

WE MAKE EVERYDAY LIFE SIMPLER AND THE WORLD SMALLER



FINANCIAL REPORT **2017**

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Financial key figures

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

1) Calculated based on adjusted operating profit (EBITE)

2) The figures have been taken from published financial statements. The figures have not been restated in relation to changes to policies or other changes that have been made.

About Posten Norge

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

Operates in: Norway, Sweden, Denmark, Finland, Slovakia, Belgium, the Netherlands, the UK, France, Germany, Greece, Hong Kong and Italy.

Head office: Oslo, Norway

We have a presence in most countries in the world through our partners.

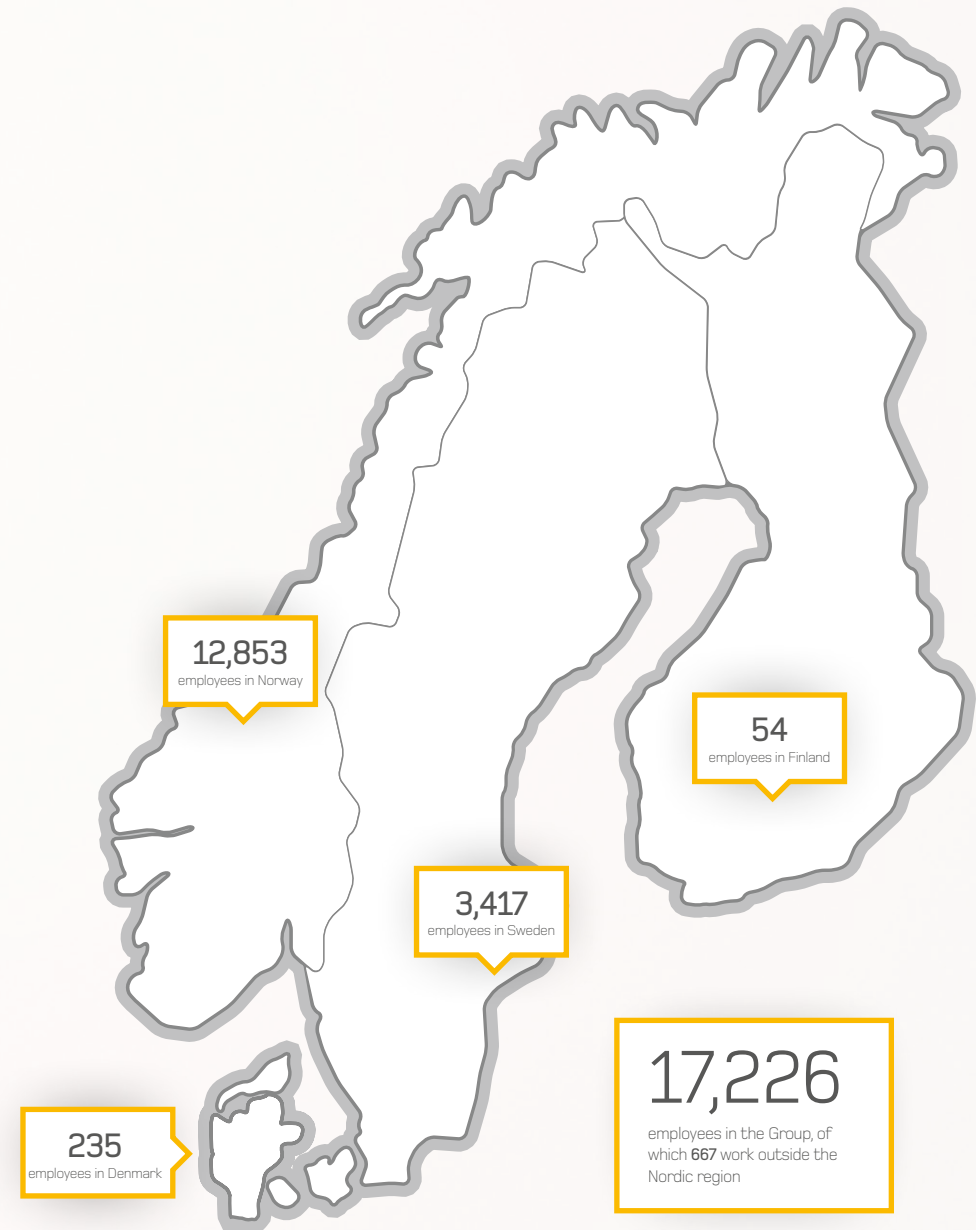
Posten Norge AS has two brands in the market



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



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



New strategy

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

Vision

We make everyday life simpler and the world smaller.

Purpose

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

Our values

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

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

Future development

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

Get to know us even better at postennorge.no

Main goals

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



Engaged and competent employees



Innovative and sustainable development



Satisfied and loyal customers

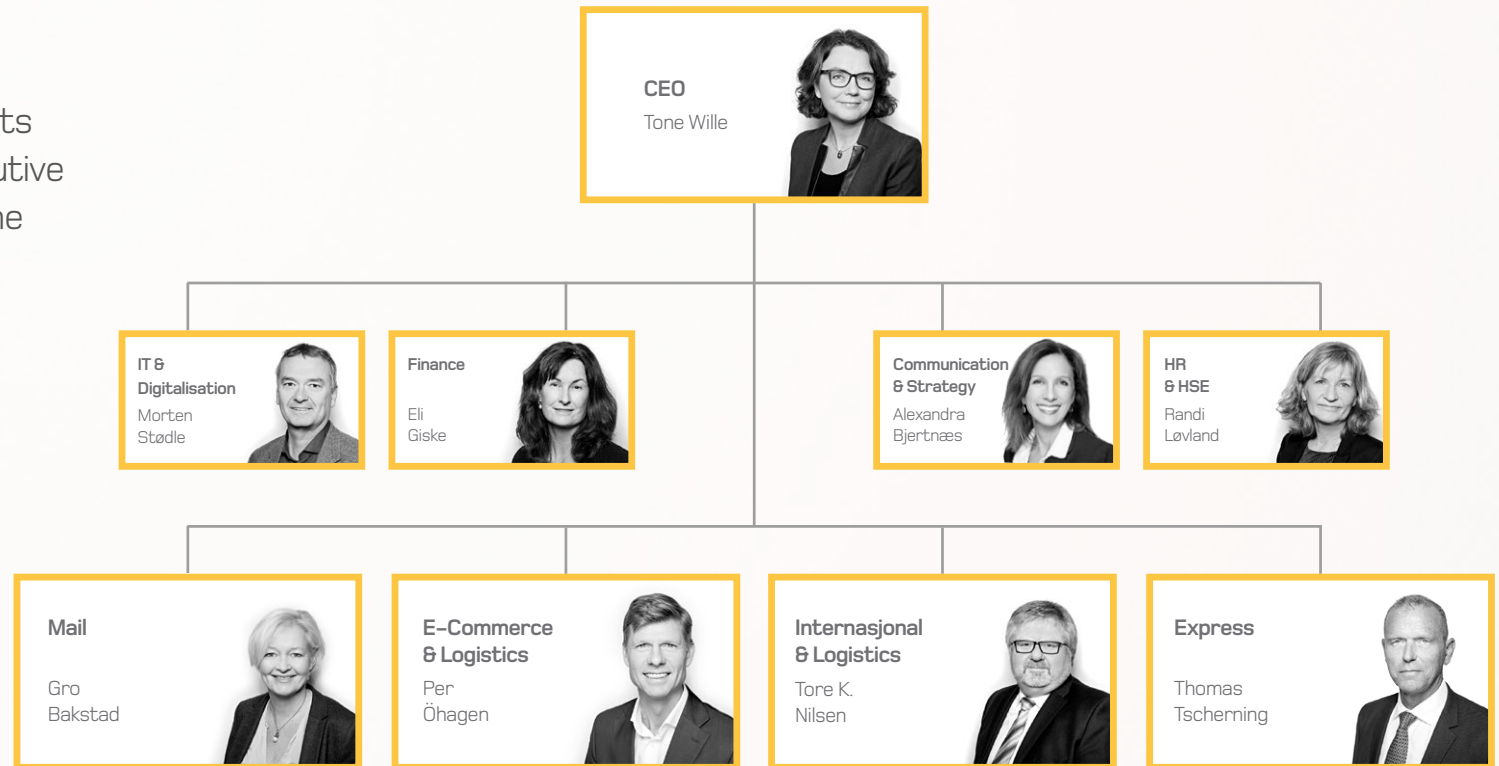


Cost-effectiveness and profitable growth

Group structure

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

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



Two segments

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

Line responsibility

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

Instead of being organised by country, the Group is now organised by customer-orient-

ed service areas based on which services the Group's customers normally buy together. Each division has an independent responsibility for the performance of their service portfolios in the Nordic region.

Professional responsibility

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

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

The divisions

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

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

The International Logistics Division is responsible for Norwegian and international vehicle and equipment operations, international logistics services via road, rail, sea and

air, and national and international full-load and special solutions for selected industries and customer segments.

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



A WORD FROM OUR CEO

A time for everything

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

Photo: Håvard Jørstad

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

New services for a new era

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

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

Simplified vision

The results of this process include a new

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

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

Upwards and onwards

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

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

intelligence and environmental technology, to mention just a few.

An overwhelming future

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

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

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

Historic change

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



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

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

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

Acting in time

"One success factor for our Group is that we have changed in time and spent time on changing. We know that letter volumes are falling and that we have to adjust to that re-

ality. But I very much want to create security for those affected and find good solutions for them. That takes time," underscores Wille.

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

Opening new terminals

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

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

Falls and growth

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

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

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

Posten will continue to make deliveries for the foreseeable future. This requires continuous adaptation to market developments, in other words the Group will deliver

fewer letters and more parcels. The changes are being driven by the needs and wishes of the market and Posten Norge must continue to adapt to our customers, as the Group has done for 371 years.

Strong feelings

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

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

Key events

JANUARY



Posten celebrates 370 years

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

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

FEBRUARY



New stamps

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

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

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

MARCH



Unique environmental cooperation

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

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

APRIL



Learning enterprise of the year

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

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

MAY



Opening of logistics centre in Narvik

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

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

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

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

JUNE



Bringing the cycling world championships to Bergen

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

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

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

JULY

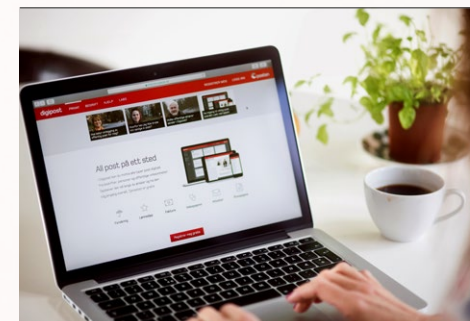


New environmental goal

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

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

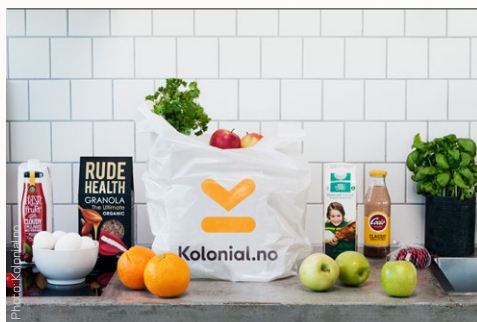
AUGUST



Simplify with Digipost

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

SEPTEMBER



Online shop of the year

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

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

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

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

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

OCTOBER



Crown Prince opens logistics centre

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

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

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

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

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

NOVEMBER



Exploring technology

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

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

DECEMBER



Book about Posten's history

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

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

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

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

BOARD OF DIRECTORS' RE- PORT

Prepared for future growth

Posten Norge can report improved earnings for 2017.

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



Posten Norge's operating revenue was NOK 24,678 million in 2017, which represents a 0.4 per cent decrease compared with 2016. Organic growth*) amounted to 0.7 per cent in 2017, mainly due to growth in parcels, home delivery and international transport.

Adjusted operating profit (EBITE) was NOK 703 million in 2017, NOK 58 million better than in 2016. Earnings improved in both the Mail and the Logistics segments. Operating profit (EBIT) amounted to NOK 692 million, NOK 514 million better than in 2016. Impairments and net other operating expenses totalling NOK 2 million were recognised in 2017, an improvement of NOK 480 million compared with 2016. Profit before tax in 2017 amounted to NOK 621 million, NOK 391 million better than in 2016. The return on invested capital (ROIC) was 9.8 per cent for 2017, an 0.8-percentage point improvement on the year before.

We live in a digital age. This is having an effect on the Group. We have restructured and adapted operations to market developments and new customer needs. Digitalisation means that the drop in letter volumes is accelerating and that the outlook for the Mail Division would be dramatic without changes to current framework conditions. Maintain-

ing current statutory postal services is not economically sustainable. The alternative is for the Norwegian State to pay for the services that are ordered and that Posten delivers.

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

services to a greater extent. We focus on cost-effectiveness at the same time as we develop our range of services in consultation with major customers.

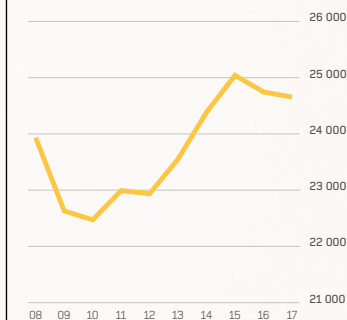
Digitalisation is a megatrend. Everything that can be digitalised is expected to be digitalised. In 2017, the Group drew up a new digital strategy and established an expert environment for digital innovation. We will be innovative and find solutions both to current challenges and for future opportunities.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

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

Operating revenue

in NOK millions

24,678



Adjusted operating profit

in NOK millions

703



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

MARKET TRENDS

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

Logistics the largest segment

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

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

Restructuring in the Mail segment

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

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

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



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

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

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

Strong networks

Posten Norge plays a prominent role in Norwegian society and fulfils an important social responsibility through a nationwide, high-quality distribution network. The licence requirement for the overnight delivery of priority mail is 85 per cent per quarter. In 2017, 85.4 per cent of priority mail was delivered overnight, although delivery quality in the fourth quarter did not meet the licence requirements due to the early onset of winter weather and high volumes of Christmas mail. The other licence requirements for delivery quality were also met by good margins. From 2018, priority and non-priority mail

have been merged into a new mail product with a two-day delivery time. The delivery time requirement has thus been changed to 85 per cent of mail delivered within two days. We deliver mail to 2.4 million letter boxes nationwide. We also have the distribution network with the best coverage in Norway, which at the end of 2017 comprised around 3,000 delivery outlets, including 1,320 in-store post offices, 30 post offices, 21 business centres and around 1,460 rural post routes. Customers' behaviour is changing, and the future will consist of a series of new service offers. Posten Norge will develop new services for private customers that result in greater flexibility and freedom of choice. In 2017, we tested solutions for, among other things, buying postage online, sending mail from customers' own letter boxes, and optional delivery to a customer-defined "hiding place".

High levels of customer trust and satisfaction

Posten enjoys a high level of trust in Norwegian society. It has a good reputation and high levels of customer satisfaction and loyalty. We conduct continuous surveys of

customers who have been in contact with various parts of the Group, as well as an annual customer satisfaction survey. This is done to systemise customer insights and implement improvements, and thereby improve the customer experience and create growth for the Group.

PROFITABILITY

Financial performance

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

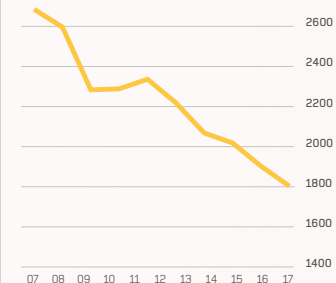
Improved earnings in Logistics

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

Letter volume

in millions

1,802

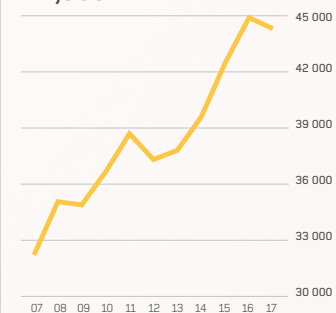


Total letter volume includes both addressed and unaddressed mail

Parcel volume

in millions

44,369



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

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

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

New logistics centres also opened in Narvik and Trondheim in 2017. In Sweden,

Bring opened a joint terminal in Gothenburg to strengthen its logistics services. On the outskirts of Stockholm, bring established a warehouse for online shopping in collaboration with IKEA.

Effective cost control in Mail

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

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

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



PHOTO: Birger Morken

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

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

the model Posten uses to calculate Norwegian State purchases complies with international guidelines.

Investments and cash flow

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

Cash flow from operating activities in 2017 amounted to NOK 592 million. The NOK 353 million decrease compared with 2016 was mainly due to an increase in paid tax and higher working capital. The increase in working capital largely consisted of increased ac-

counts receivable, increased earned income from foreign mail companies, and a reduction in other current liabilities. Cash flow from financing activities in 2017 amounted to NOK 1,382 million, primarily due to the taking out of a NOK 1,000 million debenture loan and a new NOK 500 million bank loan.

Financial capacity

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

Operating profit (EBIT)

in NOK millions

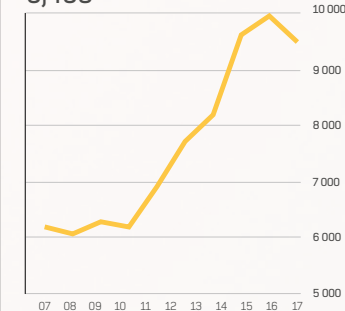
692



Revenue from foreign subsidiaries

in NOK millions

9,495



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

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

Posten strengthened its capital management and continued to implement measures in 2017 to reduce financial risk and increase its room for manoeuvre.

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

Debt covenants

Some of Posten's loan agreements contain debt covenants that limit net interest-bear-

ing liabilities/EBITDA to a maximum of 3.5 and require a minimum equity ratio of 25 per cent.

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

Risk

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

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



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

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

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

Allocation of the profit for the year

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

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

The Board proposes that a dividend of NOK 194 million be distributed for 2017. The year's remaining profit will be transferred to other equity.

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

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

CORPORATE SOCIAL RESPONSIBILITY

Posten is committed to long-term value creation through the sustainable and responsible management of the company's most important resources while meeting the owner's requirements and expectations. The Board is proud of the good work the Group does in the area of CSR. The work has a high priority and our efforts are systematic

and long-term and in accordance with clear goals and plans. The efforts are achieving good results.

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

Good working environment

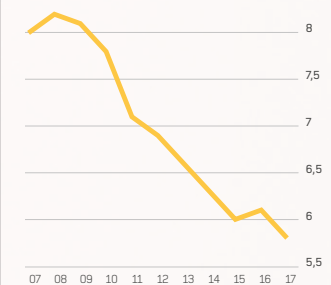
Our employees are the Group's most important resource. A healthy working environment where nobody is injured or becomes sick due to their work is therefore an important ambition.

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

Sick leave rate

in per cent for the Group

5.8%



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

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

The Group had 16,286 full-time equivalents at the end of 2017, a reduction of 1,058 full-time equivalents compared with the end of 2016. The reduction in the Mail segment totalled 582 full-time equivalents and was primarily due to the changes within mail delivery and production, which were conse-

quences of ending Saturday mail deliveries, continuous operational adaptations, as well as preparations for one class of addressed mail from 1 January 2018. In the Logistics segment, staffing was reduced by 440 full-time equivalents, primarily due to the winding up and sale of business outside Norway.

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

Great diversity

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



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

and internship programme is offered to selected employees.

Pay and equality

The Group subscribes to the general principle that our executive salaries should be competitive but not amongst the highest when compared with similar companies. Posten Norge AS is well within government guidelines for salary policies in state-owned enterprises. There are no significant pay differences between men and women that can be attributed to gender. For further information please refer to the [sustainability report](#).

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

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

Employee and management development

All employees must have a performance assessment interview with their manager each year. The Group wants to provide employees with development opportunities, so they can master changes in their everyday work and meet the future.

In addition to the upgrading of skills that takes place on the job, courses are offered via the Group's own learning portal. In 2017, employees, including external drivers and shop assistants in in-store post offices, completed more than 50,000 individual e-learning courses.

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

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

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

High ethical standards

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



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

Crime prevention work

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

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

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

Information security

The Group did not experience any serious security incidents in 2017 resulting from external attacks. Like the year before, we registered an increase in attempts to defraud our employees via email. We therefore

carried out awareness raising campaigns and nano-courses for all employees in the Group on information security, online financial fraud, and how to process email securely. Information security work has been highlighted as a separate area in the Group's risk analyses. In 2017, in collaboration with our suppliers, the Group conducted a comprehensive risk analysis of our portfolio of applications to identify vulnerabilities and implement preventive security measures. This work will continue in 2018.

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

Ambitious emission goals

Posten and Bring are major Nordic logistics actors. In Norway, our CO2 emissions account

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

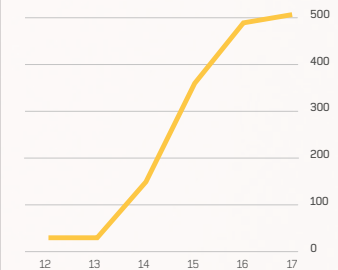
The Group's CO2 emissions were 6 per cent lower in 2017 than in 2016. The reduction was due to the use of biodiesel and less road transport.

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

Electric vehicles

number

511



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

The work of the Board

The Board places great importance on complying with Norwegian standards and best practice for corporate governance, based on Norwegian law and the government's ownership policy at any given time.

Each year the Board presents a statement on the company's corporate governance as part of the annual report. The Board also

conducts an annual update of the content of the rules of procedure for the Board. In addition to being a decision-making and control body, the Board wishes to contribute to the development of the Group by serving as a valuable discussion partner for the company's management and owner, based on good insights into Posten's strategies, business models and value chain.

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

Future prospects

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



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

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

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

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

Posten has developed a strong logistics business as a natural extension of our Mail operations. The logistics market is heavily influenced by activity levels in society and characterised by strong competition from both traditional actors (groupage companies) and new actors with completely new business models. The economic outlook in both Norway and Sweden is positive and

moderate economic growth is expected. The Group will continue to work on improving profitability in the Logistics segment. The new strategy for the period up to 2020 involves focusing on the Logistics business and exploiting synergies in and between the networks in Norway. We are always looking for new ways to improve efficiency to ensure we have competitive services and prices. Operating terminals and transport efficiently is a key part of the Group's operations and we extract economies of scale wherever we can. The vehicles are filled with mail, parcels and goods to ensure cost-effective delivery to customers across the country and reduce emissions.

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



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

day a week. The Ministry of Transport and Communications' proposed amendments to the Postal Service Act were presented for consultation in January and are thus in line with both the market situation and the Board's assessments.

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

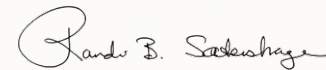
The Group will continue our long-term, systematic work within sustainability with a particular focus on health, safety and the environment (HSE), diversity and the external environment.

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

15 March 2018



Idar Kreutzer (Chair)



Randi B. Sætershagen (Deputy Chair)



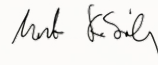
Tove Andersen



Odd Christian Øverland



Anne Britt Berentsen



Morten Karlsen Sørby



Ann-Elisabeth Wirgeness



Erling A. Wold



Lars Nilsen



Tone Wille (CEO)

Corporate governance

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



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

The Norwegian State is the company's sole owner. As a result of this, Posten's corporate governance deviates from section 4 of the Code of Practice on the equal treatment of shareholders and transactions with close associates, section 5 on freely negotiable shares, section 6 on general meetings, section 7 on nomination committees and section 14 on take-overs.

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

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

1. Implementation and reporting on corporate governance

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

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

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

By virtue of its operations, Posten is a prominent social actor and has, as a service provider with a statutory duty to deliver pursuant to the Postal Service Act, been assigned an important social mission through its licence from the Ministry of Transport and Communications – that of ensuring nationwide, high quality and cost-effective postal services. This social mission also entails a special responsi-

bility with regard to how this mission is carried out.

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

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

Posten's activities are labour-intensive.

In total, the Group employs around 16,000 full-time equivalents. Health, Safety and the Environment (HSE) is therefore a high priority within the Group's corporate social responsibility work. The Group's aims to ensure that nobody is injured or becomes sick as a result of working in or for Posten and Bring. The Group works continuously in a goal-oriented manner to reduce sick leave and the number of employees who become unfit for work and to avoid lost-time injuries.

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

2. Business

Posten's social mission is to ensure the provision of high quality and reasonably priced nationwide postal services in Norway. This

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

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

All of these conditions are stated in section 3 of Posten's articles of association. The full text of the articles of association is available from postennorge.no.

As well as meeting the service requirements vis-à-vis its social mission, the Group shall also be run profitably on commercial terms, meet its owner's required rate of return and adapt its activities to the structural changes that take place in the market. This also means that unprofitable statutory postal services that form part of its social mission must be financially compensated for by the owner.

Within this framework, Posten has developed over the past decades into an industrial group that operates in the mail and logistics business areas with the Nordic region as its home market. The markets in which the Group

operates are characterised by fierce competition and major technological and structural changes. These changes present Posten with significant challenges with regard to adapting to new customer requirements, competitiveness, market position and profitability.

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

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

- Posten shall develop strong, profitable and sustainable market positions within the areas in which the Group operates.
- Posten shall ensure a satisfactory return on all investments and competitive value development over time.
- Posten shall perform its social mission in accordance with the approved licence requirements.
- Posten's business shall be custom-

er-oriented, meet customers' requirements efficiently, and be available where customers are.

- Posten shall have a balanced portfolio of activities that strengthens our capacity to serve the customers' needs.
- Posten shall be a trusted third party for our customers
- Posten shall ensure a unified culture and shared values, which also provide room for diversity
- Posten shall work to extract cost benefits through efficiency measures, coordinating the value chain, industrialisation and continuously improving processes, as well as transparent and integrated business management.
- Posten shall be an environmental leader and work actively to reduce the company's impact on the external environment.
- Posten shall develop good, attractive workplaces.

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

3. Equity and dividends.

Equity

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

Dividends

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

and the company is thus subject to the government's dividend policy at any given time. The Norwegian State has a dividend policy whereby 50 per cent of the Group's profit after tax can be distributed as dividends.

However, before the annual dividend is determined an independent assessment of the Group's equity and liquidity must be carried out to ensure a prudent level based on the risks associated with the Group's activities and their scope.

4. Equal treatment of shareholders and transactions with close associates

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

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

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

5. Freely negotiable shares

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

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

regard this section of the Code of Practice's as relevant to Posten.

6. General meetings

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

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

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

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

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

7. Nomination committee

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

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

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

Corporate assembly

Posten is subject to the main rule of the Norwegian Companies Act that a corporate assembly must be appointed if a company has more than 200 employees. However, the

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

Board's composition

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

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

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

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

During 2017, one employee-elected board member was replaced, while one shareholder-elected board member stood down from the Board without being replaced. This

means that the Board's composition in 2017 was as follows:

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

Independence of the Board of Directors

The Board of Directors assesses the independence of its members on a continuous basis. As at 31 December 2017, all of the shareholder-appointed representatives were deemed to be independent board members, since they were not considered to have commercial, family or other relationships that could be deemed to affect their evaluations or decisions as board members of Posten.

9. The work of the board of directors

The Board's duties

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

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

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

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

The Board's responsibility for reviewing

and reporting risk management and internal control is described in more detail under section 10.

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

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

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

The Board's audit committee

The Board has established an audit committee consisting of two board members. The audit committee meets at least five times a year. The audit committee shall operate as a case preparation body for the Board and support the Board in carrying out its responsibility for financial reporting, risk management, internal control and external auditing. The committee's main duties are: to prepare the

Board's follow-up work on reporting processes for the financial accounts (including ongoing contact with the company's external auditor regarding the audit of the annual financial statements), to supervise the systems for internal control and risk management and to supervise the work and independence of the external auditor.

The audit committee had six meetings in 2017.

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

The Board of Director's remuneration committee

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

The remuneration committee had four meetings in 2017.

10. Risk management and internal control

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

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

Risk management and internal control depend on people. Managers at all levels are responsible for ensuring that risk management and good internal control systems are established within their own area, that these have the necessary effect and that they are put into operation in an expedient manner.

The Board ensures that risk management and internal controls are integrated into the core and support processes of the Group, and follows this up regularly

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

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

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

Group. Subsidiaries are responsible for their Group/Company accounts being reported in accordance with the Group's policies and routines.

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

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

Openness is one of the Group's core values and a significant element in the company's general risk management and internal control. Openness is especially important for the prevention and rectification of deviations. All employees and business partners

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

A whistle-blowing system has been established to ensure reports are properly received and followed up. The corporate unit for misconduct shall ensure that the reports are not met with negative reactions or sanctions. The Board's audit committee reviews the report from the Group's corporate unit for misconduct every six months.

11. Remuneration of the board of directors

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

12. Remuneration to senior executives

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

The statement shall be presented to the ordinary general meeting.

The Board considers incentive systems to be an important tool for focusing management on increasing company profitability in line with the owner's interests. It is against this background that a bonus scheme for individuals in key positions has been established. Payment under these schemes will be covered by the company's business.

Information about total remuneration and the Board's statement concerning the

determination of salaries and other benefits for executives, is included in note 2 to the annual financial statements.

13. Information and communications

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

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

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

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

14. Take-overs

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

15. Auditor

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

The auditor takes part in Board meetings that handle the annual financial statements in order to improve the Board's basis for making decisions. In the same or a separate meeting, the auditor presents the audit and gives his view of the Group's accounting policies, risk areas, internal control procedures and the Group's bookkeeping. The conclusions are presented in an annual, numbered letter to the board.

The Group's policy allows the use of the auditor in naturally audit-related tasks in

addition to the statutory audit. The Board informs the general meeting of the remuneration to the auditor.

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

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

1. "details of the recommendations and rules on corporate governance which cover the enterprise or which the enterprise otherwise decides to follow": see the report's section 1 Implementation and reporting on corporate governance.
2. "Information on where the recommendations and regulations mentioned in no. 1 are publicly available": see the report's section 1 Implementation and reporting on corporate governance.
3. "reasons for any deviation from the

recommendations and rules mentioned in no. 1"

There are five instances of deviations, which are described in detail in the report's section 4 Equal treatment of shareholders and transactions with close associates, section 5 Freely negotiable shares, section 6 General meetings, section 7 Nomination committee, and section 14 Take-overs.

4. "a description of the main elements in the company's, as well as the Group's if consolidated accounts are also prepared, systems for internal control and risk management related to the accounts reporting process": see the report's section 10 Risk management and internal control.
5. "provisions of the articles of association which fully or partly expand or exclude provisions of chapter 5 of the Public Limited Companies Act": see the report's section 6 General meetings.
6. "the composition of the Board of Directors, corporate assembly, representative and control committee; if applicable any working committee for these bodies, as well as a description of the main elements in the applicable

instructions and guidelines for the bodies' and, if applicable, the committees' work": see the report's section 8 Corporate assembly and board of directors: composition and independence and section 9 The work of the board of directors.

7. "provisions of the articles of association which regulate the appointment and replacement of Board members": see the report's section 8 Corporate assembly and board of directors: composition and independence.
8. "provisions of the articles of association and powers of attorney which give the Board the power to decide that the company shall buy back or issue shares or equity certificates".
Posten does not have any provisions in the articles of association or powers of attorney that give the Board the power to decide that the company shall buy back or issue shares or equity certificates. Also see the report's section 3 Equity and dividends and section 4 Equal treatment of shareholders and transactions with close associates.



Deviation from the Code of Practice.

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

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

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Financial statements Posten Norge Group 2017

Income statement

Amounts in MNOK

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

Statement of comprehensive income

Amounts in MNOK

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

Balance sheet

Amounts in MNOK

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

15 March 2018


Idar Kreutzer (leder)


Randi B. Sætershagen (nestleder)


Morten Karlsen Sørby

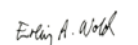

Ann-Elisabeth Wirgeness


Tove Andersen


Odd Christian Øverland


Anne Britt Berentsen


Lars Nilsen


Erling A. Wold


Tone Wille (konsernsjef)

Cash flow statement

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

Amounts in MNOK

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

Statement of changes in equity

Amounts in MNOK

	Controlling interests						Non-contr. interests	Total equity
	Share capital	Share premium reserves	Hedging reserve	Transl. differences	Retained earnings	Other equity		
Equity 01.01.2016	3 120	992	(17)	195	1 637	2 808	(2)	5 926
Profit for the year					36	36	4	39
Other comprehensive income/ (expenses)			17	(13)	(55)	(50)		(50)
Total comprehensive income/ (expenses)			17	(13)	(19)	(15)	4	(11)
Addition non-controlling interest					(13)	(13)	13	
Other changes in equity					(3)	(3)		(3)
Equity 31.12.2016	3 120	992		183	1 602	2 777	14	5 912
Equity 01.01.2017	3 120	992		183	1 602	2 777	14	5 912
Profit for the year					382	382	6	388
Other comprehensive income/ (expenses)			(3)	131	(32)	96		96
Total comprehensive income/ (expenses)			(3)	131	350	477	6	483
Dividend paid					(19)	(19)	(2)	(21)
Addition non-controlling interest							15	15
Other changes in equity					(3)	(3)	(11)	(14)
Equity 31.12.2017	3 120	992	(3)	314	1 930	3 233	22	6 375

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Posten Norge Group

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

Accounting principles

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

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

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

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

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

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

1. Changes in accounting principles and notes

The accounting policies applied are consistent with previous years. In addition, the Group implemented some new and amended standards and interpretations published by the IASB and approved by the EU, effective from the accounting year starting on 1 January 2017. The implementation of these new and amended standards and interpretations did not affect the financial statements significantly.

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

The following standards and statements that are relevant for Posten have been issued, but have yet to take effect or lacked approval by the EU for the financial year 2017.

2.1. IFRS 9 Financial Instruments

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

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

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

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

The standard will be effective for the accounting year 2018.

2.2 IFRS 15 Revenue from Contracts with Customers

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

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

Identification of separate performance obligations

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

Recognition of income when performance obligations have been satisfied

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

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

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

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

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

2.3 IFRS 16 Leases

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

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

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

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

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

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

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

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

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

Implementation method

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

Consequences for the financial reporting

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

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

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

The Group's further work until implementation

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

3. Accounting estimates

The preparation of the Group's financial statements requires management to make estimates and assumptions affecting revenues, expenses, assets and liabilities, the accompanying notes and the disclosure of contingent liabilities. Management is required to make critical accounting judgements in

applying the Group's accounting policies. This will, among other judgements, include assessment of interest ownership and ability to exercise control to consider if the Group has significant influence or control over companies and hence choosing appropriate consolidation principles. Material critical accounting judgements made will be described. Sources of estimation uncertainty and assumptions concerning the future that represents a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

3.1 Estimated impairment of assets

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

3.2 Pensions

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

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

Details are given in [note 3](#).

3.3 Provisions

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

3.4 Deferred tax assets

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

4. Foreign currency translation

4.1 Functional currency and presentation currency

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

4.2 Transactions and balance sheet items

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

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

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

4.3 Subsidiaries, associated companies and joint ventures

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

5. Consolidation principles

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

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

Intercompany transactions and balances, including internal profit and unrealised gains and losses, have been eliminated.

5.1. Consolidation principles: Subsidiaries

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

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

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

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

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

5.2 Consolidation principles: Associates and joint ventures

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

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

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

6. Segment reporting

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

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

7. Revenues

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

7.1 Revenue: Mail segment

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

Letter services comprise the sale of stamps, franking and international mail. The sale of stamps is considered to be advance payments for the sale of postal services and is recognised as income when the service delivery takes place. Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption, and other postage sales are billed and recognised when letter products are delivered. International mail within ordinary terminal charge agreements is recognised on the basis of the calculation of volumes and preliminary prices, and adjusted the following year when final prices are received from the International Post Cooperation.

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

Dialogue services, including precise target groups, addresses, outsourcing services within sales, customer service and customer-oriented marketing, are recognised at the time of the delivery of the service and significant risks are transferred to the customer.

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

7.2 Income: Logistics segment

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

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

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

8. Pensions

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

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

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

9. Taxes

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

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

- deferred tax liabilities arising from the initial recognition of taxable non-depreciable goodwill
- deferred tax arising from a first-time recognition of an asset or liability in a transaction that
 - is not a business combination and,
 - on the transaction date, neither impacts the accounting profit, nor taxable income (taxable loss)
- deferred tax concerning investments in subsidiaries, branches and associates, in addition to shares in joint ventures where the parent company can control the time for reversing the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

10. Intangible assets

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

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

10.1 Intangible assets: Development costs

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

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

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

10.2 Intangible assets: Goodwill

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

11. Tangible fixed assets

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

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

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

12. Investments in subsidiaries, associated companies and joint ventures

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

13. Impairment of non-financial assets

An impairment requirement is recognised if the carrying amount of a valuation unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less sales costs and value in use, where value in use is the present value of estimated cash flows relating to future use. If cash flows relating to an individual asset are independent of cash flows relating to other assets, the individual asset constitutes a

valuation unit. If not, a valuation unit is identified at a higher level and is called a cash-generating unit. A cash-generating unit shall be defined consistently over time. A cash-generating unit is defined as the smallest identifiable group of assets generating incoming cash flows and shall essentially be independent of incoming cash flows from other assets or groups of assets.

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

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

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

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

13.2. Impairment: Other assets with finite useful lives

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

14. Provisions for liabilities

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

14.1 Provisions: Restructuring

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

14.2 Provisions: Onerous contracts

A provision for onerous contracts is recognised when the Group's expected income from a contract is lower than the unavoidable expenses incurred to meet the obligations of the contract. As a main rule, the Group

defines unavoidable expenses as direct costs related to the loss and does not include indirect costs in the estimated provision. A provision is generally made when a reliable estimate of the obligation amount can be estimated.

15. Contingent liabilities and assets

Contingent liabilities include:

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

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

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

16. Financial instruments

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

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

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

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

16.1 Financial instruments: Hedging

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

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

Hedge accounting ceases when:

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

16.1.a Hedging: Cash flows

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

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

16.1.b Hedging: Net investment in a foreign entity

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

16.1.c Hedging: Fair value

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

16.2 Financial instruments: Derivatives that are not hedging instruments

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

16.3 Impairment: Financial instruments

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

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

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

17. Accounts receivable

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

18. Cash and cash equivalents

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

19. Loans

Loans are recognised initially at fair value when paid, net of transaction costs incurred. In subsequent periods, the loans are recognised at amortised cost using the effective interest method. Amortised cost is

the amount at which the financial obligation is measured initially less repayments (instalments, interest and service charges etc.), including effective interest.

20. Equity

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

20.1. Equity: Translation differences

Translation differences arise in connection with currency differences in the consolidation of foreign subsidiaries and when recognising foreign associates and joint ventures according to the equity method. Currency differences relating to monetary items (debts or receivables where settlements are neither planned, nor likely to occur within a short period), and in reality constitute a part of a company's net investment in a foreign subsidiary, are treated as translation differences. When a foreign entity is sold, the accumulated translation difference related to the entity is reclassified and recognised in the income statement in the same period as the gain or loss of the sale is recognised.

20.2 Equity: Hedge reserve

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

20.3 Equity: Costs relating to equity transactions

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

21. Leasing

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

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

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

22. Events after the reporting period

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

Segment information

Note 1 Segments

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

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

The reporting segments contain the following:

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

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

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

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

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

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

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

Warehouse services comprise storage, handling and picking-up services in addition to the unloading of vehicles, sealing of pallets, installation/repair of equipment and construction of sales pallets. The service has the following categories:

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

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

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

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

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

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

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

Elimination: eliminations of internal transactions

Result per segment

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

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

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

Balance sheet per segment

2017	Mail	Logistics	Other	Eliminations	Group
Associates and joint ventures	35	429			464
Other non-current assets	2 234	5 670	182		8 085
Current assets	1 145	2 928	17	(22)	4 068
Total allocated assets	3 413	9 027	198	(22)	12 617
Deferred tax assets					281
Interest-bearing receivables					127
Liquid assets					3 937
Total non-allocated assets					4 345
Total assets					16 962
Provision for liabilities	603	902			1 505
Total interest-free liabilities	2 328	2 809	205	(22)	5 321
Total allocated liabilities	2 931	3 711	205	(22)	6 825
Total interest-bearing liabilities					3 761
Total non-allocated liabilities					3 761
Total liabilities					10 587
2016	Mail	Logistics	Other	Eliminations	Group
Associates and joint ventures	23	358			381
Other non-current assets	2 296	5 767	215		8 278
Current assets	1 111	3 131	226	(193)	4 275
Total allocated assets	3 431	9 256	441	(193)	12 935
Deferred tax assets					396
Interest-bearing receivables					93
Liquid assets					1 875
Total non-allocated assets					2 364
Total assets					15 299
Provision for liabilities	718	870			1 588
Total interest-free liabilities	2 097	3 100	402	(193)	5 406
Total allocated liabilities	2 815	3 970	402	(193)	6 994
Total interest-bearing liabilities					2 394
Total non-allocated liabilities					2 394
Total liabilities					9 388

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

Investments per segment

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

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

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

Cash flow per segment

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

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

Changes in other accruals were mainly due to an increase in receivables due to increased activity in the Logistics segment. Investments include both investments in non-current assets and businesses.

Investments in fixed assets mainly relate to new buildings and production equipment in connection with the establishment of a new terminal structure. Proceeds from sale of non-current assets and businesses mainly comprise sale of Bring SCM and real estate companies in Norway and Sweden.

Geographical information

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

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

1) Other countries mainly constitute other Nordic countries.

Income statement items

Note 2 Payroll expenses and other remunerations

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

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

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

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

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

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

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

The Board of Directors

External board members do not have pension schemes or other benefits other than board remuneration. Employee representatives only have pension schemes related to their employment in Posten Norge AS. The Annual General Meeting determines the remuneration to the Board of Directors of Posten Norge AS. The board fees for 2017 were approved in the Annual General Meeting on 29 June 2017, and the board members received the following remuneration in 2017:

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

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

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

Other compensation to board members

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

Group management – compensation

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

2017

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

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

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

2) Accrued bonus at 31 December 2017

3) Other benefits include company cars and electronic communication

4) Gunnar Henriksen was group director from 1 January to 31 May 2017 and acting group director until 31 December 2017

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

2016

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

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

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

2) Include company cars and electronic communication

3) Other benefits include free car and electronic communication

4) Tone Wille was in October 2016 hired as the new CEO in the Group. The annual basic pay of the CEO was agreed to 4 MNOK. In addition to this, the CEO received free telephone/broadband, car allowance of 274 KNOK per year and parking at the workplace. A bonus arrangement was also agreed upon, which gave the CEO a maximum bonus of 500 KNOK per year. Tone is a member of the company's pension and employer's liability insurance in accordance with the existing group schemes at Posten Norge AS.

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

Bonus schemes

Posten Norge AS has a bonus scheme for the CEO and Group management. The scheme has two parts, one element based on the consolidated Group results and one on individual results. A bonus of up to 6 months' salary can be achieved. For the CEO, there was an upper limit for bonus payments of KNOK 500. The final decision regarding bonuses is made by the Board (the CEO for Group management). Bonuses are as a main rule only paid to persons maintaining their positions as at 31 December.

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

Pension schemes

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

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

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

Severance pay

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

Statement on the determination of salaries and other remuneration to executives

in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries

(Approved by the Board on 15 February 2018)

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

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

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

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

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

1. Posten Norge AS

The remuneration to senior employees in 2017 has been in accordance with Statement of salaries and other remuneration to executives in Posten Norge AS, adopted on 16 February 2017 (in the following, last year's statement).

In 2017, an employment contract was made with two new Group directors. The terms in both agreements are in accordance with last year's statement.

The Board has not approved any long-term incentive scheme for senior employees in 2017, as the statement allows for.

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

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

2. Posten Norge AS' wholly owned subsidiaries

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

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

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

Before 13 February 2015, an insurance scheme implying that the company's senior employees have benefits deviating from the other employees was established in a wholly owned Norwegian subsidiary. The insurance scheme was not adjusted in 2017 as planned, but will be adjusted in 2018 in order to give senior employees and the other employees the same arrangements.

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

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

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

1. The main principles for the executive remuneration policy

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

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

2. Elements of executive pay

2.1 Basic salary

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

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

2.2 Variable salary

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

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

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

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

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

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

2.3 Other benefits

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

2.4 Insurance

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

2.5 Severance pay

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

agreements where the company's top executive waives employment protection, the size of the severance pay shall not be finally determined in the advance agreements.

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

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

3. Share options and programs

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

4. Board remuneration

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

5. Pension benefits

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

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

Note 3 Pensions

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

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

	2017	2016
Main categories of pension assets at fair value		
Equity instruments (shares, bonds)	100	79
Debt instruments	103	115
Property	21	21
Other assets	36	33
Total pension assets	260	248
Pension estimate (loss)/gain at 01.01.	508	582
Changes in discount rate, pension liabilities	(10)	(47)
Changes in other financial assumptions, pension liabilities	(6)	1
Changes in demographic assumptions, pension liabilities	(1)	(50)
Changes in other factors, pension liabilities	(25)	12
Changes in other factors, pension assets	8	9
(Loss)/gain for the year in total comprehensive income	(35)	(74)
Pension estimate (loss)/gain in total comprehensive income at 31.12.	473	508
Defined contribution pension schemes		
Number of members	19 494	20 781
Share of salary	1-49%	1-35%
Defined benefit pension schemes		
Actuarial assumptions		
Discount rate	2,4-2,7%	2,25-2,8%
Expected salary regulation	2,0-2,95%	2-2,65%
Expected G regulation	2,25-2,95%	2,25%
Expected pension regulation	0,4-1,5%	1,5-2,25%
Expected yield	2,4-2,7%	2,25-2,8%
Expected voluntary retirement (below 50 years)	3,5-5%	3,5-5%
Expected voluntary retirement (over 50 years)	1,5-5%	1,5-5%
Expected use of AFP	40-60%	40-60%
Demographic assumptions on mortality rate	K2013	K2013

Defined contribution schemes

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

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

Some companies in the Group's Swedish operations had defined benefit schemes, ITP2, which, pursuant to IAS 19, do not qualify for recognition in the balance sheet. In accordance with Swedish rules, the pension

liability is covered by capital insurance and accounted for as a contribution scheme in the consolidated financial statements.

The defined contribution pension plans in Sweden and Denmark had variable contribution rates based on different calculation bases and rate ranges. In Sweden, as an example, the calculation basis for some employees is a so-called "income base amount" (IBB). In 2017, this constituted 62 500 Swedish kroner (59 300 Swedish kroner in 2016).

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

AFP (early retirement) scheme

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

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

Defined benefit schemes

The Group has defined benefit pension plans. Some of these schemes are nevertheless presented as contribution plans and expensed on a current basis. The majority of the Group's defined benefits schemes relate to the fact that Posten Norge AS withdrew from the Norwegian Public Service Pension Fund, giving those employed at the transition date the right to various compensation and guarantee schemes (cf. [note 2](#) for Posten Norge AS). Pension funds in the Group basically relate to benefit schemes for companies in the Bring Cargo Group and Bring Frigo AB.

Assumptions

For 2017, changes have been made to the financial assumptions, basically in accordance with recommendations from the Norwegian Accounting Standards Board (NRS). Posten Norge uses covered bonds (OMF) as its basis for the discount rate. Posten has decided that covered bonds (OMF) in 2017 qualify as corporate bonds with adequate credit worthiness and market depth to be the basis for the discount rate under IAS 19.

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

Sensitivity

The table below shows estimated effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2017 with the assumption that all other premises are unchanged. The actual figures can deviate significantly from these estimates.

	Discount rate		Pension regulation		Voluntary retirement	
Change (percentage points)	+1%	-1%	+1%	-1%	+1%	-1%
Change in gross pension liabilities (reduction)/increase	(161)	165	38	(31)	(36)	27
Percentage change	-15%	16%	4%	3%	3%	3%

Note 4 Other operating expenses

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

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

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

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

Note 5 Other income and expenses

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

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

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

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

The corresponding provision in 2016 was MNOK 228, and the reversal MNOK 8. For 2016, the restructuring costs mainly concerned adjustment to on one joint mail flow in Posten Norge AS from January 2018, and the winding-up of operations in Bring Freight Forwarding AB (formerly Bring Cargo Inrikes AB).

Total provisions for restructuring are shown in [note 11](#).

Gains on sales of fixed assets and subsidiaries

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

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

Other income and expenses

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

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

Note 6 Financial income and financial expenses

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

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

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

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

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

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

[Note 18](#) has details on the Group's financial risk and capital management.

Note 7 Taxes

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

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

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

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

Changes in deferred tax asset

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

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

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

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

An assessment was made of companies with deferred tax assets concerning recognition in the balance sheet. Deferred tax assets not recognised in the balance sheet mainly concerned losses to carry forward in Sweden and Denmark. The losses to carry forward included in the basis for the deferred tax asset recognised in the balance sheet are based on expected future profits and opportunities for group contributions. There are no time limits related to the losses.

The effect of the changed tax rate relate to the underlying assets recognised partly in the income statement and partly in other comprehensive income. The tax effect has been recognised correspondingly. The effect of the changed tax rate recognised in other comprehensive income of MNOK 6 mainly concerns changes in pension estimates, offset by hedges in foreign subsidiaries.

Non-financial assets and liabilities

Note 8 Intangible assets

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

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

	IT development etc.	Projects in progress	Goodwill	Total
Carrying amount 01.01.2016	374	68	1 898	2 339
Additions	15	176		191
Additions internally developed intangible assets		35		35
Additions from company acquisitions (note 23)	1		79	80
Amortisation for the year	(135)			(135)
Impairment for the year	(1)	(6)	(229)	(236)
Adjustment of cost price/scraping	(1)			(1)
Translation differences	(2)		(77)	(79)
Transfers from projects in progress	69	(69)		
Carrying amount on 31.12.2016	320	203	1 671	2 194
Acquisition cost 01.01.2016	2 351	68	3 372	5 790
Accumulated amortisation and impairment 01.01.2016	(1 977)		(1 474)	(3 451)
Acquisition cost 31.12.2016	2 167	209	3 297	5 673
Accumulated amortisation and impairment 31.12.2016	(1 847)	(6)	(1 626)	(3 479)
Carrying amount 31.12.2016	320	203	1 671	2 194
Depreciation method	Straight-line			
Useful life	3 - 10 years			

IT development etc.

Total intangible assets related to IT development etc. recognised in the balance sheet at 31 December 2017 constituted MNOK 397, of which MNOK 359 concerned Posten Norge AS. Approximately MNOK 150 of the balance sheet value concerned some projects in the group-shared transformation program Nye Posten and Bring (NPB). The projects comprised new ERP-, production- and customs-systems for parts of the Group's operations, in addition to a new CRM system. A group-shared IT platform was capitalised by MNOK 38. MNOK 24 concerned Oracle E-business Suite, constituting solutions for a shared address register, response sending system, accounting and salary systems, as well as HR and order systems. The program also includes a route register. A development platform and shared client software for the use of handheld terminals amounting to MNOK 25 was recognised in the balance sheet, as well as investments in production support systems and several projects concerning web solutions.

As part of Posten Norge's adaptation of services to new user needs, a solution for a secure digital postal system, Digipost, has been developed. At year-end, it had approximately 1,6 million users. The system's value in the balance sheet at year-end was MNOK 36.

For intangible assets with finite useful economic lives, the amortisation period for the Group was 3-10 years in 2017 (the same as in 2016), depending on the useful economic life of each individual component based on an individual assessment. In the income statement, the amortisation for the year is presented on the line for depreciation and amortisation.

Projects in progress

Projects in progress at 31 December 2017 amounted to MNOK 227, of which approximately MNOK 160 concerned IT investments related to the group-shared transformation program Nye Posten and Bring (NPB). The program shall support line management in their efforts to achieve the Group's strategic and operational goals. The program comprises group-shared improvement initiatives and IT investments that in total shall contribute to give the Group an improved basis for its operations. The IT investments also concerned updating and improving the management of the Group's infrastructure, recognised at MNOK 23 in the balance sheet as at 31 December 2017.

Impairment of IT development etc. and projects in progress

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

All projects in progress are assessed annually and tested for impairment in the event of any indications of reduced values. No significant need for impairment was recognised in 2017 or 2016 for IT development etc. or projects in progress.

Goodwill

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

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

Additions and disposals of goodwill

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

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

Details on acquisitions and sales of companies, together with other changes in the Group's structure, are given in [note 23](#).

Impairment of goodwill

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

Forecasts

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

The Mail segment is characterised by a decline in the volume of letters, some increased price pressure and efficiency efforts in production and distribution. Significant cost elements are salaries and external service and operating expenses that are affected by price negotiations and inflation. In the Logistics segment, profit margins are influenced by strong competition and price pressure. Several efforts are made to introduce initiatives to increase cost-effectiveness in the segment. Hence, the Group's forecasts for the Logistics segment include profitability improvements. Significant cost elements are external service costs that are affected by price negotiations and inflation. The Group is sensitive to fluctuations in market trends in Norway and the Nordic countries, especially related to the Logistics segment. This is reflected in the growth rates of the Group entities.

Other assumptions (growth and required rate of return)

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

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

Overview of goodwill and key assumptions per segment

Segment	Goodwill	Discount rate before tax (WACC)		Long-term growth rate	
		2017	2016	2017	2016
Mail	149	8,8%	8,8%	0 - 2%	0 - 2%
Logistics	1 346	9,1%	9,1%	2%	2%
Total Group	1 495				

Result from impairment tests in 2017

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

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

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

Sensitivity analyses

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

Sensitivity in EBIT margin:

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

Note 9 Tangible fixed assets

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

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

	Machinery	Vehicles, fixtures and fittings	Buildings, property	Plants under constr., machine- ry and plants	Plants under constr., buildings	Total
Carrying amount 01.01.2016	405	1 290	3 025	96	757	5 574
Additions	23	162	95	170	567	1 017
Disposals	(9)	(81)	(3)	(1)	(1)	(95)
Additions through company acquisitions (note 23)		41	84		17	141
Disposals through sales of companies (note 23)			(16)			(16)
Depreciation for the year	(94)	(320)	(145)			(559)
Impairment for the year		(36)	(41)			(77)
Adjustment of cost price/scrapping	16	(24)	(28)			(36)
Translation differences	(7)	(42)	(35)			(84)
Transfers from assets under construction	14	18	56	(33)	(56)	
Carrying amount 31.12.2016	348	1 008	2 992	233	1 284	5 866
Acquisition cost 01.01.2016	1 441	2 890	4 585	96	757	9 769
Accumulated depreciation and impairment 01.01.2016	(1 036)	(1 600)	(1 560)			(4 195)
Acquisition cost 31.12.2016	1 385	2 557	4 494	233	1 284	9 954
Accumulated depreciation and impairment 31.12.2016	(1 037)	(1 549)	(1 502)			(4 088)
Carrying amount 31.12.2016	348	1 008	2 992	233	1 284	5 866
Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	4-20 years	1-15 years	5-50 years			

Additions of tangible fixed assets

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

The Alnabru project is a co-location of the services parcels and freight and refrigerated and frozen transport. This involves the construction of a new production building for parcels, purchase of production equipment for parcels and freight as well as a new building and production facilities for thermo activities. In addition, the freight centre (Postens Godssenter) has been rebuilt and united with the new logistics centre at Alnabru. Upper limit for the project, including land and production equipment is MNOK 1 573. The project had used MNOK 1 496 at 31 December 2017, whereof MNOK 142 incurred in 2017. At the end

of 2017, the entire plant was in full operation. The costs for the building and technical installation at the Alnabru project are decomposed, and the depreciation period is 30 and 15 years, respectively. Technical installations include electrical facilities, ventilation and elevator.

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

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

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

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

Disposals of tangible fixed assets

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

Further information on additions/sales of businesses is provided in [note 23](#).

Other matters

Interest on building loans

Tangible fixed assets in the Group included capitalised building loan interest amounting to MNOK 87 at 31 December 2017 (MNOK 86 at 31 December 2016), and mainly related to the terminal at Robsrud and the new logistics centre at Alnabru in Oslo.

Insurance

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

Finance lease contracts

Information on finance leases is provided in [note 22](#).

Note 10 Investments in companies and businesses

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

Investments in associated companies and joint ventures

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

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

Danske Fragtmænd A/S

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

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

Posten Norge AS' ownership share in Danske Fragtmænd A/S was recognised in the Group's balance sheet at the following values:

Year	Book value 01.01.	Profit share	Dividend	Other differences	Book value 31.12.
2017	347	8	(16)	79	418
2016	345	17	(15)		347

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

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

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

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

Note 11 Provisions for liabilities

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

	Restructuring	Pension	Other	Total
Balance 01.01.2016	155	1 019	406	1 579
Provisions recorded during the year	228		22	250
Reversals of previous year's provisions	(8)		(25)	(33)
Interest effect from discounting	1		3	4
Translation differences	(2)	(23)	(25)	(50)
Provisions utilised during the year	(79)		(16)	(95)
Change in pension liabilities during the year		57		57
Balance 31.12.2016	295	1 052	365	1 712
Provisions recorded during the year	47		27	74
Reversals of previous year's provisions	(62)		(1)	(62)
Interest effect from discounting			15	15
Translation differences	3	11	21	34
Provisions utilised during the year	(108)		(44)	(152)
Change in pension liabilities during the year		31		31
Balance 31.12.2017	174	1 094	383	1 653
Short-term part of provisions	86		62	148
Long-term part of provisions	88	1 094	322	1 505

Restructuring

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

The liabilities as at 31 December are specified below:

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

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

Pensions

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

Other

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

Other provisions in the Group as at 31 December 2017 include onerous contracts concerning thermo warehouses in the Bring Frigo Sweden Group. The provisions are a consequence of reduced levels in the rental market for thermo warehouses in the remaining period for the lease agreements (2024-2026). Future reversals of the provisions will be made with approximately identical annual amounts.

Disputes

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

Financial assets and liabilities

Note 12 Overview of financial assets and liabilities

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

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 comprehensive income	Receivables		Other financial liabilities
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)								
			(607)	142	(16)			(481)

2016	Note	Valuation hierarchy level	At fair value		At amortised cast		Total 2016
			FVO - Fair value through profit and loss	Derivatives at fair value through profit and loss	Derivatives at fair value through comprehensive income	Receivables	
Assets							
Interest-bearing non-current receivables	13					8	8
Other financial non-current assets	19	2		194		28	223
Interest-free current receivables	14	2		12	39	4 203	4 255
Interest-bearing current receivables	13					85	85
Liquid assets	15						1 875
Total financial assets							6 446
Liabilities							
Interest-bearing non-current liabilities	16	2	635			1 344	1 978
Interest-free non-current liabilities	17	2		24	2	2	29
Interest-bearing current liabilities	16					415	415
Interest-free current liabilities incl. tax payable	7,17,19	2		8	8	5 362	5 378
Total financial liabilities							7 800
Total value hierarchy level 1 (net)							
Total value hierarchy level 2 (net)			(635)	175	29		(431)
Total value hierarchy level 3 (net)							

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

Information on fair value

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

Level 1: Use of listed prices in active markets

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

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

No financial assets or liabilities have been reclassified in 2017 in such a way that the valuation method has been changed from amortised cost to fair value, or vice versa. There were no transfers between level 1 and level 2 of fair value measurements in 2017, and no registrations of financial assets or liabilities in or out of level 3.

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

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

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

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

The fair value of receivables and other financial liabilities at 31 December 2017 was approximately the same as book value (amortised cost).

Note 13 Interest-bearing non-current and current receivables

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

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

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

Note 14 Interest-free current receivables

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

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

The carrying amount of interest-free current receivables was approximately the same as their fair value at 31 December 2017, explained by the fact that most of the outstanding accounts receivable was not yet due. The Group had no significant credit risk relating to one individual contracting party, or to several contracting parties that could be regarded as one group due to similarities in credit risk. The Group has guidelines to ensure that credit sales take place only to customers with adequate payment ability and that

outstanding amounts do not exceed established credit limits. There are no indications that customer receivables not yet due, or already provided for on the balance sheet date, are not collectible.

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

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

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

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

Note 15 Liquid assets

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (cf. section 18 "Cash and cash equivalents" in the Group's accounting principles).

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

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

A corporate cash pool in Nordea is used in Norway, Sweden, Denmark and the UK, and according to the agreements, Posten Norge AS is the group account holder. The banks can settle withdrawals and deposits against each other, and the net position will accordingly represent the balance between the bank and the group account holder. Some companies in the Group, primarily countries other than the above, are not part of the cash pool. Total deposits on bank accounts outside the corporate cash pool system amounted to MNOK 56 as at 31 December 2017. Posten had unused credit facilities on the cash pool account in Nordea and DNB of MNOK 500 and MNOK 50, respectively, as at 31 December 2017.

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

Information about market-based investments and interest funds is also provided in [note 18](#).

A considerable portion of the cash and cash equivalents are connected to liquidity needs in the sales network. Through a cash account agreement with DNB, Posten Norge is obliged, at any time, to hold sufficient cash to serve the bank's customers. Cash holdings as at 31 December 2017 amounted to MNOK 69 (the corresponding amount in 2016 was MNOK 71), and is based on a requirement to meet 95 percent of historical net withdrawals. The remuneration for this service was recognised in revenue, and interest from cash holdings is part of financial income.

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

Note 16 Interest-bearing non-current and current liabilities

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

Interest-bearing non-current liabilities

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

Interest-bearing current liabilities

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

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

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

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

[Note 18](#) "Financial risk and capital management" has details on the instalment profiles for liabilities.

Reconciliation of liabilities from financing activities

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

Note 17 Interest-free non-current and current liabilities

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

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

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

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

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

Note 18 Financial risk and capital management

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

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

Risk categories

Financial risk comprises:

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

1. Market risk

Use of financial derivatives

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

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

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

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

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

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

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

Currency risk

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

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

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

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

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

Interest rate risk

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

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

Sensitivity analyses

2017 Sensitivity analysis market risk

	Purchase currency	Currency amount	Sales currency	Currency amount	Maturity	Effect of changes +/- 20% (NOK) ¹	
						Through profit and loss	Through comprehensive income
Hedging of income in euros	NOK	98	EUR	10	2018		20
Hedging of investments in foreign entities	NOK	836	SEK	843	2018		170
Hedging of currency loan to subsidiary	NOK	110	SEK	113	2018	23	
Hedging of currency loan to subsidiary	NOK	70	EUR	7	2018	14	

1) Foreign exchange rate at 31.12.

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

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

2016 Sensitivity analysis market risk

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

1) Exchange rate at 31.12.

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

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

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

The currency sensitivity shows the effect in the income statement or other comprehensive income by changing the exchange rate at 31 December 2017 by +/- 20 percent. Forward currency contracts related to hedging income in euros and foreign investments are recognised in other comprehensive income, whereas value changes in forward contracts related to loans in foreign currencies are recognised in the income statement in total, as this will offset the effect of currency gain/losses on the loans also recognised in the income statement.

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

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

2. Credit risk

The Group has the following guidelines to reduce credit risk:

Trade accounts receivable

The Group has policies to ensure that credit sales are made only to customers with satisfactory payment ability, and that outstanding amounts do not exceed established credit limits. As at 31 December 2017, the Group has no significant credit exposure to one single counterparty.

Market-based investments

As part of the liquidity management, the Group has invested heavily in interest funds. As of 31 December 2017, the Group had MNOK 3 235 invested in various interest funds (MNOK 1 634 in 2016). According to the Group's guidelines, interest funds applied shall be liquid and have a rating of BBB- at a minimum. [Note 15](#) has details.

Bank deposits

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

Derivatives

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

Overdraft facilities

The Group has two agreements on overdraft facilities, of which neither had been utilised at 31 December 2017. One overdraft facility has been agreed with a Nordic bank syndicate, where all the participants have a rating equal to or better than A-. The facility was renegotiated in 2015 and runs for 5 years with a mutual option to extend for two additional years. The option for the first year's extension was exercised in 2016 for the year 2021, and the option for the second year's extension in 2017 for 2022. The overdraft facility amounts to MEUR 350 in the agreement's five first years and is reduced to MEUR 280 in 2021 and 2022. The other overdraft facility is a bilateral agreement of MNOK 750 with an A+ rated bank, entered in 2013 with maturity in 2018.

Maximum risk exposure

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

The Group had not guaranteed for third-party debt at 31 December 2017.

3. Liquidity risk

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

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

Maturity structure of the Group's loans/financial obligations

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

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

2) Includes derivatives recognised as assets.

3) Based on interest rate level at 31.12.

As of 31 December 2017, neither of the Group's overdraft facilities of MEUR 350 and MNOK 750 was utilised.

Capital management

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

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

In order to secure the Group financial flexibility, targets for the liquidity reserve have been defined. The liquidity reserve comprises market-based investments and unutilised overdraft facilities less certificate loans, and shall constitute a minimum of 15 percent of the Group's revenue for the last 12 months. The Group's long-term liquidity reserve at 31 December 2017 was MNOK 7 129 (MNOK 5 264 in 2016), corresponding to 28,9 percent of the Group's revenue.

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

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

In addition, net interest-bearing debt divided by EBITDA is used to measure whether the operating profit is adequate to service the Group's external debt. There were no changes in the Group's goals, principles or processes related to capital management during 2017.

Key figures for capital management

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

Debt covenants

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

The Group's overdraft facility of MEUR 350 has a clause stating that net interest-bearing debt cannot exceed 3,5 times 12 months' trailing EBITDA. As of 31 December 2017, net interest-bearing debt was - 0,1 times EBITDA (0,4 in 2016).

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

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

- "Change of control": a minimum of 51 percent public ownership
- "Negative pledge": a prohibition to mortgage assets
- "Cross default": a default in one agreement implies that all agreements are deemed default.

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

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

The Group has throughout 2017 and at the end of the year complied with the covenants in the loan agreements.

Note 19 Derivatives and hedging

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

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

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

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

Information on fair value

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

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

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

a) Cash flow hedging

Interest rate swaps

At the end of 2017, the Group had a bilateral loan of MNOK 300 where the interest rate is determined every sixth month and the annual down payment is MNOK 100. In order to secure fixed interest rate terms, an interest rate swap for corresponding amounts and maturity was entered into in September 2015.

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

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

Forward contracts EUR

Posten Norge had revenues of MEUR 24 for distributing mail from abroad in 2017 (MEUR 25 in 2016) and is expecting a little more than MEUR 21 in 2018. The exchange rate risk is partly hedged by selling forward contracts over a period of time. The changes in value of the forward contracts constituting effective hedging instruments are recognised in other comprehensive income. As of 31 December 2017, Posten Norge had forward contracts for euro revenues in 2018 totalling MEUR 10 with a negative value of MNOK 1. As a consequence of forward contracts realised in 2017, MNOK -2 were reclassified from equity to a reduction in revenue in the Mail segment (MNOK -13 in 2016).

Hedge reserve in equity

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

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

¹⁾ Positive figures represent losses.

b) Hedging of net investment in foreign entities

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

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

Interest rate swaps

As of 31 December 2017, Posten Norge had interest rate swaps not qualifying as hedging relations according to IFRS.

In 2015, Posten Norge raised a seven-year bond loan of MNOK 350 at a fixed coupon that in its entirety was swapped to floating interest rate in the same transaction. MNOK 88 was swapped back to a fixed interest rate in 2015 and MNOK 100 in 2017.

Forward contracts SEK and EUR

Posten Norge uses forward currency contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Revolving forward contracts constituted MSEK 113 and MEUR 7 as of 31 December 2017. The changes in value are recognised in the income statement and will offset changes in the loans in the income statement as a consequence of currencies.

Combined interest rate and currency swaps

In 2008 and 2013, the Group entered into long-term loan agreements with Japanese life insurance companies of 3 and 5 billion Japanese yen, respectively, at fixed interest rate terms. At the same time, combined interest rate and currency swap agreements were made, effectively giving the Group loans in Norwegian kroner with the interest rate set every third month.

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

As at 31 December 2017, the two loans from the Japanese life insurance companies were recognised at a total value of MNOK 607 (MNOK 635 in 2016), where the value changes from the borrowing date constituted MNOK 160 (MNOK 188 in 2016). This value change is offset by the interest and currency swap agreements and recognised as an asset.

An interest rate swap has also been established related to the loan of 3 billion Japanese yen, converting this loan to a fixed interest loan. In addition, an interest swap for approximately one third of the loan of 5 billion Japanese yen was made, which partly converted the loan to fixed interest. The interest rate swaps have the same maturity date as the loan, but do not qualify for hedge accounting. In the table of derivatives and hedging relationships, they are included in the line *interest rate swaps* at a negative fair value of MNOK 18 as at 31 December 2017.

Upon entering into the loan agreement for 5 billion Japanese yen in 2013 and the combined interest rate and currency agreement, Posten Norge also made a CSA (Credit Support Annex) agreement. This agreement defines how two swap counterparties shall act when the value of a swap changes in favour of one of the parties during the swap period. A deposit shall be paid/received in order to reduce the credit risk if the swap's value exceeds the threshold value (MEUR 2). The swap's value is measured monthly, and if the value in one of the parties' favour is larger than MEUR 2, the excess value shall be paid into the counterparty's account. It has also been determined that the minimum amount for such a payment is MEUR 0,5. As of 31 December 2017, Posten Norge had received MEUR 4,8 from the counterparty.

Equity information

Note 20 Equity

The shares in the parent company Posten Norge AS are owned in full by the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries (the Ministry of Transport and Communication until 31 December 2016). In Norwegian groups of companies, it is the share capital in the parent company that is significant, and equity is the basis and limitation for distributing dividend (cf. also section 20 "Equity" in the Group's accounting principles).

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

According to the dividend policy, dividends shall constitute 50 percent of group profit after tax. Before the annual dividend is determined, an independent evaluation of the financial situation in the Group and the future prospects shall be made. The proposed dividends for the accounting year 2017 are MNOK 194.

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

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

Other matters

Note 21 Guarantees/mortgages

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

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

* There has been a reclassification with the guarantee categories. Last years' figures are restated accordingly.

MNOK 136 in guarantees per 31 December 2016 relating to car rental was not included in the financial statements for 2016.

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

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

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

Note 22 Leases

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

1. Lessee

1.1 Finance leases

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

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

Posten Eiendom Robsrud AS has a finance lease for a thermal energy facility that runs until 30 June 2024. The Group's other finance leases mainly relate to vehicles within the Logistics segment, where Svebol AB had the largest fleet of finance leased vehicles (MNOK 13). The longest lease agreement for vehicles expires in 2023.

1.2 Operating lease agreements

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

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

2) Including trucks

Operating leases in the Group primarily concern leases of property and vehicles in Posten Norge AS and leases of premises in the Group Bring Frigo AB, Bring Warehousing AS and Bring CityMail Sweden AB. The group Bring Frigo AB had total rental costs of MNOK 167, while at the same time MNOK 57 were recognised as income on subleases. The longest operating lease expires on 21 May 2032.

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

2. Lessor

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

Note 23 Changes to Group structure

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

The following changes in the Group's structure have taken place since 31 December 2016:

Companies acquired in 2017

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

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

The following companies were sold out of the Group in 2017

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

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

Other changes to Group structure in 2017

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

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

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

Other

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

Note 24 Related parties

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

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

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

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

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

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

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

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

Remuneration to the Board and management

[Note 2](#) has details about the remuneration to the Board and management.

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

Note 25 Regulatory issues

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

REGULATORY ISSUES

Postal regulations

In 2017, certain amendments were made to the Postal Services Act, cf. Prop. 122 L (2016-2017)/Innst. 291 L (2016-2017). The most significant change was that the authorities were authorised to impose on Posten to give other postal suppliers access to the zone key system to locked letterbox facilities and entrance doors to such facilities. In addition, the bidder required to deliver (Posten) was, on certain conditions, granted the right to direct the placement of distribution letter boxed on foreign ground without compensation. At the same time, the act on bank services in Posten's network¹⁾ was supplied with a regulation securing governmental compensation for the net costs Posten is incurred related to the requirement to offer basic bank services in the rural postal network (formerly founded on Posten's licence).

In November 2016, the parliament approved the white paper dealing with changes in the postal sector, *Postsektoren i endring*. The approval confirmed that Posten Norge can combine priority and non-priority mail into one mail flow with two days delivery time. Posten Norge has carried out the transition to one mail flow effective from 1 January 2018 in accordance with the new, temporary licence effective from the same date.

Government procurements and product accounts

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

Posten's net costs related to the duty to deliver postal services that are commercially non-viable shall, pursuant to the Postal Services Act, be covered by government procurements granted over the state budget. The annual advance grant to government procurements is adjusted the following year based on a recalculation of the requirement in connection with the product accounts. The recalculation shall secure against over or under compensation.

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

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

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

Future prospects

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

Banking and payment services

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

Financial statements Posten Norge AS 2017

Income statement

Amounts in MNOK

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

Statement of comprehensive income

Amounts in MNOK

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

Balance sheet

Amounts in MNOK

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

15 March 2018


Idar Kreutzer (leder)


Randi B. Sætershagen (nestleder)


Morten Karlsen Sørby

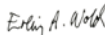

Ann-Elisabeth Wirgeness


Tove Andersen


Odd Christian Øverland


Anne Britt Berentsen


Lars Nilsen


Erling A. Wold


Tone Wille (konsernsjef)

Cash flow statement

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

Amounts in MNOK

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

Statement of changes in equity

Amounts in MNOK

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

1) Merger between Posten Norge AS and Bring Express AS

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Posten Norge AS

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

Accounting principles

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

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

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

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

Accounting principles	Associated note(s)	IFRS/IAS #
1. Changes in accounting principles and disclosures		IAS 8
2. Adopted standards that are not yet effective or lacked approval by the EU		IAS 8
3. Accounting estimates	Note 2 Pensions Note 4 Other income and expenses Note 6 Taxes Note 7 Intangible assets Note 10 Provisions for liabilities	IAS 12, IAS 19, IAS 36, IAS 37
4. Foreign currency translation		IAS 21
5. Revenue		IAS 18
6. Pensions	Note 2 Pensions	IAS 19
7. Taxes	Note 6 Taxes	IAS 12
8. Intangible assets	Note 7 Intangible assets	IAS 38
9. Tangible fixed assets	Note 8 Tangible fixed assets	IAS 16
10. Investments in subsidiaries, associated companies and joint ventures	Note 9 Investments in companies and businesses	IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28
11. Impairment assets	Note 7 Intangible assets Note 8 Tangible fixed assets Note 9 Investments in companies and businesses	IAS 36
12. Provisions for liabilities	Note 4 Other income and expenses Note 10 Provisions for liabilities	IAS 18, IAS 19, IAS 37
13. Contingent liabilities and assets	Note 10 Provisions for liabilities	IAS 37

Accounting principles	Associated note(s)	IFRS/IAS #
14. Financial instruments	Note 5 Financial income and financial expenses Note 11 Overview of financial assets and liabilities Note 12 Interest-bearing non-current and current receivables Note 13 Interest-free current receivables Note 14 Liquid assets Note 15 Interest-bearing non-current and current liabilities Note 16 Interest-free non-current and current liabilities Note 17 Financial risk and capital management Note 18 Derivatives and hedging	IFRS 7, IFRS 13, IAS 32, IAS 39
15. Accounts receivable	Note 13 Interest-free current receivables	IFRS 7, IFRS 13, IAS 18, IAS 32, IAS 39
16. Cash and cash equivalents	Note 14 Liquid assets	IFRS 7, IFRS 13, IAS 32, IAS 39
17. Loans	Note 15 Interest-bearing non-current and current liabilities Note 16 Interest-free non-current and current liabilities	IFRS 7, IFRS 13, IAS 32, IAS 39
18. Equity	Statement of changes in equity Note 19 Equity	IAS 1
19. Leasing	Note 21 Leasing	IAS 17
20. Events occurring after the balance sheet date	Note 23 Regulatory issues	IAS 10

1. Changes in accounting principles and notes

The accounting policies applied are consistent with previous years. In addition, the company implemented some new and amended standards and interpretations published by the IASB and approved by the EU, effective from the accounting year starting on 1 January 2017. The implementation of these new and amended standards and interpretations did not affect the financial statements significantly.

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

The following standards and statements that are relevant for Posten Norge AS have been issued, but have yet to take effect or lacked approval by the EU for the financial year 2017.

2.1. IFRS 9 Financial Instruments

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

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

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

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

The standard will be effective for the accounting year 2018.

2.2 IFRS 15 Revenue from Contracts with Customers

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

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

Identification of separate performance obligations

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

Recognition of income when performance obligations have been satisfied

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

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

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

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

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

2.3 IFRS 16 Leases

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

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

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

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

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

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

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

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

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

Implementation method

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

Consequences for the financial reporting

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

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

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

The company's further work until implementation

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

3. Accounting estimates

The preparation of the company's financial statements requires management to make estimates and assumptions affecting revenues, expenses, assets and liabilities, the accompanying notes and the disclosure of contingent liabilities. Management is required to make critical accounting judgements in applying the company's accounting policies. Material critical accounting judgements made will be described. Sources of estimation uncertainty and assumptions concerning the future that represents a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

3.1 Estimated impairment of assets

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

3.2 Pensions

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

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

Details are given in [note 2](#).

3.3 Provisions

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

3.4 Deferred tax assets

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

4. Foreign currency translation

4.1 Functional currency and presentation currency

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

4.2 Transactions and balance sheet items

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

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

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

5. Revenues

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

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

Letter services comprise the sale of stamps, franking and international mail. The sale of stamps is considered to be advance payments for the sale of postal services and is recognised as income when the service delivery takes place. Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption, and other postage sales are billed and recognised when letter products are delivered. International mail within ordinary terminal charge agreements is recognised on the basis of the calculation of volumes and preliminary prices, and adjusted the following year when final prices are received from the International Post Cooperation.

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

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

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

6. Pensions

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

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

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

7. Taxes

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

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

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

- deferred tax concerning investments in subsidiaries, branches and associates, in addition to shares in joint ventures where the parent company can control the time for reversing the temporary difference, and it is probable that the temporary difference not will reverse in the foreseeable future.

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

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

8. Intangible assets

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

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

8.1 Intangible assets: Development costs

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

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

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

8.2 Intangible assets: Goodwill

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

9. Tangible fixed assets

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

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

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

10. Investments in subsidiaries, associated companies and joint ventures

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

11. Impairment of non-financial assets

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

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

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

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

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

11.2. Impairment: Other assets with finite useful lives

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

12. Provisions for liabilities

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

12.1 Provisions: Restructuring

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

12.2 Provisions: Onerous contracts

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

13. Contingent liabilities and assets

Contingent liabilities include:

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

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

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

14. Financial instruments

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

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

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

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

14.1 Financial instruments: Hedging

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

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

Hedge accounting ceases when:

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

14.1a Hedging: Cash flows

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

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

14.1b Hedging: Fair value

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

14.2 Financial instruments: Derivatives that are not hedging instruments

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

14.3 Impairment: Financial instruments

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

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

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

impairment is recognised in other comprehensive income for shares classified as available for sale, and is recognised in the income statement for other financial assets.

15. Accounts receivable

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

16. Cash and cash equivalents

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

17. Loans

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

18. Equity

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

18.1 Equity: Hedge reserve

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

18.2 Equity: Costs relating to equity transactions

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

19. Leasing

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

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

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

20. Events occurring after the balance sheet date

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

Income statement items

Note 1 Payroll expenses and other remunerations

The note shows the payroll expenses for employees and expensed remunerations to the company's Board, executives and auditor in Posten Norge AS. Information about bonus, pension schemes for executives and the statement on executives' remunerations is included in [note 2](#) for the Group.

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

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

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

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

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

Auditors' fees mainly concerned the audit firm EY. Details on remunerations to the Board and executives are given in [note 2](#) for the Group.

Bonus schemes

Posten Norge AS has a bonus scheme for the CEO and Group management (details in [note 2](#) for the Group).

In addition, Posten Norge AS has bonus based remunerations for divisional and regional management, other key employees and sales personnel. Bonus payments are based on defined criteria for the entire Group, targets for the Group as well as individual goals. Upper limits have been set for bonus payments in the various schemes.

Pension schemes

Senior personnel has basically the same pension schemes and pension terms as other employees in the company, cf. [note 2](#) for the Group. See also "*Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries*", in the same note.

Individuals employed after 31 December 2006 have a defined contribution scheme based on operations. For employees with salaries exceeding 12 G, the annual contributions are limited to 25 percent of the pension basis in excess of 12 G. This scheme was closed in February 2015 for employees in the company.

Note 2 Pensions

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

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

	2017	2016
Main categories of pension assets at fair value		
Equity instruments (shares, bonds)	3	1
Debt instruments	15	17
Property	3	3
Other assets	1	1
Total pension assets	22	22
Pension estimate (loss)/gain at 01.01.	385	425
Changes in discount rate, pension liabilities	(14)	7
Changes in other financial assumptions, pension liabilities		1
Changes in demographic assumptions, pension liabilities		(59)
Changes in other factors, pension liabilities	(23)	10
Changes in other factors, pension assets		1
(Loss)/gain for the year in total comprehensive income	(36)	(40)
Pension estimate (loss)/gain in total comprehensive income at 31.12.	349	385
Defined contribution pension schemes		
Number of members	15 089	15 708
Share of salary	5,4-21%	5,4-21%
Defined benefit pension schemes		
Actuarial assumptions		
Discount rate	2,4%	2,6%
Expected salary regulation	2,5%	2,5%
Expected G regulation	2,25%	2,25%
Expected pension regulation	1,5-2,25%	1,5-2,25%
Expected yield	2,4%	2,6%
Expected voluntary retirement (below 50 years)	3,5%	3,5%
Expected voluntary retirement (over 50 years)	1,5%	1,5%
Expected use of AFP	40-60%	40-60%
Demographic assumptions on mortality rate	K2013	K2013

Defined contribution schemes

The bulk of the company's pension costs concern contribution pension and disability pension, annually expensed in the income statement by the amount paid to the pension supplier. The employees are contributing by deduction in the salary.

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

AFP (early retirement) scheme

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

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

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

Defined benefit schemes

The majority of the company's benefit schemes is related to the fact that Posten Norge AS withdrew from the Norwegian Public Service Pension Fund, and those employed at the transition date became entitled to various compensation and guarantee arrangements.

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

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

Assumptions

For 2017, changes have been made to the financial assumptions, basically in accordance with recommendations from the Norwegian Accounting Standards Board (NRS). Posten Norge AS uses covered bonds (OMF) as its basis for the discount rate, and set the rate to 2,4 percent in 2017 compared to 2,6 percent in 2016.

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

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

Sensitivity

The table below shows estimated effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2017 with the assumption that all other premises are unchanged. The actual figures can deviate significantly from these estimates.

	Discount rate		Pension regulation		Voluntary retirement	
Change (percentage points)	+1%	-1%	+1%	-1%	+1%	-1%
Change in gross pension liabilities (reduction)/increase	(66)	77	41	(36)	(35)	25
Percentage change	-8%	10%	5%	-5%	-4%	3%

Note 3 Other operating expenses

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

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

The company has had increased costs related to renting premises due to several new and extended terminals in Oslo, Trondheim and Narvik. The reduction in other rental expenses is mainly a consequence of the decline in the number of leased cars. The increase in other external services is primarily due to more use of temporary personnel and consultants than in 2016. Other expenses include freight, stationery, IT equipment, publications, membership dues, other internal operating expenses and losses on receivables.

Note 4 Other income and expenses

Other income and expenses comprise significant income and costs that are non-recurring, and includes restructuring costs, impairment of shares and gains and losses on sales of fixed assets (details in section 3 "Accounting estimates" and 12 "Provisions" in the company's accounting principles).

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

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

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

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

Gain on sale of fixed assets

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

In 2016, the company sold 100 percent of the shares in Bring Dialog Norge AS to Netlife Gruppen AS. The gain on the sale was MNOK 47. The company also sold the wholly owned subsidiary Posten Eiendom Skien AS with a gain of MNOK 7.

Other income and expenses

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

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

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

Note 5 Financial income and financial expenses

The note gives an overview of the company's financial income and expenses, including income and costs related to the company's financing, currency effects from receivables and debt in foreign currencies, in addition to gains and losses from financial derivatives (cf. section 14 "Financial instruments" in the company's accounting principles).

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

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

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

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

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

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

The Group's [note 18](#) has details of the Group's financial risk and capital management.

Note 6 Taxes

The note accounts for the authorities' taxation of the profit in the company. The tax expense is calculated on the basis of the accounting result and is split into the period's tax payable and change in deferred tax/deferred tax assets. Deferred tax liabilities/assets arise when the accounting and taxable accruals differ (cf. also section 3 "Accounting estimates" and section 7 "Taxes" in the company's accounting principles).

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

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

The effective tax rate was 48 percent. This is due to non-deductible costs mainly related to write-downs and adjustments from previous years, partly offset by non-taxable income from received dividends and the sale of shares. A tax rate reduced to 23 percent in Norway is effective from 2018 and taken into consideration in the calculation of deferred tax assets. The effect of the changed tax rate recognised in the income statement amounts to MNOK 6.

Changes in deferred tax assets

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

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

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

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

Non-financial assets and liabilities

Note 7 Intangible assets

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

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

	IT development etc.	Projects in progress	Goodwill	Total
Carrying amount 01.01.2016	346	66	441	853
Additions	3	176	114	293
Additions internally developed intangible assets		35		35
Amortisation for the year	(122)			(122)
Impairment for the year	(1)	(6)		(7)
Adjustment of cost price/scraping	(1)			(1)
Transfers from projects in progress	68	(68)		
Carrying amount on 31.12.2016	292	203	556	1 051
Acquisition cost 01.01.2016	2 060	66	441	2 567
Accumulated amortisation and impairment 01.01.2016	(1 714)			(1 714)
Acquisition cost 31.12.2016	1 889	209	556	2 653
Accumulated amortisation and impairment 31.12.2016	(1 596)	(6)		(1 603)
Carrying amount 31.12.2016	292	203	556	1 051
Depreciation method	Straight-line			
Useful life	3 - 10 years			

IT development

Total intangible assets related to IT development etc. recognised in the balance sheet at 31 December 2017 constituted MNOK 359, of which MNOK 156 concerned some projects in the group-shared transformation programme Nye Posten and Bring (NPB). The projects comprised new ERP-, production- and customs-systems for parts of the Group's operations, in addition to a new CRM system. A group-shared IT platform was capitalised by MNOK 38. MNOK 24 concerned Oracle E-business Suite, constituting solutions for a shared address register, response sending system, accounting and salary systems, as well as HR and order systems. The program also includes a route register. A development platform and shared client software for the use of handheld terminals amounting to MNOK 25 was recognised in the balance sheet, as well as investments in production support systems and several projects concerning web solutions.

As part of the company's adaptation of services to new user needs, a solution for a secure digital postal system, Digipost, has been developed. At year-end, it had approximately 1,6 million users. The system's value in the balance sheet at year-end was MNOK 36.

For intangible assets with a finite useful economic life, the amortisation period was 3-10 years in 2017 (the same as in 2016), depending on the useful economic life of each individual component based on an individual assessment. In the income statement, the amortisation for the year is presented on the line for depreciation and amortisation.

Projects in progress

Projects in progress at 31 December 2017 amounted to MNOK 215, of which approximately MNOK 160 concerned IT investments related to the group-shared transformation program Nye Posten and Bring (NPB). The program shall support line management in their efforts to achieve the company's strategic and operational goals. The program comprises group-shared improvement initiatives and IT investments that in total shall contribute to give the company an improved basis for its operations. The IT investments also concerned updating and improving the management of the Group's infrastructure, recognised at MNOK 23 in the balance sheet as at 31 December 2017.

Impairment of IT development etc. and projects in progress

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

All projects in progress are assessed annually and tested for impairment in the event of any indications of reduced values. No significant need for impairment was recognised in 2017 or 2016 for IT development or projects in progress.

Goodwill

Goodwill is allocated to cash-generating units based on an assessment of incoming cash flows related to the business or business group (operating segment) to which the goodwill pertains. If the cash flows of a business or business group are independent of cash flows related to other entities, the individual business/business group constitutes the cash-generating unit, and the goodwill is allocated to this entity. If not, goodwill is allocated to a cash-generating unit at a higher level. Goodwill in Posten Norge AS amounts to MNOK 556 (the same as in 2016) and concerns the Logistics division only.

Impairment of goodwill

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

Forecasts

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

In the Logistics Division, profit margins are characterised by strong competition and price pressure. Several efforts are made to introduce initiatives to increase cost-effectiveness in the segment. Hence, the Group's forecasts for the Logistics segment include profitability improvements. Significant cost elements are external service costs that are affected by price negotiations and inflation. Posten Norge AS is sensitive

to fluctuations in market trends in Norway, especially related to the Logistics segment. This is reflected in the growth rates of the division.

Other assumptions (growth and required rate of return)

The extrapolation period contains a projection of cash flows after the forecast period, using a constant growth rate. The growth rate in the Logistics division is stated in the table below. The growth rate does not exceed the long-term average rate in the areas where the Logistics division operates.

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

Overview of goodwill and key assumptions per segment

	Goodwill	Discount rate before tax (WACC)		Long-term growth rate	
		2017	2016	2017	2016
Logistics	556	9,1%	9,1%	2%	2%
Total company	556				

Result from impairment tests in 2017

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

Sensitivity analyses

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

Note 8 Tangible fixed assets

Tangible fixed assets comprise various types of property and operating equipment needed for the type of business conducted by the company. The largest values are represented by mail and logistics terminals (cf. section 9 "Tangible fixed assets" in the company's accounting principles).

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

	Machinery	Vehicles, fixtures and fittings	Buildings, property	Plants under constr., machin- ery and plants	Plants under constr., buildings	Total
Carrying amount 01.01.2016	310	471	61	94	6	941
Additions	12	35	4	169	5	226
Disposals		(3)				(3)
Depreciation for the year	(81)	(126)	(14)			(221)
Impairment for the year		(7)	(4)			(12)
Adjustment of cost price/scraping	1					1
Transfers from assets under construction	14	18	9	(31)	(9)	
Carrying amount 31.12.2016	255	388	55	232	2	931
Acquisition cost 01.01.2016	1 194	1 210	172	94	6	2 676
Accumulated depreciation and impairment 01.01.2016	(885)	(739)	(112)			(1 736)
Acquisition cost 31.12.2016	1 157	1 102	148	232	2	2 641
Accumulated depreciation and impairment 31.12.2016	(902)	(715)	(93)			(1 710)
Carrying amount 31.12.2016	255	388	55	232	2	931
Depreciation method	Straight- line	Straight- line 4-	Straight- line			
Useful life	5 -15 years	15 years	10-40 years			

Additions of tangible fixed assets

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

Note 9 Investments in companies and businesses

In the company accounts of Posten Norge AS, investments in subsidiaries, associated company and joint venture are recognised at historical cost (cf. section 10 "Investments in subsidiaries, associated companies and joint ventures" in the company's accounting principles).

Investments in subsidiaries

Subsidiaries	Acquired/ established	Address	Primary activity	Voting and ownership share	Book value	Book value
				31.12.17	31.12.17	31.12.16
Bring Cargo AS	10.06.2004	Oslo	Transport	100%	1 137	1 137
Bring Express Norge AS	12.11.1997	Oslo	Express	100%	497	497
Posten Eiendom Robsrud AS	08.06.2006	Oslo	Property	100%	480	480
Bring Frigo AB	20.01.2006	Sweden	Transport	100%	416	416
Bring Cargo International AB	23.03.2011	Sweden	Transport Dialogue	100%	233	233
Netlife Gruppen AS	31.07.2016	Oslo	services	87%	202	183
Bring Express Sverige AB	24.05.1991	Stockholm	Express	100%	142	
Bring Warehousing AS	12.04.2000	Oslo	Third-party logistics	100%	114	114
Bring Parcels AB	1999/2008	Sweden	Transport	100%	91	91
Bring Mail Nordic AB	01.09.2005	Sweden	Mail	100%	86	86
Bring Frigo Norge AS	10.06.2004	Lørenskog	Transport	100%	58	58
Posten Eiendom Alnabru AS	01.01.2008	Oslo	Property	100%	57	57
Bring Transportløsninger AS	30.06.2016	Oslo	Transport	100%	46	46
Bring Linehaul AS	2000/2009	Jaren	Transport	100%	37	37
Bring Express Suomi OY	01.07.2003	Finland	Express	100%	36	
Espeland Transport AS	30.06.2016	Alvdal	Transport	100%	22	22
Bring Gudbrandsdalen AS	11.06.2014	Lom	Transport	100%	16	16
Posten Eiendom Svanholmen AS	11.04.2014	Oslo	Property	100%	14	14
Bring Danmark A/S	18.11.2010	Denmark	Transport	100%	7	1
Bring Shared Services AB (formerly Bring Norden AB)	07.06.2011	Sweden	Support function	100%	1	1
Bring Citymail Sweden AB	01.05.2002	Sweden	Mail	100%		73
Bring Cargo Inrikes AB	30.11.2012	Sweden	Transport	100%		
Bring Citymail AB	01.05.2002	Sweden	Holding	100%		
Posten Eiendom AS	08.06.2006	Oslo	Property	100%		
Posten Eiendom Bodø AS	04.05.2015	Oslo	Property	100%		
Posten Eiendom Molde AS	04.05.2015	Oslo	Property	100%		
Bring Logistik AB	31.10.2011	Stockholm	Transport	100%		
Bring AS	08.03.2005	Oslo	None	100%		
Fetch AS	31.07.2017	Oslo	Transport	100%		
Bring Express AS	29.10.1997	Oslo	Express			257
Posten Eiendom Kanalvegen AS	21.03.2006	Oslo	Property			121
Total investments in subsidiaries					3 693	3 942

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

In 2016, a merger between Bring Express AS and Posten Norge AS was determined. The merger was carried out at accounting and tax continuity and was effective from 1 January 2017. As a consequence of

the merger, Posten Norge AS became the direct owner of the shares in Bring Express Sverige AB, Bring Express Suomi OY and Bring Lotistik AS.

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

Impairment of shares and capital contributions

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

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

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

Investment in associated company

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

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

Note 10 Provisions for liabilities

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

	Restructuring	Pension	Other	Total
Balance 01.01.2016	125	786		911
Provisions recorded during the year	156		4	160
Reversals of previous year's provisions	(8)			(8)
Interest effect from discounting	1			1
Provisions utilised during the year	(49)			(49)
Change in pension liabilities during the year		25		25
Balance 31.12.2016	226	811	4	1 041
Provisions recorded during the year	30		10	40
Reversals of previous year's provisions	(54)			(54)
Interest effect from discounting				
Provisions utilised during the year	(65)			(65)
Change in pension liabilities during the year		30		30
Balance 31.12.2017	137	840	14	992
Short-term part of provisions	62		7	69
Long-term part of provisions	75	840	7	923

Restructuring

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

In addition to restructuring, reorganisation includes severance pay. Severance pay is payable to employees of the Norwegian state who have been made redundant, and is payable for the period until they obtain new employment. For employees in Posten Norge AS, the scheme applies to redundancies made up to and including 31 December 2004.

The liabilities as at 31 December are specified below:

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

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

Pensions

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

Other

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

Disputes

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

Financial assets and liabilities

Note 11 Overview of financial assets and liabilities

The note gives an overview of the company's classification of financial assets and liabilities and their carrying amounts; (cf. section 14 "Financial instruments" in the company's accounting principles.)

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 compr. income/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	2						1 695
Interest-bearing current receivables	12							2 352
Liquid assets	14							3 842
Total financial assets								9 404
Liabilities								
Interest-bearing non-current liabilities	15,18	2	607				2 425	3 032
Interest-free non-current liabilities	16,18	2		19	3		2	24
Interest-bearing current liabilities	15						2 821	2 821
Interest-free current liabilities incl. tax payable	6,16,18	2		15	2		3 435	3 452
Total financial liabilities								9 328
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(607)	130	(4)			(481)
Total value hierarchy level 3 (net)								

2016	Note	Valuation hierarchy level	At fair value			At amortised cost		Total 2016
			FVO - Fair value through profit and loss	Derivatives at fair value through profit and loss	Derivatives at fair value through compr. income/equity	Receivables	Other financial liabilities	
Assets								
Interest-bearing non-current receivables	12					1 771		1 771
Other financial non-current assets 1)	9,18	2		194		19		213
Interest-free current receivables	13,18	2		49	2	1 744		1 796
Interest-bearing current receivables	12					2 063		2 063
Liquid assets	14							1 735
Total financial assets								7 577
Liabilities								
Interest-bearing non-current liabilities	15,18	2	635				1 302	1 937
Interest-free non-current liabilities	16,18	2		24	2		2	29
Interest-bearing current liabilities	15						2 623	2 623
Interest-free current liabilities incl. tax payable	6,16,18	2		16			3 302	3 318
Total financial liabilities								7 907
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)								
Total value hierarchy level 3 (net)								

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

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

Information on fair value

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

Level 1: Use of listed prices in active markets

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

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

No financial assets or liabilities have been reclassified in 2017 in such a way that the valuation method has been changed from amortised cost to fair value, or vice versa. There were no transfers between level 1 and level 2 of fair value measurements in 2017, and no registrations of financial assets or liabilities in or out of level 3.

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

The fair value of the company's derivatives and loans in foreign currency (Japanese yen), where the fair value option (FVO) pursuant to IAS 39 has been applied, was measured on the basis of sources described in level 2. [Note 18](#) has details.

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

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

The fair value of receivables and other financial liabilities at 31 December 2017 was approximately the same as book value (amortised cost).

Note 12 Interest-bearing non-current and current receivables

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

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

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

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

Current loans to group companies mainly comprise receivables related to the group cash pool. The increase is a result of new loans and the reclassification of the first year's instalment of loans to group companies from interest-bearing non-current receivables.

Note 13 Interest-free current receivables

The note gives an overview of the company's interest-free current receivables, including trade receivables, together with the ageing of receivables and the provision for losses (cf. section 15 "Accounts receivable" in the company's accounting principles).

	2017	2016
Accounts receivables	1 124	1 057
Receivables from group companies	101	299
Accrued income	274	211
Prepaid expenses	124	141
Short-term derivatives		51
Receivables on employees	1	2
Other receivables	71	35
Interest-free current receivables	1 695	1 796
Account receivable by due date:		
Not due	1 011	928
0 - 30 days	91	112
30 - 60 days	17	11
60 - 90 days	5	3
Over 90 days	7	9
Provisions for losses on receivables	(8)	(7)
Total accounts receivables	1 124	1 057
Provisions for losses on receivables:		
Balance at 01.01	7	7
Provisions recorded during the year	21	20
Actual losses recognised against provisions	(13)	(14)
(Over)/underfunded previous year	(7)	(6)
Balance at 31.12	8	7
Total actual losses on receivables	13	14
Provisions for losses on receivables by:		
General provision	8	7

The carrying amount of interest-free current receivables was approximately the same as their fair value as most of the receivables were not due. The company had no significant credit risk relating to one individual contracting party, or to several contracting parties that could be regarded as one group due to similarities in credit risk. The company has guidelines to ensure that credit sales take place only to customers with adequate payment ability and that outstanding amounts do not exceed established credit limits. There are no indications that customer receivables not yet due, or already provided for on the balance sheet date, are not collectible.

The reduction in receivables from group companies mainly concerned property companies.

Accrued income principally comprised earned terminal income related to foreign postal services.

Other receivables primarily included receivables concerning social security refunds and receivables related to bank agreements, Post-in-Shops and associated company.

Note 14 Liquid assets

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (cf. section 16 "Cash and cash equivalents" in the company's accounting principles).

	2017	2016
Cash and cash equivalents	607	101
Short-term investments	3 235	1 634
Liquid assets	3 842	1 735

The improved liquidity is primarily due to the sale of companies, terminals and new loans amounting to MNOK 1 500 in 2017.

A corporate cash pool in Nordea is used in Norway, Sweden, Denmark and the UK, and according to the agreements, Posten Norge AS is the group account holder. The banks can settle withdrawals and deposits against each other, and the net position will accordingly represent the balance between the bank and the group account holder. Posten Norge AS had unused credit facilities of MNOK 500 in Nordea and MNOK 50 in DNB as at 31 December 2017.

The company's short-term investments consisted of investments in liquid interest funds at low risk. The investments constituted an important part of the company's liquidity reserve.

Information about market-based investments and interest funds is also provided in [note 17](#).

A considerable portion of the cash and cash equivalents was connected to liquidity needs in the sales network. Through a cash account agreement with DNB, Posten Norge is obliged, at any time, to hold sufficient cash to serve the bank's customers. Cash holdings as at 31 December 2017 amounted to MNOK 68 (the corresponding amount in 2016 was MNOK 70), and is based on a requirement to meet 95 percent of historical net withdrawals. The remuneration for this service was recognised in revenue, and interest from cash holdings is part of finance income.

The company has a bank guarantee In Nordea, limited to MNOK 550, to cover the employees' withheld tax.

Note 15 Interest-bearing non-current and current liabilities

Interest-bearing non-current and current liabilities comprise debt to credit institutions, bond loans, finance leasing, certificate loans and other interest-bearing debt. Non-current liabilities are presented with one part at fixed interest and one at floating interest. The first year's instalment of interest-bearing non-current liabilities is included in current liabilities (cf. section 14 "Financial instruments" and section 17 "Loans" in the company's accounting principles).

Interest-bearing non-current liabilities

	2017	2016
Liabilities at fixed interest		
Liabilities to credit institutions	558	544
Bond loans	613	263
Non-current liabilities at fixed interest	1 170	806
Liabilities at floating interest		
Liabilities to credit institutions	749	391
Bond loans	1 113	738
Financial lease obligations		2
Non-current liabilities at floating interest	1 862	1 130
Interest-bearing non-current liabilities	3 032	1 937

Interest-bearing current liabilities

	2017	2016
First year's instalment on non-current liabilities	375	100
First year's instalment on finance lease obligations	3	4
Certificate loan	300	300
Liabilities to group companies	2 143	2 219
Interest-bearing current liabilities	2 821	2 623

In 2017, Posten Norge AS raised new loans totalling MNOK 1 500 (Norwegian bond loan of MNOK 1 000 and a bilateral loan of MNOK 500) and repaid liabilities amounting to MNOK 100. As of 31 December 2017, Posten Norge AS had certificate loans totalling MNOK 300. Certificate loans were classified as current interest-bearing liabilities, and the outstanding balance was unchanged from 2016.

Liabilities to group companies concerned the group cash pool.

The Group's [note 18](#) has details on the instalment profiles for liabilities.

Reconciliation of liabilities from financing activities

	2017	2016
Liabilities at 1.1	2 335	2 912
Cash flows from/(used in) financing activities	1 400	(532)
Change in fair value	(28)	(45)
Liabilities at 31.12	3 707	2 335

Note 16 Interest-free non-current and current liabilities

Interest-free liabilities mainly comprised short-term items like trade accounts payable, other provisions concerning salaries, public charges and other incurred expenses (cf. section 14 "Financial instruments" in the company's accounting principles).

	2017	2016
Non-current derivatives	22	26
Other non-current liabilities	2	2
Interest-free non-current liabilities	24	29
Provisions for payroll expenses and public charges	1 515	1 538
Accounts payable	403	422
Provisions for accrued expenses	492	423
Prepaid revenues	395	416
Debt to group companies	203	151
Restructuring	62	33
Current derivatives	16	16
Other current liabilities	322	153
Interest-free current liabilities	3 409	3 153

Provisions for salary expenses and public charges mainly comprised provisions for holiday pay, earned, but not paid salaries and public dues like social security tax, employees' tax withheld and VAT.

The increase in accrued expenses in 2017 was primarily caused by costs related to the company's hired car fleet.

The increase in debt to group companies was mainly a consequence of rental obligations to several of Posten's property companies with new buildings that had not been fully operational at the end of the year.

[Note 10](#) has details on restructuring costs.

Other current liabilities primarily included a provision for loss on a loan to a subsidiary and an obligation to normalise the operating capital in one of the subsidiaries (cf. [note 4](#)) and security for financial instruments.

Note 17 Financial risk and capital management

Posten Norge has a centralised finance function with the principal objective to secure the Group's financial flexibility, as well as monitoring and managing financial risk.

The Group's [note 18](#) describes the Group's financial risks, including credit risk, market risk (currency and interest rate risk) and liquidity risk. The company utilises derivatives to manage market risk, and [note 18](#) for the Group provides detailed information about derivatives and hedging (cf. also section 14 "Financial instruments" in the company's accounting principles).

Note 18 Derivatives and hedging

All derivatives are used in the hedging of currency and interest rate risk. The value of the derivatives fluctuate in relation to the underlying prices, and the note shows the fair value of open derivatives at the balance sheet date (cf. section 14 "Financial instruments" in the company's accounting principles).

2017	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		3
Forward exchange contracts EUR		2
b) Other financial hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	3	19
Forward exchange contracts SEK		15
Forward exchange contracts EUR		
Combined interest-rate/currency swaps	160	
Total	164	38

2016	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		2
Forward exchange contracts EUR	2	
b) Other financial hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	7	24
Forward exchange contracts SEK	49	15
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	188	
Total	245	42

The derivatives in the table above are classified by type of hedging for accounting purposes, and the objective of the derivatives is described below.

Information on fair value

The fair value of currency forward contracts is determined by applying the forward exchange rate on the balance sheet date.

The fair value of interest rate and currency swaps is primarily determined by discounting future cash flows at discount rates derived from observable market data.

For all derivatives, the fair value is confirmed by the finance institutions with which the company has made agreements.

a) Cash flow hedging

Interest rate swaps

At the end of 2017, the company had a bilateral loan of MNOK 300 where the interest rate is determined every sixth month and the annual down payment is MNOK 100. In order to ensure fixed interest rate terms, an interest rate swap for corresponding amounts and maturity was entered into in September 2015.

In 2015, Posten Norge AS entered into a fixed interest rate swap of MNOK 175 related to an underlying bond loan of MNOK 375 with interest rate determinations every third month and a term of 5 years.

In 2017, Posten Norge raised a bond loan of MNOK 1 000 with maturity on 28 September 2021. The loan has a floating reference interest and determination of the interest every third month. The loan was partly hedged by a fixed interest swap of MNOK 250 with the same interest rate determination and maturity as the underlying loan.

Forward contracts EUR

The company had revenues of approximately MEUR 24 for distributing mail from abroad in 2017 (MEUR 25 in 2016) and is expecting a little more than MEUR 21 in 2018. The exchange rate risk is partly hedged by selling forward contracts over a period of time. The changes in value of the forward contracts constituting effective hedging instruments are recognised in other comprehensive income. As of 31 December 2017, Posten Norge had forward contracts for euro revenues in 2018 totalling MEUR 10 with a negative value of MNOK 1. As a consequence of forward contracts realised in 2017, MNOK -2 were reclassified from equity to a reduction in revenue in the Mail segment (MNOK -13 in 2016).

Hedge reserve in equity

Movements in the hedge reserve in equity (cf. [Statement of changes in equity](#)) divided between interest rate swaps and forward contracts:

	Interest rate swap	Forward contracts	Total hedge reserve
Balance at 31.12.2015	(5)	(12)	(17)
Changes in value	4	6	10
Transfers to income statement ¹⁾		13	13
Associated deferred tax	(1)	(5)	(6)
Balance at 31.12.2016	(2)	2	
Changes in value	(1)	(5)	(6)
Transfers to income statement ¹⁾		2	2
Associated deferred tax		1	1
Balance at 31.12.2017	(2)	(1)	(3)

¹⁾ Positive amounts represent losses.

b) Other financial hedges (derivatives not included in hedging relations according to IFRS)

Interest rate swaps

As of 31 December 2017, the company had interest rate swaps not qualifying as hedging relations according to IFRS.

In 2015, Posten Norge raised a seven-year bond loan of MNOK 350 at a fixed coupon that in its entirety was swapped to floating interest rate in the same transaction. MNOK 88 was swapped back to a fixed interest rate in 2015 and MNOK 100 in 2017.

Forward contracts SEK and EUR

The company uses foreign currency contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Revolving forward contracts constituted MSEK 113 and MEUR 7 as of 31 December 2017. The changes in value are recognised in the income statement and will offset changes in the loans in the income statement as a consequence of currencies.

Investments in foreign subsidiaries are hedged at group level through forward contracts in Posten Norge. As at 31 December 2017, the company had forward contracts totalling MSEK 843 (MSEK 1 552 in 2016).

Combined interest rate and currency swaps

In 2008 and 2013, the company entered into long-term loan agreements with Japanese life insurance companies of 3 and 5 billion Japanese yen, respectively, at fixed interest rate terms. At the same time, combined interest rate and currency swap agreements were made, effectively giving the company loans in Norwegian kroner with the interest rate set every third month.

Posten Norge AS has made use of the "fair value option" in IAS 39 for these loans. Changes in interest rates or exchange rates resulting in changes in the value of the Japanese yen denominated loans measured in Norwegian kroner are offset by changes in the value of the combined interest rate and currency swaps.

As at 31 December 2017, the two loans from Japanese life insurance companies were recognised at a total value of MNOK 607 (MNOK 635 in 2016), where the value changes from the borrowing date constituted MNOK 160 (MNOK 188 in 2016). This value change is offset by the interest and currency swap agreements and recognised as an asset.

An interest rate swap has also been established related to the loan of 3 billion Japanese yen, converting this loan to a fixed interest loan. In addition, an interest swap for approximately one third of the loan of 5 billion Japanese yen was made, which partly converted the loan to fixed interest. The interest rate swaps have the same maturity date as the loan, but do not qualify for hedge accounting. In the table of derivatives and hedging relationships, they are included in the line *interest rate swaps* at a negative fair value of MNOK 18 as at 31 December 2017.

Upon entering into the loan agreement of 5 billion Japanese yen in 2013 and the combined interest rate and currency agreement, the company also made a CSA (Credit Support Annex) agreement. This agreement defines how two swap counterparties act when the value of a swap changes in favour of one of the parties during the swap period. A deposit shall be paid/received in order to reduce the credit risk if the swap's value exceeds the threshold value (MEUR 2). The swap's value is measured monthly, and if the value in one of the parties' favour is larger than MEUR 2, the excess value shall be paid into the counterparty's account. It has also been determined that the minimum amount for such a payment is MEUR 0,5. As of 31 December 2017, the company had received MEUR 4,8 from the counterparty.

Equity information

Note 19 Equity

The shares in Posten Norge AS are owned in full by the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries (the Ministry of Transport and Communication until 31 December 2016) (cf. section 18 "Equity" in the company's accounting principles).

As of 31 December 2017, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000.

The proposed dividend for the accounting year 2017 is MNOK 194.

At the Annual General Meeting in June 2017, it was determined to distribute dividends amounting to MNOK 19, corresponding to the Board's proposal in the 2016 financial statements. The dividends were paid in August 2017.

Other matters

Note 20 Guarantees/mortgages

The company has provided various guarantees, including rental guarantees, contract guarantees, debt guarantees and other payment guarantees, in connection with current operations. The Group has not pledged property of any significant value.

	2017	2016
Guarantees for debt	682	604
Other guarantees	176	160
Total guarantees	858	764

As at 31 December 2017, Posten Norge AS had issued capital adequacy guarantees for Bring Logistik AB. There is also a letter of support dated 31 December 2017 for continued operations in Bring Cargo Danmark A/S. Furthermore, the company had provided a delivery guarantee to Statoil Petroleum AS for Bring Cargo AS (cf. the Group's [note 21](#) Guarantees/mortgages).

Note 21 Leases

The note shows the company's leasing costs and short-term and long-term liabilities for lease agreements, in addition to rental income and future rental income for hiring out operating equipment. Most of the company's lease agreements are considered to be operating (cf. section 19 "Leasing" in the company's accounting principles).

1. Lessee

1.1 Finance leases

The company had no significant finance lease agreements as at 31 December 2017.

1.2 Operating lease agreements

	2017	2016
Ordinary lease payments for buildings ¹⁾	873	764
Ordinary lease payments for vehicles	201	206
Ordinary lease payments for computer equipment	2	3
Ordinary lease payments other ²⁾	43	50
Subletting revenues	(80)	(9)
Total leasing costs	1 039	1 013
Future minimum lease payments related to agreements that cannot be cancelled, due as follows:		
Next 12 months	815	
1 - 5 years	1 974	
After 5 years	3 163	
Future minimum lease payments due	5 952	

¹⁾Ordinary lease payments buildings include the Group's share of joint costs and operating expenses

²⁾Including trucks

The company has approximately 700 lease agreements for various types of property. The agreements include offices and sorting premises, terminals, post offices, parking facilities etc. The leases expire in the period 2018 -2047. On most leases, the company is entitled to extend the lease period when the lease expires.

The main reason for the increase in lease payments on buildings is that the company has entered into new lease agreements for modern terminals at higher leasing costs.

The most significant lease agreements concerned Østlandsterminalen at Robsrud, Posten's logistics centre at Alnabru with three terminals for freight, parcels and refrigerated/frozen goods and Posthuset, Biskop Gunnerusgate 14 A. In addition, the post terminals in Bergen and Stavanger, together with Posten and Bring's logistic centre in Trondheim, are leased.

The lease agreement for Østlandsterminalen expires on 30 November 2026, but has an option for an extension by 5 plus 5 years.

The lease contracts for the buildings at Posten's logistics centre at Alnabru have lease periods of 15 and 30 years, respectively. The lease is index-linked on an annual basis.

The lease period for Posthuset at Biskop Gunnerusgate 14 A expires on 31 December 2025 without any right to earlier notice, but with the option for a 10 years extension. The costs relating to jointly used areas and energy costs are variable and allocated according to a formula based on the floor space rented. The rent is index-linked on an annual basis.

The lease agreements for the terminals in Bergen expire on 15 November 2022. The agreements in Stavanger are current with 12 months' term of notice, and Posten and Bring's logistic centre in Trondheim expires on 30 April 2037.

The lease agreements for the Bring terminals in Ålesund and Drammen are also significant, expiring in 2027 and 2029, respectively.

Other lease agreements mainly relate to mail and freight terminals in Norway.

The company has an agreement with LeasePlan Norge AS for the lease and operation of all types of vehicles. The normal contract period for each vehicle is 2 to 5 years. The company is neither entitled, nor obligated to extend the lease period, or to buy the vehicle when the lease expires. The number of leased vehicles and mopeds leased at the end of 2017 was 3 701, in addition to 140 trailers.

2. Lessor

The company had no significant lease agreements expiring on 31 December 2017.

Note 22 Related parties

Two parties are related if one party can influence the other party's decisions. Relations with related parties are considered to be normal in business.

The company's related parties are primarily subsidiaries in the Group with which Posten Norge AS have transactions. Posten Norge AS is the parent company and has direct and indirect ownership shares in approximately 100 companies, primarily in the Nordics. Directly owned subsidiaries are presented in [note 9](#). In addition, Posten Norge AS has interests in associated and jointly controlled companies (cf. [note 9](#)). The table below shows transactions with subsidiaries and other related parties.

Internal trade in the Group is carried out in accordance with separate agreements and at arm's length terms. The settlement of joint costs in Posten Norge AS are distributed on the group companies according to distribution formulas, dependent of the various types of costs.

	2017	2016
Purchases of goods and services from		
Subsidiaries	564	510
Associated companies		21
Sales of goods and services to		
Subsidiaries	1 308	1 368
Associated companies		5
Leases of property from		
Subsidiaries	364	279
Lease of property to		
Subsidiaries	47	14

The increase in the purchase of goods and services from subsidiaries from 2016 to 2017 mainly relates to purchases from Bring Transportløsninger AS and Bring Shared Services AS. The increase in leased property from subsidiary is a result of increased leasing costs to Posten's logistics centre at Alnabru, to Posten's and Bring's logistics centre in Trondheim and the terminal in Narvik. The increase in the lease of property to subsidiary is a consequence of increased lease from Bring Cargo AS and Bring Frigo AS.

The balance sheet included the following amounts resulting from transactions with related parties:

	2017	2016
Accounts receivable	91	131
Other receivables	3 591	4 174
Accounts payable	43	47
Other payables	2 303	2 325
Net	1 336	1 933

Other receivables and other liabilities:

Other receivables and other liabilities in the company basically concerned the cash pool system (cf. [note 12 and 15](#))

Remuneration to the Board and management

[Note 1](#) and [note 2](#) in the Group's financial statements has details about the remuneration to the board and management.

Some of the board members had board or executive positions in other enterprises. Some of the members of group management in Posten Norge AS have board positions in other enterprises. Posten Norge AS is not aware of transactions where these positions could have had any influence.

Note 23 Regulatory issues

Regulatory issues describe relevant matters and regulations not mentioned in other notes.

REGULATORY ISSUES

Postal regulations

In 2017, certain amendments were made to the Postal Services Act, cf. Prop. 122 L (2016-2017)/Innst. 291 L (2016-2017). The most significant change was that the authorities were authorised to impose on Posten to give other postal suppliers access to the zone key system to locked letterbox facilities and entrance doors to such facilities. In addition, the bidder required to deliver (Posten) was, on certain conditions, granted the right to direct the placement of distribution letter boxed on foreign ground without compensation. At the same time, the act on bank services in Posten's network²⁾ was supplied with a regulation securing governmental compensation for the net costs Posten is incurred related to the requirement to offer basic bank services in the rural postal network (formerly founded on Posten's licence).

In November 2016, the parliament approved the white paper dealing with changes in the postal sector, *Postsektoren i endring*. The approval confirmed that Posten Norge can combine priority and non-priority mail into one mail flow with two days delivery time. Posten Norge has carried out the transition to one mail flow effective from 1 January 2018 in accordance with the new, temporary licence effective from the same date.

Government procurements and product accounts

According to the Postal Services Act, Posten shall maintain product accounts for regulatory purposes. The accounts shall be submitted to the Norwegian Communications Authority annually. Posten's appointed auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

Posten's net costs related to the duty to deliver postal services that are commercially non-viable shall, pursuant to the Postal Services Act, be covered by government procurements granted over the state budget. The annual advance grant to government procurements is adjusted the following year based on a recalculation of the requirement in connection with the product accounts. The recalculation shall secure against over or under compensation.

The payments for government procurements of commercially, non-viable postal services to Posten for 2017 amounted to MNOK 357. Based on Posten's preliminary recalculation, MNOK 343 in such procurements were recognised in 2017.

2) Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS ekspedisjonsnett

For 2016, Posten received MNOK 403 for government procurements of commercially non-viable postal services. Posten's recalculation for 2016 showed a net cost of MNOK 459, and Posten asked the Ministry of Transport and Communication for an additional payment of MNOK 56. For 2016, however, the parliament granted MNOK 327 for commercially non-viable postal services. This did not include any compensation for maintaining the two mail flows. As a consequence of this decision, Posten has repaid MNOK 77 (including interest). The recalculation had no significant result effect in 2017, as the estimate had already been recognised in the Group's result for 2016.

Future prospects

In January 2018, the Ministry of Transport and Communication submitted a consultation paper for comments about changing the legislative requirement for mail distribution from 5 days a week to every other day. The documents included a research report from Copenhagen Economics about the future need for government procurements of commercially, non-viable postal services by carrying forward the requirement to distribute 5 days a week and by three alternative distribution frequencies. The report confirms Posten's own assessments and shows that by carrying out the proposed change with effect from 1 January 2020, it is possible to achieve annual cost savings over the government budget of approximately MNOK 500 in 2020. Without changes in the distribution frequency, the government procurements of commercially, non-viable postal services could constitute 1 billion kroner in 2025. The report also confirms that the model Posten uses to calculate government procurements is in accordance with international guidelines.

Banking and payment services

According to the act *Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett*, Posten is obliged to offer basic banking services through Posten Norge AS' distribution network. Posten's additional costs relating to this offer are compensated through the government procurements' scheme. The requirement only includes the rural postal network, but Posten also procures banking services in the rest of Posten's service network (post offices and Post-in-Shops). The services are delivered through an agent agreement with DNB. The current agent agreement expires on 31 December 2019.

Alternative performance measures applied in 2017 annual report

The Group's financial information has been prepared in accordance with international accounting standards (IFRSs). In addition, information has been given about alternative performance measures that are regularly reviewed by management to improve the understanding of the result. The alternative performance measures presented may be defined differently by other companies.

As a consequence of new guidelines for «Alternative performance measures in financial reporting», the Group has clarified the definition of performance measures and other financial figures applied in the annual report, which are not part of the disclosed financial statements.

The Group's performance measures and other target figures applied in the annual and quarterly reports are described below:

Operating profit before depreciation (EBITDA), adjusted operating profit (EBITE), operating profit (EBIT)

Group management is following up the Group's financial situation by using common target figures (KPIs) and target figures showing income and expenses related to the Group's ordinary operations.

The alternative target figures applied in the reports to Group management comprise earnings excluding items of a non-operating character.

Profit/loss before tax, financial items and depreciation (EBITDA) is an important financial parameter for the Group and the basis for the term adjusted profit (EBITE). Adjusted operating profit (EBITE) is EBITDA before other income and expenses and includes depreciation. Operating profit (EBIT) includes the Group's impairment, other income and expenses in addition to income from associated companies and joint ventures.

The target figures are valuable for the users of Posten's financial information, also including management, the Board and external parties. They give the users of the financial information the opportunity to assess the operating result on the basis of variable current items, as depreciation and amortisation costs, non-recurring items and other gain and loss related to investment are excluded. It is also assumed that the target figures contribute to a more comparable evaluation of operating results of the Group's competitors.

The operating profit (EBIT) and adjusted operating profit (EBITE) margins are presented defined as operating profit (EBIT) and adjusted operating profit (EBITE), respectively, divided by total income.

	Year 2017	Year 2016
+ Revenue	24 678	24 772
- Costs of goods and services	10 317	10 086
- Payroll and social expenses	9 451	9 749
- Other operating expenses	3 524	3 599
= Operating profit before depreciation (EBITDA)	1 386	1 339

	Year 2017	Year 2016
+ Operating profit before depreciation (EBITDA)	1 386	1 339
- Depreciation	683	694
= Adjusted operating profit (EBITE)	703	645

	Year 2017	Year 2016
Adjusted operating profit (EBITE)/ total revenue	703 24 678	645 24 772
= Adjusted operating profit (EBITE) margin	2,8 %	2,6 %

	Year 2017	Year 2016
+ Adjusted operating profit (EBITE)	703	645
- Impairment	59	313
+/- Other income and (expenses)	57	(169)
+ Share of profit or loss from associates and joint ventures	(9)	15
= Operating profit (EBIT)	692	178

	Year 2017	Year 2016
Operating profit (EBIT) total revenue	692 24 678	178 24 772
= Operating profit (EBIT) margin	2,8 %	0,7 %

Net interest-bearing debt (NIBD) and liquidity reserve

A primary objective in the Group's guidelines for finance is to secure financial freedom of action for the Group. Such freedom makes it possible to operationalise strategies and reach the business' goals. The Group shall at all times have adequate access to capital to cover normal fluctuations in the Group's liquidity needs, refinancing risk and normal expansion rate without the need for special financing measures set off by individual projects. This implies adequate resources to realise the Group's approved strategies.

Net interest-bearing debt and the liquidity reserve are indicators of the Group's liquid situation and closely followed up by the Group's centralised finance function. It is also an individual target that can be applied to assess the Group's liquidity requirements.

Net interest-bearing debt comprises both short-term and long-term interest-bearing debt, excluding financial instruments like debt instruments and derivatives, financial market placements in addition to cash and cash equivalents.

The Group's liquidity reserve includes all funds available to finance operations and investments. It is allocated to amounts available according to agreements in the short and longer term and as such a useful target figure to consider whether the Group has adequate liquidity to achieve the Group's approved strategy.

	31.12 2017	31.12 2016
+ Interest-bearing non-current liabilities	3 072	1 978
+ Interest-bearing current liabilities	689	415
- Market-based financial investments	3 235	1 634
- Cash	69	71
- Bank deposits – Group cash pool	578	23
- Bank deposits	56	147
= Net interest-bearing debt (receivable)	(176)	518

	31.12 2017	31.12 2016
+ Market-based investments	3 235	1 634
+ Syndicate facility	3 444	3 180
+ Withdrawal facilities	750	750
- Certificate loans	300	300
= Long-term liquidity reserve	7 129	5 264

	31.12 2017	31.12 2016
+ Long-term liquidity reserve	7 129	5 264
+/- Deposit on Group account	539	23
+/- Deposits on other accounts	94	147
+ Bank overdraft not utilised	550	550
= Short-term liquidity reserve	8 312	5 985

Invested capital and return on invested capital (ROIC)

The Group is creating value for the owners by investing cash today that contributes to increased cash flows in the future. Such value is generated as long as the business is growing and achieves a higher return on its invested capital (ROIC) than the capital costs (WACC). It is a useful tool to measure whether the investments generate adequate return.

Items included in the calculation of invested capital are shown below:

	2017	2016
+ Intangible assets	2 162	2 328
+ Tangible fixed assets	5 831	5 767
+ Current assets	6 694	6 740
- Liquid assets	2 527	2 203
- Interest-bearing current assets	96	102
- Interest-free current liabilities	4 995	5 492
+ Tax payable	111	149
+ Dividend and group contributions	3	1
= Invested capital*	7 183	7 187

*Rolling twelve months

	2017	2016
Last 12 months' accumulated adjusted operating profit(EBITE)/ invested capital*	703	645
= Return on invested capital (ROIC)	9,8 %	9,0 %

*Rolling twelve months

Other alternative performance measures

The Group applies and presents some other individual performance measures, considered to be useful for the market and the users of the Group's financial information. These measures are shown in the table below:

	2017	2016
+ Total investments	981	1 464
- Investments as a result of acquisition of businesses	22	221
= Investments before acquisitions of businesses*	959	1 243

*Corresponds to additions of tangible fixed assets and intangible asset in the cash flow statement

	2017	2016
Profit for the last 12 months after tax/ average equity on balance sheet date*	388	39
= Return on equity after tax(ROE)	6,3 %	0,7 %

*Opening + closing balance/2

	31.12 2017	31.12 2016
Equity on balance sheet date/ equity and liabilities (total capital)	6 375	5 912
= Equity ratio	37,6 %	38,6 %

	Year 2017	Year 2016
+ Total revenue	24 678	24 772
- Revenue in Norway	15 183	14 810
= Revenue outside Norway	9 495	9 962

Statement of the Board of Directors

We confirm that, to the best of our knowledge, the financial statements have been prepared in accordance with approved accounting standards and give a true and fair view of the Group and parent company's consolidated assets, liabilities, financial position and results of operations.

We also confirm that the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the Group and the parent company, together with a description of the key risks and uncertainties that the company is facing.

15 March 2018



Idar Kreutzer (leder)



Randi B. Sætershagen (nestleder)



Morten Karlsen Sørby



Ann-Elisabeth Wirgeness



Tove Andersen



Odd Christian Øverland



Anne Britt Berentsen



Lars Nilsen



Erling A. Wold



Tone Wille (konsemsjef)

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Posten Norge AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Posten Norge AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2017, income statement, statement of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's *responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of goodwill

The Group has goodwill amounting to MNOK 1 495 on the balance sheet. Goodwill has been impaired by MNOK 49 in the 2017 consolidated financial statements.

The Group's impairment tests require management to exercise judgment on estimates of future cash flows and the determination of discount rates. Due to the significance of goodwill in the financial statements, weak earnings in the nordic part of the logistics business and the uncertainty related to estimates of future cash flows, the Group's impairment tests of goodwill have been a key audit matter.

We evaluated key assumptions in management's impairment models, including growth, margins and discount rates based on prognoses approved by management and available market and industry

information. Further, we considered the mathematical accuracy of the models and the sensitivity of the assumptions applied. We assessed the consistency of the application of key assumptions and evaluated the Group's accuracy in previous years' impairment tests.

We refer to 3.1 in the accounting principles 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 and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 15 March 2018
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)