reduced emissions continuously over the last nine years and has fulfilled previous environmental ambitions before the scheduled time in 2014 and 2016. In 2017 we set ourselves a new, ambitious target, and have moved from a goal of a percentage reduction to one of using only renewable energy sources in all vehicles and buildings by 2025.

In 2018, we have seen that technological developments have been slower than desired for heavier vehicles. Hydrogen and electricity still have immature technology for this segment. Access to hydrated vegetable oils based on raw materials without palm oil or residues from palm oil production has also been a challenge in 2018. Increased conversion requirements and limited access to sustainable raw materials have led to increased prices. Posten and Bring have therefore largely reverted to fossil diesel in both Norway and Sweden.

The Group sees renewable diesel as an important transition until zero emission options are also available for heavy transport. We therefore want to use the highest possible level of renewable diesel and are in dialogue with various suppliers.

The Group's emissions:

Emissions [tonnes CO ₂ e]	2017	2018
Road	102,892	102,441
Buildings	300	351
Total Scope 1 Group	103,192	102,792
Electricity (location based)	10,919	8,653
Electricity (market-based)		
District heating	2,089	2,308
Total Scope 2 Group (location based)	13,009	10,961
Total Scope 2 Group (market-based)	2,089	2,308
Road	187,132	199,475
Rail	8,985	7,374
Air	51,203	30,350

Water	57,689	52,962
Business travel	4,015	3,193
Total Scope 3 Group	309,023	293,354
Total Emissions Group (market-based)	414,305	398,455

Indicator 305-1: Direct emissions of greenhouse gases

The Group reduced its direct emissions by 400 tonnes CO₂e from 2017 to 2018. The Express and International Logistics divisions recorded a total increase of 4,750 tonnes CO₂e. The regions in E-commerce and logistics have reduced emissions by 3,660 tonnes CO₂e. The main reason is that the vehicle fleet in Posten Norge AS consumes less fuel. The proportion of vehicles that are Euro-6 was 95% in 2018 while it was 91% in 2017.

Scope 1 [tonnes CO ₂ e]	2017	2018
Road	12,275	10,774
Buildings	32	43
Mail Division	12,307	10,817
Road	30,884	27,226
Buildings	38	36
E-commerce and logistics	30,922	27,262
Road	495	1,706
Buildings	93	137
Express	588	1,844
Road	59,239	62,735
Buildings	38	36
International logistics	59,276	62,771
Total Road	102,892	102,441
Total buildings	300	351
Total Scope 1 Group	103,192	102,792

Indicator 305-2: Energy – indirect emissions of greenhouse gases

Using the location-based method, the Group has reduced its indirect emissions by 16 per cent from 2017. 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 2018, as it did in 2017. Electricity having a Guarantee of Origin has been produced using renewable energy sources. The Group has purchased Guarantees of Origin from various hydropower producers.

Scope 2 [tonnes CO ₂ e]	2017	2018
Electricity	4,095	3,093
District heating	1,008	1,151

Mail Division	5,102	4,244
Electricity	2,035	1,535
District heating	444	557
E-commerce and logistics	2,479	2,092
Electricity	46	46
District heating	2,283	2,283
Express	2,329	2,329
Electricity	4,174	3,476
District heating	130	129
International logistics	4,305	3,605
Electricity (location based)	10,919	8,653
Electricity (market-based)		
District heating	2,089	2,308
Total Scope 2 Group (location based)	13,009	10,961
Total Scope 2 Group (market-based)	2,089	2,308

Indicator 305-3: Other indirect greenhouse gas emissions

Emissions from the Group's subcontractors have reduced by 5 per cent (15,669 tonnes CO₂e). Emissions from air transport have fallen drastically from 2017 by 41% (20,853 tonnes CO₂e). This is because A post and B post have been merged into a new product which provides a far reduced need for transport by air. Emissions from vehicles have increased by 7% (12,343 tonnes CO₂e), which is due to increased volumes transported and better data quality of reported transport from our subcontractors.

Scope 3 [tonnes CO ₂ e]	2017	2018
Road	899	486
Rail		
Air		
Water		
Business travel	1,417	42
Mail Division	2,316	528
Road	26,657	29,388
Rail	5,674	3,820
Air	28,242	12,917
Water	4,929	4,740
Business travel	966	
E-commerce and logistics	66,467	50,866
Road	19,553	18,630
Rail		
Air	411	274
Water		
Business travel	798	345
Express	20,762	19,249

Road	140,024	150,971
Rail	3,311	3,554
Air	22,550	17,159
Water	52,760	48,222
Business travel	561	523
International logistics	219,206	220,429
Total Road	187,132	199,475
Total Rail	8,985	7,374
Total Air	51,203	30,350
Total Water	57,689	52,962
Total Business Travel	4,015	3,193
Total Scope 3 Group	309,023	293,354

Indicator 305-4: Greenhouse gas emissions intensity

Relative targets	2017	2018
CO2 emissions (grammes) per NOK earned	16.8	16.7

Indicator 308-1: New suppliers that were assessed on environmental criteria

See 308-2.

Indicator 308-2: Negative environmental impact in the supply chain and measures implemented

A total of 119 road transport suppliers submitted self-reporting relating to compliance with the Group's environmental requirements. 40 road carriers (34%) reported a deviation from the Group's minimum requirements relating to EU emissions standards (minimum Euro 5). 40 road carriers (34%) reported deviations from the Group's age requirements for light vehicles (maximum age of 5 years for vehicles under 3.5 tonnes). The deviations are sent to the respective divisions for follow-up.

The most substantial negative environmental impact identified among the Group's transport suppliers originates from road transport. Road transport amounted to 68% of total emissions at transport supplier level in 2018, air transport amounted to 10%, ferry transport amounted to 18% and train transport amounted to 3%. 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 based on environmental impact.

Local air pollution (particulate matter, NOx, SOx)

GRI indicator: 305-7

Explanation and demarcation of topic

Local pollution is a national and local environmental problem. National limit values have been set to restrict local emissions, reduce damage to health and increase the quality of life of urban residents. In general, air quality has improved over the past 20 years. Nevertheless, many cities experience that national targets are being exceeded, especially in winter. Road transport is the largest source of local air pollution through road wear, which contributes to particulate matter and exhaust emissions, which in turn increases NOx emissions. Municipalities, local communities and interest organisations are important stakeholders that follow and set requirements to reduce local environmental impact. Today, the cities of the world account for about 70% of global emissions and by 2050 70% of the world's population will live in cities. Increased e-commerce will lead to increased transport of goods in the cities, so it will be required that this transport takes place in a sustainable manner. Requirements for deliveries with zero emissions and limitations for fossil vehicles will be challenges that Posten will increasingly face in the future.

The topic is relevant throughout the Group's activities. Our business is present in most major cities and locations in the Nordic region, and the scope of our logistics activities involves considerable local pollution, noise and greenhouse gas emissions.

In addition to having our own extensive vehicle fleet, the Group also purchases transport services from external subcontractors. Emissions related to own and hired transport are measured. Environmental requirements are also imposed on our transport suppliers.

How the Group works

The Group has come a long way with electrification of the vehicle fleet and probably has Norway's largest, consisting of approximately 1,200 electric vehicles. In 2018, we expanded our focus on zero emission vehicles and were the first in Norway to use Maxus and E-Crafter. These are large vans that distribute goods to businesses in city centres. Electric carts from Nicola and Tesla have also been ordered.

By grouping our zero emission solutions in the cities, letters and small packages are distributed free of emissions in 49 cities. Frequent replacement rates provide a new and modern vehicle fleet. In total, 95% of the vehicles in the parent company have EURO VI technology. By 2020, Posten will work to replace all vehicles with modern engine technology based on EURO-VI or later.

The municipalities, the city's inhabitants and our corporate customers are concerned with reducing the climate footprint, local pollution and managing the world's resources in a more sustainable way. Moving forward, we will experience stronger demands that our services are delivered in a way that provides as low greenhouse gas emissions as possible. In the cities we see that the demand for zero emission deliveries is

increasing. Urbanisation, digitisation and autonomy are megatrends that impose demands on our business, but they also provide business opportunities. It is important for us to deliver good zero emission solutions to meet stakeholder requirements and to adapt to meet new trends.

The environmental work is defined in a separate policy and goals are prepared for the Group and the business areas. In 2017, we set ourselves a new and ambitious goal to be using only renewable energy sources in our vehicles and buildings by 2025. The Group works in accordance with 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. The Board of Directors and Group management team are regularly updated on the status and risk profile of environmental work and any ongoing initiatives.

The Group wants to electrify the vehicle fleet we use in cities, but this relies on access to electric vehicles with sufficient range and load capacity. For several years we have therefore been a driving force in testing and piloting new environmentally efficient solutions and in establishing a market for zero emission solutions.

The Group develops and implements innovative forms of distribution in cities, and we are in the process of testing out electric cargo bicycles in Norway, Sweden and Denmark. During Arendalsuka 2018, we launched the world's first autonomous and electric letter and parcel robot. This is being tested in Kongsberg during winter 2018/19. In Stockholm, Bring and RagnSells contribute to the collaborative project #Älskadestad, where the same car delivers packages into the city and takes out rubbish. This results in reduced CO2 emissions, less local pollution, fewer cars and less noise. The concept is being assessed in several other Nordic cities, with the first being Oslo in April 2019.

The HSE and Social Responsibility department in the Corporate HR/HSE unit ensures a systematic, Group-wide re-use of good solutions and a unified approach. A Group-wide community network ensures that the Group shares experiences and best practices across the organization.

Evaluation of the work

Environmental work is defined in a separate environmental policy and strategy supported by action plans in the business areas. The Board of Directors and Group management team are regularly updated on the status and risk profile of environmental work and any ongoing initiatives. The Group works in accordance with 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.

The Group has reduced its emissions continuously over the last nine years and has fulfilled previous environmental ambitions before the scheduled time in 2014 and 2016. In 2017, the Group set a new ambitious target, and has moved from targeting a percentage reduction to using only renewable energy sources in all vehicles and buildings by 2025. Posten has prepared the baseline for fossil vehicles and the division will in future be measured by the number of vehicles using renewable energy sources.

Indicator 305-7: Nitrogen oxides, sulphur oxides, and other significant emissions to air

	SO2	NOx	NM VOC	CO	PM
Buildings	0.1	0.3	0	0	0
Self-owned vehicles	1.9	192.5	202	1,208	136
Subcontractors ¹	107.9	2,632.2	263	73,512	145
Total	110	2,825	465	74,720	282

* SO2: sulphur dioxide. NOx: nitrogen oxides, NM VOC: Volatile organic compounds except methane, CO: carbon monoxide, PM: Particulate matter.

Climate-efficient building

GRI indicators: 305-1, 305-2, 305-3, 305-4

Explanation and demarcation of topic

Energy consumption in buildings provides a climate imprint based on which energy source is used and how the energy is produced. The Group is an energy-intensive business with a substantial building stock that requires energy for both heating and cooling.

The topic is relevant to all areas that the Group has at its disposal, such as warehouses, administration buildings, logistics centres and distribution points. These provide a significant environmental footprint through energy consumption.

The Group is linked to the impact through its choice of energy sources in new buildings and follow-up of energy in existing ones to reduce the climate footprint.

How the Group works

Energy is highlighted in the Group's environmental ambition, where the goal is to use only renewable energy sources in vehicles and buildings in 2025. The Group is in the process of establishing a new structure with modern and energy-efficient terminals. The choice of environmentally and energy-efficient solutions for new and existing buildings and the co-location of units results in reduced energy consumption and fewer kilometres travelled. Energy consumption and energy efficiency measures are monitored at each location and in collaboration with Corporate Staff Finance and Property.

Follow-up and reduction of energy reduces both climate impact and costs. The choice of innovative and renewable energy solutions is important to meet the increased energy needs of the Group's units.

Posten and Bring is an energy-intensive business. The energy consumption in the Group was 136 GWh in 2018, which is a reduction of 32 GWh from 2017. We purchase Guarantees of Origin for all our energy consumption in Norway, Sweden and Denmark.

The Group focuses on increasing the use of renewable energy and has established solar cells in Riskov in Denmark, Gothenburg in Sweden, Vande in Finland, Stallingborough in England and in Trondheim. The logistics centre in Trondheim also has a battery bank for transferring solar energy for the charging of electric cars and independent light poles operated by solar and wind power.

Co-location under the Logistics Centre Oslo (LSO) at Alnabru is estimated to result in approximately 10,000 fewer kilometres travelled every day, which corresponds to a CO₂ reduction of 4,200 tCO₂ per year.

In January 2018 we opened our new terminal in Mölnlycke in Gothenburg, where environmentally-efficient solutions have reduced energy consumption by 50%. Among the solutions are solar cell production and the use of excess heat from the cold store in the rest of the terminal. The terminal is certified as a "Green Building".

In 2018, a new supplier of follow-up systems was chosen with the opportunity of entering into EPC contracts for each terminal. EPC is an energy saving contract with a model for implementing efficiency measures with guaranteed results. A pilot is planned for the implementation of an EPC contract during 2019.

The HSE and social responsibility department in the Corporate HR-HSE unit ensures an effective system, Group-wide re-use of good solutions and a unified approach. A Group-wide community network ensures that the Group shares experiences and best practices across the organisation.

Evaluation of the work

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 policy and strategy supported by action plans in the business areas.

The Group has reduced emissions continuously over the last nine years and has fulfilled previous environmental ambitions ahead of time in 2014 and 2016. In 2017 we set ourselves a new, ambitious target, and moved from a goal of a percentage reduction to one of using only renewable energy sources in all buildings by 2025.

Indicator 305-1, 305-2, 305-3, 305-4: See Emissions-free and efficient transport and logistics

Waste from your activities and terminals

GRI indicator: 306-2

Explanation and demarcation of topic

The Group produces waste of various types and in different quantities at all locations we are represented. By having a high focus on the degree of separation at source and sorting by the fractions that apply to each municipality, Posten can contribute to a large proportion of the waste being recyclable.

Reducing waste and sorting waste at source is an important environmental aspect in all our locations. Waste arises in all our buildings, ranging from large terminals to smaller units such as post offices and distribution points.

The waste arises mainly by splitting incoming goods and consignments for sorting, and by assembling goods for further shipment to our customers. In addition, waste arises directly through own activity at terminals, canteens, distribution points and in our office buildings.

How the Group works

The Group uses a separate follow-up system for waste and energy. The system collects figures from our waste suppliers which record all waste produced by our units. For a long time Posten has been focusing on increasing sorting at source of the Group's waste. In 2018, more than 84% of all waste was sorted at source.

The purpose of reducing waste and striving for as high a degree of source separation as possible is to preserve the resources in the waste so that they can be recycled and ensure that hazardous waste is handled in a responsible manner.

Follow-up takes place locally at each individual unit. No specific figures have been set for the degree of sorting at source, but in recent years there has been a positive trend. The Group uses an energy monitoring system for energy and waste. The system collects figures from our waste suppliers and records all waste generated by our units. For a long time Posten and Bring have been focusing on increasing the sorting of the Group's waste, and in 2018 more than 84% of the waste was sorted at source.

In addition, we have 43 units that have received Eco-Lighthouse certification. As part of the Eco-Lighthouse certification, each unit shall prepare its own waste plan and facilitate the sorting of waste at sources in office landscapes and production premises. In addition, each unit must prepare an annual environmental report that also includes waste. Every year, all units must enter data into their own follow-up system. This is part of the climate accounts that are followed up each year. Posten Norge AS is also a member of Grønt Punkt, which contributes to a more resource-efficient and sustainable society, and the Nordic Swan Purchasing Club for more sustainable purchases.

Evaluation of the work

The Group sorts according to the fractions that apply to each municipality. The most important fractions are wood, paper, cardboard, food waste, EE waste, plastic, packaging plastic, glass and metal. The figures are reported by our waste suppliers and entered into our system for follow-up for waste and energy and are part of the climate accounts that are followed up annually.

The Group has a stable, high degree of waste separation at source. No specific objective has been set for the degree of waste separation at source.

In 2018, an analysis was made of where plastics occur in the Group and what we can do to reduce plastic consumption in 2019.

Indicator 306-2: Sewage and waste

Norsk Gjenvinning and Retura (Trondheim and north) handle waste for Posten Norge AS. Norsk Gjenvinning states on its website: "In 2016 we had a total recycling rate of 85 per cent; 41 per cent of the raw material flow went to material recycling, 44 per cent to energy recovery and 13 per cent to landfill." Posten recycles 84% of its 10,0111 tonnes of waste and 50% of the waste is packaging and wood.

[Tonnes of waste]	Reuse/recycling	Energy recovery	Packaging (paper, cardboard and wood)
Hazardous waste	104		
Non-hazardous waste	3,200	177	4,975

Pollution to the sea**Explanation and demarcation of topic**

Every year, 350 million tonnes of plastic are produced around the world. Eight million tonnes end up in the sea, which means that the sea is fed approximately 15 tonnes of plastic every minute, 24 hours a day. Car tyre wear is the largest source of microplastics in Norway, and accounts for approximately 50% of the annual emissions of 10,000 tonnes. It is assumed that about half of the tyre wear on Norwegian roads is caught by road sweeping, while the rest ends up in the sea.

The Posten Group is a major purchaser that can influence its suppliers by requesting sustainable products, in this case tyres that do not emit microplastics. The spread of microplastics from tyres can be reduced by ensuring that the cars are sufficiently filled (capacity utilisation). Proper air pressure can contribute to less tyre wear.

The Group has a significant car fleet and thus a high consumption of car tyres. A new car tyre weighs approximately 12-13 kg, but after two or three years of use this is typically reduced to 10.5 kg. The difference is made up of worn microplastics along the road surface that can be rinsed off by rain and eventually end up in the sea.

The Group is directly linked to the impact through its own fleet; in addition, we have an indirect link through the transport assignments where we use subcontractors.

How the Group works

We shall drive the shortest route with the highest capacity utilisation as possible. In addition to efficient logistics solutions, this results in reduced emissions and less tyre wear, which is important for reducing microplastics from tyres.

Plastics receive a high level of attention from politicians, public opinion and, not least, our employees. The Group believes it is important that we take our share of responsibility and in 2019 we will look at how we can reduce plastics from our own business. We will also look at how we can achieve less microplastics from tyres by using the tyres to the maximum and retreading the tyres, which means that they can be used longer before they must be replaced.

The Group wants to contribute to achieving national ambitions to reduce pollution to the sea. The Norwegian government has taken an active role in putting plastic waste high on the agenda at the UN, in the EU, in the Nordic Council of Ministers and in a wide range of other important international organisations. Allowances have been granted for national and international projects to reduce the greatest environmental threat of our time.

Posten's tyre supplier has an agreement with Norsk dekkretur AS, which is an approved collection and recycling system for discarded tyres. This means that discarded tyres from Posten satisfy the authorities' requirements for waste and recycling treatment.

The Group has not set a separate target for reducing plastic and microplastics in 2019 but wishes to raise this as an important topic going forward.

Evaluation of the work

Currently we can only measure the rate of separation at source for plastic.

This is a new topic for Posten and routines for evaluating the work have not yet been formalised, and during 2019 it will be considered whether work shall be initiated on this.

INDICATORS-ECONOMY

Anti-corruption and competition considerations

GRI indicators: 205-1, 205-2, 205-3, 206-1

Explanation and demarcation of topic

The topics deal with the ability of Posten to comply with prevailing legislation regarding anti-corruption and anti-competitive behaviour in the jurisdictions in which the Group conducts its operations. The topics are part of Posten's integrity standard.

Posten constantly focuses on maintaining a high standard of integrity. The Group demands that the same standard be followed by its subcontractors and partners. 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, including breaches of prevailing legislation regarding anti-corruption and anti-competitive behaviour legislation, could result in significant reputational damage and give financial consequences.

Adherence to the integrity standard is of key importance in the relationship with several stakeholders:

- Owner and authorities: requirements through legislation and explicit expectations from authorities, including the owner
- Customers: set down clear requirements concerning the monitoring of integrity in their invitations to tender and at contract signing, as well as in the ongoing contractual situation
- Suppliers: expect fairness during the processing of tenders and in the ongoing collaborative relationship

The topics are essential for the Posten's entire value chain, in all operations, in all jurisdictions. The Group also demands the same high standards of its subcontractors and partners.

How the Group works

The overall principles for integrity-related work are outlined in the Group's ethical guidelines, an integrity handbook and in separate Group policies. These principles are then put into operation via regulations and Group-wide tools, including instructions. Work has been carried out on the Group's ethical guidelines in 2018, in particular regarding the topic of anti-corruption, to update and clarify the requirements that shall apply.

The purpose of the work is to prevent and uncover violations of current anti-corruption and competition legislation.

Furthermore, in this work the Group shall have an adequate apparatus to handle cases where there is alleged breach of said legislation.

The Group has an explicit and clear attitude to the issues of anti-corruption and competitive practices.

The Group has a zero tolerance of corruption and distances itself completely from all behaviour that may be affected by anti-corruption legislation.

The Group has clear guidelines relating to marketing behaviour for how it should act as an individual player in all market-related decisions that could affect competition, and that it shall not abuse its position in those markets in which the Group could be deemed to have a dominant position.

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 the Group's integrity standard, an Integrity Due Diligence assessment should, as a rule, be carried out. Detailed lists of questions have been prepared in 2018 where such IDD's have been implemented, adapted to the individual process.

The Group has developed an integrity program in which the integrity standard, including the topics of anti-corruption and competitive practices, is expressed. The integrity programme was adopted by the Board of Directors of Posten Norge AS 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 integrity standard.

The Group's manuals and policies are accessible tools for all the Group's managers and employees in the ongoing work to ensure integrity. The ethical guidelines and integrity handbook is 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 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. Managers and other key personnel are given information and training on the integrity standard, to ensure a high level of competence within the organisation.

The ethical guidelines and dilemma training are also part of Posten's management training.

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.

A focus area through 2018, which will further intensify through 2019, applies to routines for mapping and handling actual and potential conflicts of interest. In this work, for example, training initiatives will focus on the topic of implementing the prevailing guidelines.

To ensure that all relevant employees have sufficient knowledge of the competition rules and adhere to them, a separate handbook was created in 2013, entitled "Posten and Bring's 10 competition law commandments". The handbook is available in both Norwegian and English, and it is also accessible on the Group's intranet. In 2019 the Group will carry out an update to and further development of the competitive practices' guidelines.

The legal director is also responsible for administering and operating the Group-wide whistleblowing scheme. The whistleblowing scheme is of central importance to an enterprise for prevention and clarification within the two topics relevant here. The whistleblowing scheme will unconditionally deal with notifications received related to potential violations of anti-corruption and competition legislation.

This Group-wide programme was established in 2008 and is available to all Group employees regardless of their country and company with which they are associated. It is not specifically set up to allow external employees 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. Surveys conducted show that the whistleblowing scheme is well known in the Group. The increasing number of notifications received in recent years also indicates that the whistleblowing scheme is well known.

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 the event of a specific suspicion of a breach of anti-corruption legislation, the employee is obliged to inform the whistleblowing system.

Managers have a special responsibility to lead by example and to create a culture where employees can share their dilemmas and dare to report any breaches or unacceptable behaviour they become aware of.

In 2018, resource persons have been appointed in all parts of the business, who can assist the central whistleblowing scheme when needed in individual cases, but also in the general implementation of the whistleblowing scheme as an organ with which the Group's employees are familiar. These will also assist in the general implementation of the integrity standard in anti-corruption and anti-competitive practices.

The scheme is readily accessible to all 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 regards 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 whistle-blower will not be subject to retribution following disclosure. During 2018 comprehensive work was carried out to update these routines.

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 semi-annually to the Board of Directors' audit committee, to the internal control committee and to the CEO. The reports detail the number and type of cases received, the results of these as well as the measures and activities taken into effect and implemented. In addition, an annual statement is given to the Group's Working Environment Committee of Posten Norge AS.

Evaluation of the work

The Group regularly assess whether integrity-related work is effective enough, including whether the guidelines are clear 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.

Posten is not aware of cases of violation of legislation regarding anti-corruption and anti-competitive behaviour through 2018. Knowledge of the prevailing internal requirements, which have been explained above, is of central importance to the employees' compliance with the legislation. Based on internal surveys, the knowledge of the prevailing ethical guidelines and the Group's notification scheme is extensive.

Posten is working continuously to communicate prevailing requirements to the Group's employees. Considering the update implemented in the ethical guidelines, as well as the update that will take place during 2019 regarding guidelines for these two relevant topics, for example in handbooks, the need for communication and training will thus increase. This work will be handled in close collaboration with HR resources and in this way will be adapted to the individual recipient, depending on where in the enterprise the employee in question is located and what the person will benefit from in their work.

Training for these two topics will be further intensified and tailored to the risk profile of the relevant part of the business, for each of the two topics. In this regard, an updated risk analysis will be prepared in which the Group's various businesses are assessed against specific risk under the two topics.

Indicator 205-1: Total number and percentage of operations assessed for corruption and significant risks that have been identified

As part of the process for assessing the risk of violation of anti-corruption legislation, last year, as in previous years, an anonymous survey was carried out. The survey addressed the topic of anti-corruption, anti-competitive practices, whistleblowing and privacy and was more detailed last year than the surveys carried out in previous years.

The survey was sent to 1,111 individuals, of whom 54% (601 individuals) completed the survey. In 2018, the number of respondents was higher compared to previous years. The respondent group consisted of Group management, level 3 managers in the Group, Corporate Staff employees, and employees of the organisation who were considered particularly relevant considering the above-mentioned topics.

The Group has also had occasional assignments involving transportation in countries where corruption is more widespread, which 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, an extensive internal control project concerning integrity in the Group's operations outside of the Nordic region. In the wake of this project, relevant measures have been implemented in 2018 to improve the present ethical framework. This work will also continue in 2019.

The basis for the overall risk assessment relating to compliance with integrity-related topics also includes the experiences and observations of the Group's legal advisors through ongoing consultancy, general and specific training as well as other contact with the Group's units and suppliers.

The result of the risk analysis related to corruption and other topics 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. During 2019, an updated risk analysis will be developed in which the Group's various businesses are assessed against specific risks of violation of anti-corruption legislation.

The analysis carried out in 2018 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 2018.

During 2018, improvements to the ethical framework were implemented, a task that will continue through 2019 which then also include measures that can strengthen employee knowledge of the requirements stipulated.

Indicator 205-2: Communication of and training in anti-corruption policies and procedures

The Group has an integrity programme to help strengthen the Group's ethical standard and understanding of subjects relating to integrity, including anti-corruption. Various tools for employees and selected

partners have been prepared and further work on these will be carried out during 2019, which will help ensure that managers and employees of the Group can actively take ownership of and live up to the requirements posed.

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. Surveys conducted confirm that knowledge of the ethical guidelines is good. Work has been carried out on the Group's ethical guidelines in 2018, in particular regarding the topic of anti-corruption, to update and clarify the requirements that shall apply. These will be communicated to all employees in the Group. The same applies to the updating of the more specific guidelines regarding anti-corruption as soon as these are available.

All new employees receive the code of conduct when they start work in the Group.

The Group's 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.

An 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. A high proportion 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 do not have an exact figure for how many individuals completed the e-learning course in 2018. In 2019, we will review and further develop the anti-corruption training regime, including assessing whether it is appropriate to maintain today's e-learning course in its current form.

Records show that the e-learning course on integrity was conducted 55 times in 2018, on either an individual or a group basis. The relatively low number may be because most employees within the target group have already completed this training. In light of the further development of the training program on anti-corruption, work is underway to ensure that training and other courses reach a significantly larger group, on an annual basis. Then based on the specific risk analysis that will be carried out with regard to mapping the various parts of the business' risk of violation of anti-corruption legislation.

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. This work will also be intensified through 2019, where appropriate training measures will be prepared within anti-corruption, adapted to the individual group of employees.

Indicator 205-3: Confirmed corruption incidents and implemented measures

There were no confirmed incidents of corruption within the Group in 2018.

Indicator 206-1: Number of ongoing or terminated sanctions or fines by government or courts for breach of legislation regarding anti-competitive practices

The Group received no fines or sanctions for non-compliance with legislation regarding anti-competitive practices during 2018.

Socio-economic ripple effects

GRI indicator: 201-1

Explanation and demarcation of topic

Through its business, Posten provides services for all residents and businesses in Norway and delivers parcels and goods in the Nordic region. In this way, Posten contributes with value creation that affects the entire society, through the services we provide, salaries to employees and purchases from suppliers throughout the Nordic region. Furthermore, Posten contributes with dividends to its owner and pays taxes and fees in the areas in which we operate. Posten is committed to complying with prevailing laws and regulations relating to procurement and employment conditions throughout the value chain.

Posten contributes economically across its entire value chain.

Posten's services are an important part of the infrastructure in the country, and thus contribute, both directly and indirectly, to socio-economic value creation through its operations.

How the Group works

Posten is working to achieve the owner's requirements the required rate of return.

Notes 26-28 in Annual Financial Report.

Evaluation of the work

See the Annual Financial Report.

Indicator 201-1: Direct financial value generated and distributed

Notes 26-28 in Annual Financial Report.

CUSTOM TOPIC

Threat monitoring and preparedness

Explanation and demarcation of topic

Posten is part of the Norwegian Civil Preparedness System, and through this will provide a level of security and emergency preparedness that ensures a secure postal service in crises and war. The Group has entered into an agreement with the Norwegian Armed Forces Logistics Organisation (FLO), and is therefore also part of the Armed Forces' preparedness plan. As a trusted third party, Posten manages large and attractive values for its customers. In addition to Posten's important social function, this makes Posten vulnerable to both crime and terrorism. Good security and contingency planning is therefore fundamental both to customers' trust in Post, its employees' safety and to ensure a good and stable operation.

The topic is relevant in all parts of Posten's activities. This applies to transport, post offices, distribution points, terminals and office premises. Based on risk assessments that are intended to ensure safe operation and prevent crime, several safety and emergency contingency measures have been implemented. The security and preparedness level is determined after an assessment of the necessary requirements of the individual business.

The fact that Posten has extensive security cooperation with ongoing threat monitoring ensures an updated picture of the crime threat with adapted security and emergency preparedness levels. Implemented security measures ensure our employees against violence and threats, while at the same time being able to safeguard our customers' and the company's values in a safe manner. The fact that a good level of preparedness has been established ensures that we safeguard our social obligations for a secure postal service in crises and war, and that we ensure that the company has a good and stable operation. If, however, an emergency should arise, we have preparedness plans that will ensure that we are able to cope with such a situation.

How the Group works

The Group's Security and Readiness policy determines the security level, organisation, responsibility and reporting. Manuals and guidelines describe requirements for equipment, behaviour and measures. The Group Regulation for Crisis Preparedness and Crisis Management sets the level of emergency preparedness, and describes requirements for risk management (risk assessments, organisation, responsibility, preparedness plans and exercises).

Posten has a central security department organised in the Corporate Staff *HR and security*. The unit has Group responsibility, and works on, inter alia, threat monitoring, risk analyses, preventative security, preparedness, crime follow-up, etc.

In the divisions there are security contacts that coordinate the work at the divisional level. Out in the regions, and at the largest units, there are also security contacts, which support management and take care of the operational security and preparedness. Some are ongoing tasks, while others are project-based. A reporting system has been set up in which criminal acts are reported to *HR and security*. Other serious incidents are reported on a line path. A crisis management organisation has been established, both centrally and regionally, to deal with crisis situations.

The level of security and preparedness is followed up by local and central inspections. *HR and security* reports twice a year to Group Management (KL) about the risk situation, crime developments and the level of safety and preparedness.

Training materials have been prepared, training is provided and covers most areas, including how to behave in a threat or robbery situation. Furthermore, regular preparedness exercises are conducted both centrally and locally.

Regarding the procurement of security equipment and the execution of security measures, agreements are entered with a large number of major external security companies. Assignment execution by these is followed up by, amongst other things, security inspections and meetings with suppliers. There is extensive cooperation with police, suppliers, authorities and the security environment both nationally and internationally regarding crime developments and security measures.

The purpose of the work is to ensure a proper level of security and preparedness that safeguards employees, customers and values. This is also to safeguard our obligations in the Civilian Emergency Management System to ensure a proper postal service in crises and war. Moreover, this fulfils obligations in agreements with external parties, including the Armed Forces and public authorities.

Posten's overall requirements, etc.

Posten's primary requirements etc. are described in Group Policy Security and Preparedness, and in Group Regulations. Furthermore, there is extensive documentation of guidelines and arrangements, inter alia requirements for frequency for several control tasks and exercises. The primary goal is to have as low crime figures as possible, especially those affecting customers and employees, and to have a satisfactory level of safety and preparedness at least on a par with comparable businesses. The annual report for Group Management contains reports of crime figures, crisis incidents as well as security and preparedness levels.

Evaluation of the work

Crime and serious incidents are reported through established reporting schemes. HSE audits, both self-audits and centrally performed audits, are reported centrally. Status of the preparedness area risk assessments, quality of plans, as well as exercises are reported to HR and safety at the turn of the year. All key figures are reported to Group Management in the half-yearly and annual report. Reports are also sent twice a year to the Internal Control Committee on important things in the security and preparedness area. Moreover, central audits are carried out, such as follow-up of the security work

The established reporting system provides a good picture of the situation, and the basis for follow-up/actions where this seems necessary. Nevertheless, the establishment of more concrete follow-up indicators will be considered.

Work on risk assessments will be strengthened. The same applies to security training, exercises and follow-up (self-audits with central assistance).

Making life simpler for customers and recipients

Explanation and demarcation of topic

The Group's vision is "We make everyday life simpler and the world smaller". This means that it is crucial to the Group's reputation in the community that we provide services that both the sender and recipient experience as simple and efficient. In addition, reputation itself is also crucial for customers to choose us as a service provider in competition with other providers and so that we can price the services in a way that covers our costs and gives the returns that the owner expects.

The topic is relevant throughout the value chain, both in the physical logistics chain (collection, sorting, transport and distribution) and for support functions. The topic is also important in the digital customer dialogue.

The topic is directly linked to the customer relationship (usually the sender) and to the recipient who often has a customer relationship with the sender. Recipient experience of simplicity then affects the sender's customer satisfaction with our Group as a supplier.

How the Group works

The Group's vision has been prepared by Group Management and shall permeate the entire organisation. To ensure this, the vision and the rest of the strategy are continuously communicated at all stages in the organisation. Working with the topic is also a key element of the leadership role at all levels. Nevertheless, the establishment of more concrete follow-up indicators will be considered.

The purpose of the work is to ensure that the Group's vision is translated into concrete measures and actions that realise the vision.

Vision and other strategy are documented in a comprehensive strategy document that is formally decided upon by the Board. The strategy is also logically linked to the Group's long-term financial plan with the consequences it has on financial goals and resources. This in turn forms the basis for specific action plans that have been prepared by division and business area, which are included in business reviews and strategic reviews.

Evaluation of the work

The topic is regularly evaluated using the Group's measurement tools for customer satisfaction (KTI and NPS). In addition, the Group has several KPIs on quality that also register aspects related to the topic. These key figures are followed up in ongoing management meetings and strategic and business reviews.

The established reporting system provides a good picture of the situation, and the basis for follow-up/actions where this seems necessary.

The vision is fixed, but adjustments are made to measures and resource allocation on an ongoing basis within the framework of business and strategic reviews, as well as in the ordinary management process.

Enable circular solutions for customers and recipients

Explanation and demarcation of topic

Circular solutions are a trend driven by stricter regulations, increasing waste volumes with negative environmental impact and increasing resource scarcity. The logistics problem related to circular solutions is an obvious business opportunity for the Group to work on, based on our expertise and infrastructure.

This topic is related to the Group's transport activities, and perhaps to some extent to intermediate storage and sorting. The Group operates circular solutions today, and further growth is expected in years to come. Circular logistics can be relevant in many areas. There will be a need to adapt and further develop the value chain to serve growth in this area.

This is a topic that is important in society in general, and specifically within several areas where the Group is already active today. The topic is, for example, important for the retail trade, which is a large customer group for the Group. In the future, we can be an important contributor to resource reuse in society

How the Group works

As an important strategic trend, it is a management task to develop circular solutions. It is an important topic within sales and service development, but also an area where the operational organisation must be actively involved and further develop its own structures and processes. Furthermore, it is a topic that necessitates proactive change work.

The aim is to solve challenges in society and to develop these as growth areas for the Group.

It is an objective for the Group to find good solutions and create growth within this market. This objective is being operationalised for various organisational units in the Group. Line management sets goals and delegates responsibility for attending to this topic.

Evaluation of the work

The topic is handled as other strategic initiatives through strategic and business reviews as well as continuously through line management. The established reporting system provides a good picture of the situation, and the basis for follow-up/actions where this seems necessary. Adjustments are made to measures and resource allocation on an ongoing basis within the framework of business and strategic reviews, as well as in the ordinary management process.

Innovation effects of Posten's purchasing

Explanation and demarcation of topic

Posten's size and range of services mean that Posten has a significant level of annual purchasing. This has financial, environmental and social impact on the outside world. Several of the purchases made by the Group are crucial to the development of industries/markets and companies that develop new technology or products.

Purchasing in the Group is pervasive in Posten's value chain, as it creates points of action for suppliers, it affects operations and ultimately our customers. The needs arise with the various divisions or Corporate Staff, Group Purchasing is simply a facilitator to meet the Group's needs.

Posten is in regular dialogue with suppliers in the market, both during the actual procurement phase but also during the contract period.

Through regular dialogue, Posten can uncover developments that can affect our requirements in the next procurement round. Development is then managed by the supplier, but Posten captures it and can act on the changes and assess its needs against the new opportunities. In other cases, the Group collaborates

with suppliers in the development of new products. Group Purchasing will first be involved if the product is to be commercialised (if applicable) and Posten shall buy more through a tender in the free market.

How the Group works

Group Purchasing and our purchasing process are tools to cover the divisions' (also called the principals') requirements. This is done through a structured process that is predictable for the suppliers and which ensures competition in the market. If a client has an idea of a new way of meeting a need, Group Purchasing facilitates this through its purchasing process. Several procurement cases have a focus is on simplifying and/or improving solutions rather than exerting price pressure. In other cases, the suppliers have innovated with regards to their goods or services. This is uncovered by the Group through dialogue with the market, which is an important part of the purchasing process. In addition, Group Purchasing, through category management, regularly meet with contract suppliers where we discuss opportunities and developments.

The divisions have the requirement, and in those cases where this is above the threshold value of MNOK 4.1 (applies to purchasing covered by the Act on Public Procurement) and/or Group-wide/strategic to the Group, it must go through a strategic purchasing process run by Group Purchasing. Group Purchasing has a proven purchasing process that is intended to ensure predictability for the stakeholders involved. Through an information-gathering process, we are in close dialogue with the supplier market about what they think is the best solution to Posten's requirements. On this basis, a request for tenders/requirement description is developed that is best adapted to the market. The requirement is put out for tender to at least three suppliers. In several procurement cases, together with the divisions, we have opened up the market and allowed new suppliers to come.

Through dialogue with the supplier market, purchasers become aware of any new developments in the market, which in turn can be used to challenge/meet the principal's needs in advance of tenders.

For example, in 2018 this applies to the introduction of the EV80 electric van from the Chinese manufacturer Maxus. This helps to develop the supplier market for electric vans and introduce a cheaper challenger in the market.

It is not a stated purpose of innovation through purchasing at Posten today. As formulated today, the purpose of the purchasing work is to ensure that the client's needs are covered in the best possible way with regard to quality and price.

An indirect purpose is to work toward a supplier market that is best adapted to meet the Group's needs. An example would be the Group's goal of having emissions-free vehicles. Here it is important that the market is large enough to secure it. In addition, by having a tender for the purchase of Hydrotreated Vegetable Oil (HVO), we have contributed to greater competition in this market.

To ensure that the purpose is adhered to, Group Purchasing has the following processes/instruments:

- Best practice purchasing process
- Group-wide purchasing policy
- Group-wide regulation
- Ethical standard for suppliers

Evaluation of the work

Posten does not have a structured approach to measuring innovation effects of purchases today as we do not have a systematic approach to using procurement to create services or solutions we are not aware of today (innovation).

After completing the procurement, we send out a Quest back questionnaire to the suppliers, and conduct an evaluation meeting with the principal. None of the defined questions are today linked to the innovation effects of the purchase.

Driving force for sustainable framework conditions

Explanation and demarcation of topic

Digitisation in society leads to changing customer needs and an increasing fall in letter volumes, which creates ever-increasing profitability challenges for Posten's obligation to deliver postal services. In order to ensure long-term financial sustainability and avoid a sharp increase in government purchases of unprofitable postal services, the Group is dependent on political acceptance for new large-scale restructuring measures, such as fewer distribution days. Such measures will also provide an environmental benefit. The Group is a transport-intensive business, and the development of an efficient, including environmentally-efficient, transport system is of great importance.

A special topic in recent years has been the need for the enforcement of transport legislation, so that serious players, such as Posten, have equal competitive conditions in practice. In the environmental area, adaptation for more environmentally friendly transport, and transporting more goods by rail, has received considerable attention.

There are financial and strategic risks associated with the framework conditions that are not suited to changed customer needs and the competition situation.

The work on sustainable framework conditions is particularly important for the Group's Norwegian mail operations, but also of importance for the logistics business, both in Norway and abroad.

The Ministry of Transport and Communications (SD) is responsible for the postal legislation in Norway, including the scheme for the government procurement of commercially non-viable postal services. The Norwegian Communications Authority (Nkom) monitors whether Posten is fulfilling its imposed obligations

as set out in the Postal Services Act, regulations and licenses. The Group must also deal with other relevant authorities that are of significance to our operations, including our corporate social responsibility activities. Furthermore, the Group is influenced by regulations adopted internationally, including by the EU and by the Universal Postal Union (UPU).

Posten sets clear ethical requirements for suppliers and works actively to ensure that these requirements are met. The company is also involved in regulatory development both nationally and internationally, partly through industry organisations.

How the Group works

In order to ensure good framework terms for the business, Posten works proactively and in a long-term perspective in relation to key authorities. It is especially important to create an understanding of the need for restructuring and adapting service provision within the mail segment. Efforts are also being made to ensure good and equal competitive terms for the logistics business.

Posten must express its opinion in a credible and constructive manner on matters to do with regulatory and other factors that directly affect our activities, so we can fulfil our role as a socially responsible company and statutory provider of postal services in the Norwegian mail and logistics market.

The record has a separate entity that is responsible for the work on regulatory conditions for the postal business. The work takes place both nationally and internationally, and includes, inter alia:

- 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 industrial organisations at EU level
- Membership and participation in Spekter and NHO Logistics and Transport, as well as their European organisations
- Consultation responses and other contributions on political matters of importance to the Group

Evaluation of the work

The handling of important issues, both nationally and internationally, is evaluated on an ongoing basis, including which arenas and channels are used in influencing work. Posten's Board is regularly informed about the status of important cases and about ongoing work to achieve sustainable framework conditions.

In recent years, Posten has undergone several major structural changes and measures that have been necessary to adapt the postal operations to reduced demand and changed customer needs, including through the transition to one letter flow with two days' delivery in 2018. It can take a long time to achieve political acceptance of changes to relevant framework conditions.

In future, there will be a need for fundamental and comprehensive changes in the services offered. The Group is therefore working on many levels to create a proper understanding of the situation among key stakeholders and decision-makers and has good cooperation with the employee unions.

Overview of reported indicators in 2018

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 31 indicators.

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 Index, General indicators

Title	Page number	External verification
102-1 Name of organisation	3	Yes
102-2 activities, brands, products and services	3	Yes
102-3 Location of head office	3	Yes
102-4 Location of operating sites	3	Yes
102-5 Ownership and legal information	3	Yes
102-6 Market presence	3	Yes
102-7 Size of the organisation	4	Yes
102-8 Information about employees and other workers	4	Yes
102-9 Supply chain	3	Yes
102-10 Significant changes in the organisation and its supply chain	5	Yes
102-11 Precautionary principle/approach	5	Yes
102-12 External organisations and initiatives	5	Yes
102-13 Membership of associations	5	Yes
102-14 Statements from the top decision-maker	6	Yes
102-16 Values, principles, standards and behavioural norms	3	Yes
102-18 Management structure	3	Yes
102-40 List of stakeholder groups	7	Yes
102-41 Collective agreements	18	Yes
102-42 Identification and selection of stakeholders	7	Yes
102-43 Approach to stakeholder engagement	7	Yes
102-44 Key topics and concerns raised	8	Yes
102-45 Units included in Group accounts	5	Yes
102-46 Report content and delineations	8	Yes
102-47 List of material topics	2	Yes
102-48 Repetition of information	5	Yes
102-49 Changes in reporting	5	Yes
102-50 Reporting period	5	Yes
102-51 Date of last report	5	Yes
102-52 Reporting cycle	5	Yes

102-53 Contact point for questions regarding the report	5	Yes
102-54 Reporting in accordance with GRI Standards	5	Yes
102-55 GRI Index	61	Yes
102-56 External audit		Yes

GRI index, topic-specific indicators

Title	Page number	Omissions	External verification
Emissions-free and efficient transport, and logistics	33		
GRI 103 Group's approach 2016	33		
103-1 Explanation and delineation of topics			Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			Yes
GRI 305 Emissions 2016			
305-1 Direct emissions of greenhouse gases (CO ₂ e)	36		Yes
305-2 Energy – indirect emissions of greenhouse gases	36		Yes
305-3 Other indirect greenhouse gas emissions	37		Yes
305-4 Greenhouse gas emissions intensity	38		Yes
GRI 308 Environmental assessment of suppliers 2016			
308-1 New suppliers that were assessed on environmental criteria		The Group cannot report on the proportion of new suppliers where environmental responsibility was assessed as data is of insufficient quality. Available data can only be found for suppliers handled by Corporate Staff Procurement, and this is not divided between new and old suppliers. Group guidelines for purchasing require that all suppliers report key information related to the environment, but there is no central system for obtaining data.	Yes
	38		

308-2 Negative environmental impact in the supply chain and measures implemented		The Group cannot report on actions taken against suppliers identified in self-reporting or controls, as data is not of sufficient quality. The individual division is responsible for taking the findings further and that they do not have a central system for reporting actions. However, data on terminated customer relationships is available.	Yes
	38		

Health, safety and working environment

GRI 103 Group's approach 2016

103-1 Explanation and delineation of topics			Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			Yes

GRI 403 Health, safety and working environment 2016

403-1 Employee representation on formal HSE committees with representatives from management and employees		96 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.). Posten only has figures on its own employees in this regard.	Yes
	11		
403-2 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		a) The Group does not report the frequency of occupational diseases (ODR) or lost working days (LDR) b) Injury and accident statistics are broken down by gender for employees in Norway only these are not available from other operations. c) The Group does not have access to full HSE statistics for workers who are not Group employees: since the number of working hours for these are not registered in the HR system.	Yes
	12		

GRI 406 Non-discrimination 2016

406-1 Number of incidents of discrimination and measures initiated in connection with these			Yes
	14		

Attractive and evolving workplace

GRI 103 Group's approach 2016

103-1 Explanation and delineation of topics			Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			Yes

GRI 401 Employments 2016

401-1 New employments and staff turnover	15		Yes
401-2 Benefits for full-time employees that are not offered to temporary or part-time employees, by site of significant operation	16		Yes
GRI 404 Training and education 2016			
404-1 Average hours of training per year per employee	16	Training hours are not available divided by gender, as this is not registered in the training programmes. The figures only include employees in the Nordic countries. E-learning applies to both permanent and temporary employees in the Nordic countries, the remaining only for permanent employees	Yes
404-2 Programmes for employee competence raising and realignment	17		Yes
404-3 Percentage of employees receiving regular performance and career development reviews	18	The Group's follow-up review solution does not register gender or employee category, and the proportion of employees is not available.	Yes
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.	18		Yes
Information security			
GRI 103 Group's approach 2016			
103-1 Explanation and delineation of topics			Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			Yes
GRI 418 Privacy 2016			
418-1 Confirmed complaints concerning violation of customer privacy and loss of customer data	32		Yes
Working conditions in the supply chain			
GRI 103 Group's approach 2016			
103-1 Explanation and delineation of topics	23		Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			Yes

GRI 414 Social assessment of suppliers 2016

414-1 New suppliers that were assessed on social criteria		The Group does not have available information on the proportion of new suppliers where social responsibility was assessed. Data does not distinguish between control of new and existing suppliers, and data is only available for suppliers with more than NOK 2 million in turnover. A new process for Corporate Social Responsibility has been established in the supply chain, with increased focus on background checks of road transporters before entering into contracts, as well as the follow-up of documented deviations.	Yes
	27		
414-2 Negative social impact in the supply chain and measures implemented			Yes
	27		

Socio-economic influence

52

GRI 103 Group's approach 2016

103-1 Explanation and delineation of topics			Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			Yes

GRI 201 Economic Performance 2016

201-1 Direct financial value generated and distributed 2016			Yes
	52		

Anti-corruption and competition considerations

46

GRI 103 Group's approach 2016

103-1 Explanation and delineation of topics			Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			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. During 2019, an updated risk analysis will be developed in which the Group's various businesses are assessed against specific risks of violation of anti-corruption legislation.	Yes
	49		

205-2 Communication about and training in policies and procedures for anti-corruption		The Group does not 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.	Yes
	50		
205-3 Confirmed corruption incidents and implemented measures			Yes
	52		
GRI 206 Anti-competitive practices 2016			
206-1 Judicial reactions to anti-competitive behaviour and antitrust and monopolistic practices			Yes
	52		
Equal opportunities			
	19		
GRI 103 Group's approach 2016			
103-1 Explanation and delineation of topics			Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			Yes
GRI 405 Diversity and equal opportunities 2016			
405-2 Relationship between base salary and remuneration of women in relation to men by category of employee			Yes
	20		
Integration			
	21		
GRI 103 Group's approach 2016			
103-1 Explanation and delineation of topics			Yes
103-2 How the Group is working on the topic			Yes
103-3 Evaluation of the work			Yes
GRI 405 Diversity and equal opportunities 2016			
405-1 Diversity in management bodies and among employees		Ethnic background is only documented for permanent employees in Norway; information on temporary employees and permanent employees outside Norway is not available.	Yes
	22		
Making life simpler for customers and recipients			
	55		
GRI 103 Group's approach 2016			

103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work		Yes

Enable circular solutions for customers and recipients
GRI 103 Group's approach 2016

56

103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work	Work on this topic has recently begun, and evaluation information is not available. The Group has not yet established formalised routines for evaluation. These will be prepared during 2019.	Yes

Local air pollution (particulate matter, NOx, SOx)
GRI 103 Group's approach 2016

38

103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work		Yes

GRI 305 Emissions 2016

305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant emissions to air	The Group does not report on the emission of persistent organic pollutants (POP), volatile organic compounds (VOC) and harmful air pollution (HAP). The Group has no activities that cause significant emissions of these, and this part of the indicator is therefore not relevant.	Yes
---	--	-----

40

Driving force for sustainable framework conditions
GRI 103 Group's approach 2016

59

103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work		Yes

Innovation effects of Posten's purchasing	58	
GRI 103 Group's approach 2016		
103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work		Yes
Climate-efficient building	41	
GRI 103 Group's approach 2016		
103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work		Yes
GRI 305 Emissions 2016		
305-1 Direct emissions of greenhouse gases	36	Yes
305-2 Energy – indirect emissions of greenhouse gases	36	Yes
305-3 Other indirect greenhouse gas emissions	37	Yes
305-4 Greenhouse gas emissions intensity	38	Yes
Pollution to sea (ex. microplastics)	44	
GRI 103 Group's approach 2016		
103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work		Yes
		Work on this topic has recently begun, and evaluation information is not available. The Group has not yet established formalised routines for evaluation. These will be prepared during 2019.
Waste from your activities and terminals	42	
GRI 103 Group's approach 2016		

103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work		Yes
GRI 306 Sewage and waste 2016		
306-2 Waste divided by type and management		No information is available on the management of waste from one of the waste service providers, therefore management cannot be specified with certainty for all waste.
	43	
Threat monitoring and preparedness		
	53	
GRI 103 Group's approach 2016		
103-1 Explanation and delineation of topics		Yes
103-2 How the Group is working on the topic		Yes
103-3 Evaluation of the work		Yes