Posten Norge

QUARTERLY REPORT

3RD QUARTER 2017

MAIL

LOGISTICS

Message from the CEO

It is inspiring to see the Group's ambitions about a new, future-oriented logistics network materialise. In September, I opened the Logistics Centre Trondheim and this week the Logistics Centre Oslo, by far the largest in the country. A brand new production network has become operational with effective interaction and joint production and transport of parcels and freight between 18 terminals, providing us with power and the ability to meet the strong competition from international actors.

In the third quarter, there was some growth in the logistics market and the profitability improved. The quarter's adjusted profit (EBITE) for the Logistics segment was MNOK 77, an improvement of MNOK 24 compared with the same quarter in 2016. The profitability is nevertheless still on a satisfactory level.

Adjusted profit (EBITE) for the Mail segment in the third quarter was MNOK 84, a reduction of MNOK 28 from the same period in 2016. The mail business is changing increasingly fast. We are adjusting to new user needs and are making efforts to provide Norway with one of the world's most efficient suppliers of postal services. This work will continue, and new regulatory conditions are therefore strongly required. Starting at year-end, we unite priority and non-priority mail into one product with two days' delivery time, enabling considerable operational efficiency and more environmental-friendly services.

An unfortunate consequence of the changes is the need for fewer employees. The changes have been well planned, and we have spent ample time on the reorganisation process in close cooperation with the Group's employee representatives.

Our knowledge within e-commerce has opened up new cooperation models. One example is the establishment of a new e-commerce warehouse outside Stockholm, where we assist one of the Nordic's larges trade enterprises to reach their customers in an efficient manner.

New trading patterns require new ways to think. For Posten Norge it is therefore important to continue our position to be one step ahead of the development. We find new solutions giving a freedom of choice for our customers, by making use of the opportunities of new technology. Digitalisation is challenging, but provides us – and thereby our customers – with new and exciting possibilities.

Main features from the third quarter of 2017

The Group's revenues in the third quarter were MNOK 5 807, a reduction of 2.1 % compared with the third quarter in 2016. Revenues so far this year amounted to MNOK 17 959, a decline of 2.1 % compared with the same period in 2016. The organic growth*) so far this year was positive by 0.4 %.

The adjusted profit (EBITE) was MNOK 130 in the third quarter. The reduction of MNOK 27 compared with the same quarter in 2016 was mainly due to declining mail volumes, to some extent mitigated by the profitability improvement within the Logistics segments. So far this year, the adjusted profit (EBITE) was MNOK 377, about the same level as the corresponding period in 2016.

Operating profit (EBIT) in the third quarter was MNOK 159, an improvement of MNOK 57 compared with the same period in 2016. So far this year, operating profit (EBIT) amounted to MNOK 416, an improvement of MNOK 31 compared with the same period in 2016.

The return on invested capital (ROIC) was 8.8 % (the last 12 months), an improvement of 0.6 percentage points from the 12 months' period ended on 30 September 2016.

In the third quarter of 2017, the deliveries of priority mail delivered overnight was 86.8 %, 1.8 percentage points over the licence requirement.

The absence due to sickness in the third quarter was 5.2 %, a reduction of 0.5 percentage points from the same quarter in 2016. For the last 12 months, the absence due to sickness was 5.9 %, a reduction of 0.1 percentage points compared with the corresponding period in 2016.

The increase in private e-commerce continued in the third quarter, and the Group's e-trade volume had a growth of 14 % in the last 12 months.

*) Organic growth = growth in turnover adjusted for purchases and sales of businesses, foreign currency effects and government procurements of commercially non-viable postal services

Profit development (unaudited)

Amounts in MNOK

Q3 2017	Q3 2016		YTD 2017	YTD 2016	Year 2016
5 807	5 934	Revenue	17 959	18 340	24 772
309	331	EBITDA	885	907	1 339
130	157	Adjusted profit (EBITE)	377	378	645
159	102	EBIT	416	385	178
(28)	5	Net financial items	(43)	13	52
131	107	Profit before tax	373	397	230
91	**67**	**Net income**	**278**	**283**	**39**

Operating profit

The adjusted profit (EBITE) for the Mail segment in the third quarter was MNOK 84, a reduction of MNOK 28 compared with the same period in 2016. The fall in addressed mail volumes continued as a consequence of digitalisation at the customers. Reduced income from government procurements of commercially non-viable postal services was partly compensated by considerable cost adjustments in operations and volume growth within unaddressed advertising. So far this year, the Mail segment had an EBITE of MNOK 440, a reduction of MNOK 16 compared with the corresponding period in 2016.

The adjusted profit (EBITE) in the third quarter in the Logistics segment MNOK 77, an improvement of MNOK 24 from the same period last year. The profit development in the Norwegian logistics business was still characterised by weak result margins. Price pressure as a consequence of increased competition and slow market growth were the main reasons. During the quarter, however, there have been signs of a rise in the market, and the demand from private e-commerce increased. Together with growth within parcel and express freight, this contributed positively to the result. The Group’s logistics operations outside Norway showed solid profit improvement, partly as a consequence of the discontinuance of unprofitable operations. EBITE in the Logistics segment so far this year was MNOK 65, an improvement of MNOK 34 compared with the same period in 2016.

The Group’s profit before tax was MNOK 373 so far this year, an increase of MNOK 24 compared with 2016. Profit after tax for the same period amounted to MNOK 287, about the same level as in 2016.

Revenue outside Norway

The Group’s operations outside Norway had total revenues of MNOK 6 455 as of the third quarter of 2017, a decline of MNOK 526 (7.5 %) compared with last year. Revenues outside Norway constituted 35.9 % of the Group’s total external revenues, compared with 38.1 % in 2016. The decline was mainly a consequence of discontinued unprofitable operations in Sweden and Denmark and the sale of Bring SCM in the second quarter of 2017.

Key financial figures (unaudited)

Amounts in MNOK

		30.09 2017	30.09 2016	Year 2016
EBITE margin	%	2.1	2.1	2.6
EBIT margin	%	2.3	2.1	0.7
Equity ratio	%	39.3	39.4	38.6
Return on invested capital*	%	8.8	8.3	9.0
Return on equity (after tax)*	%	0.6	-3.6	0.7
Net interest-bearing debt	MNOK	520	1 061	518
Investments, excluding acquisitions	MNOK	645	991	1 243

Alternative performance measures applied in the quarterly report are described in appendix to the report

*Last twelve months

Balance sheet (unaudited)

Amounts in MNOK

	30.09 2017	31.12 2016
ASSETS		
Non-current assets	8 877	9 063
Current assets	6 886	6 236
Assets	**15 763**	**15 299**
EQUITY AND LIABILITIES		
Equity and liabilities	6 197	5 912
Provisions for liabilities	1 535	1 588
Non-current liabilities	2 868	2 007
Current liabilities	5 162	5 793
Equity and liabilities	**15 763**	**15 299**

Balance sheet

Total investments in non-current assets (including acquisitions) as of the third quarter were MNOK 665. The majority of the investments concerned new logistics centres and IT systems. Disposals of fixed assets in the period constituted MNOK 322, mainly due to the sales of the Bring SCM Group and a property company in Sweden. Ordinary depreciation totaled MNOK 508.

The increase in long-term debt mainly related to a new bond loan of MNOK 1 000, placed in liquid money market funds in the second quarter of the year. As at 30 September 2017, the Group had current liabilities amounting to MNOK 5 162, a reduction of MNOK 631 compared with 31 December 2016. The decline was mainly due to the sale of Bring SCM.

Statement of cash flows (unaudited)

Amounts in MNOK

Q3 2017	Q3 2016		YTD 2017	YTD 2016	Year 2016
18	88	Cash flows from/(used in) operating activities	(36)	249	945
(177)	(335)	Cash flows from/(used in) investing activities	16	(993)	(1 210)
76	271	Cash flows from/(used in) financing activities	1 026	(174)	(633)
(84)	**25**	**Total change in liquid assets**	**1 005**	**(918)**	**(898)**
2 964	1 830	Cash and cash equivalents at the beginning of the period	1 875	2 773	2 773
2 880	**1 855**	**Cash and cash equivalents at the end of the period**	**2 880**	**1 855**	**1 875**

Cash flows

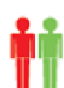
Cash flows used in operating activities so far in 2017 amounted to MNOK 36, the reduction from the same period last year mainly constituting increased paid taxes and increased working capital. The increase in working capital was primarily a consequence of a reduction of accrued costs related to the construction of terminals, as well as lower outstanding debt related to collateralisation of market value of financial derivatives

Net cash flows from investing activities so far in 2017 were MNOK 16. This mainly related to the fact that proceeds from the sale of fixed assets and companies compensated for payments for current operating investments and acquisition of businesses. The majority of the investments concerned the building of new logistics centres and IT systems.

Net cash flows from financing activities so far this year amounted to MNOK 1 026, principally due to a new bond loan of MNOK 1 000.

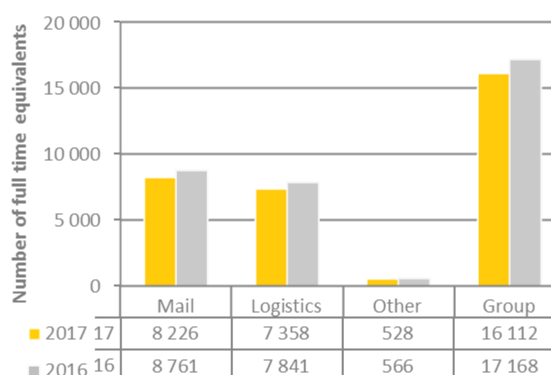
Workforce

The Group's workforce constituted 16 112 full-time equivalents as of the third quarter of 2017, a reduction of 1 056 full-time equivalents compared with the corresponding period in 2016. In the Mail segment, the workforce decreased by 535 full-time equivalents. The reduction was mainly within mail distribution and production. In the Logistics segment, the workforce decreased by 483 full-time equivalents, of which approximately 440 concerned discontinued operations and disposals of entities in operations outside Norway.



FULL TIME EQUIVALENTS

16 112



	Mail	Logistics	Other	Group
2017	8 226	7 358	528	16 112
2016	8 761	7 841	566	17 168

Market and development per segment (unaudited)

MAIL

This segment comprises letter products, banking services and dialogue services. The segment includes the Mail division and the subsidiaries in the areas of Bring Citymail, Bring Mail and Netlife Gruppen.

Amounts in MNOK

Q3 2017	Q3 2016		YTD 2017	YTD 2016	Year 2016
2 156	2 208	Revenue	6 965	7 172	9 839
166	188	Segment profit (EBITDA)	674	690	1 105
84	112	Segment profit (EBITE)	440	456	800

So far this year, the volume of addressed mail in Norway was reduced by 9.7 % compared with the same period in 2016. Banking and financing had a decrease in volumes of 29 %, and public senders 26 %.

Unaddressed mail increased by 9.6 % compared with the same period in 2016. Increased volumes from large individual customers were the main reason for the growth.

Turnover so far this year was reduced by MNOK 207 compared with 2016. The main reason was the decline in addressed mail and reduced government procurements of commercially non-viable postal services. The effects of the declined mail volumes were mitigated by a price increase in addressed mail and increased volumes of unaddressed mail.

So far in 2017, the adjusted profit (EBITE) declined by MNOK 16 compared with 2016. The decline in results was limited as a consequence of considerable operational adjustments to lower volumes and increased unaddressed volumes. The income from government procurements of commercially non-viable postal services was reduced by MNOK 128 compared with the corresponding period in 2016.

In the third quarter of 2017, priority mail delivered overnight was 86.8 %, 1.8 percentage points over the licence requirement. So far this year, the result for priority mail delivered overnight was 86.2 %.

LOGISTICS

This segment comprises groupage and part-load services, parcel delivery, warehousing services, temperature-controlled transport and express services.

The segment includes the divisions Logistics Norway, Logistics Nordic and E-Commerce, which include operations in Bring Cargo, Bring Linehaul, Bring Warehousing, Bring Frigo, Bring Express, Bring Parcels, Bring Transport Solutions and Bring Supply Services.

Amounts in MNOK

Q3 2017	Q3 2016		YTD 2017	YTD 2016	Year 2016
4 038	4 110	Revenue	12 153	12 351	16 525
173	150	Segment profit (EBITDA)	334	321	430
77	53	Segment profit (EBITE)	65	31	49

Revenue in the Logistics segment so far this year was MNOK 198 lower than last year. Organic growth* showed a positive 1.2 %. In the Norwegian logistics operations, turnover within parcels, offshore and international traffic increased. Operations exposed to economic cycles continued to have profitability challenges, but in the last months, increased activities in the market contributed positively to the demand.

In the Swedish logistics business, discontinued and sold companies had a negative effect on turnover. The other operations showed positive growth, particularly for parcels.

The adjusted profit (EBITE) in the Logistics segment so far this year was MNOK 34 better than in 2016. Logistics operations in Norway still had profit challenges, partly as a consequence of weak development in business activities, but increased price pressure following increased competition also contributed to lower margins. The Swedish and Danish logistics business showed profitability improvements due to high volume growth in private e-commerce (parcels), increased home deliveries and discontinued freight operations in Sweden.

*) Organic growth=growth in turnover adjusted for purchases and sales of businesses and foreign currency effect.

Other matters

HSE

The Group's ambition is to create and maintain a working environment focusing on health where nobody gets injured or sick as a consequence of their work. The Group's focus on systematic HSE initiatives has had positive results. Both the number of personal injuries and absences due to sickness have declined significantly in recent years.

In the third quarter of 2017, absence due to sickness in the Group was 5.2 %, a reduction of 0.5 percentage points compared with the third quarter of 2016. Absence due to sickness in the last 12 months was 5.9 %, a reduction of 0.1 percentage points compared with the corresponding period in 2016.

The total number of personal injuries per million worked hours (H2) was 6.6 in the third quarter of 2017, a reduction of 1.9 from the same period last year. The injury frequency in the last 12 months was reduced from 8.9 to 8.0 compared with the same period last year.

The external environment

The Group has set a new and ambitious environmental goal in using only renewable energy in all their vehicles and buildings before 2025, provided that new technology is competitive with "fossil" solutions when implemented on a large scale.

In the third quarter, the Group has opened a new logistics center in Trondheim, a center with several good environmental solutions. This includes fast gates halving the energy consumption, solar panels and wind turbines covering approximately 25 % of the terminal's total energy requirement, and a battery bank that store the power for loading 80 electric vehicles.

The Group is continuing its efforts to gain influence on the general conditions that contribute to implement renewable solutions faster. In addition, the Group is working with more tests and pilots of non-emission vehicles.

Other matters

The Government granted MNOK 177 to Government procurements of commercially non-viable postal services*) for the accounting year 2017. The grant is MNOK 316 below the net costs calculated for 2017.

For 2016, Posten Norge received MNOK 403 in government procurements of commercially non-viable postal services*). The recalculation for 2016 shows a total cost of MNOK 459. Posten has therefore asked the Ministry of Transport and Communication for a supplementary payment of MNOK 56 with the addition of interest.

*) The 2016 Annual Report has a detailed description.

Future prospects

In its proposition for the 2018 fiscal budget the Government has proposed to allocate MNOK 165 for Government procurements of commercially non-viable postal services. This is MNOK 540 lower than Posten's own preliminary calculation.

In the proposition, the Government points out, quote: "Due to the sharp decline in letter volume due to digitalisation, Posten has significantly restructured its postal operations over the past 20 years. Letter volumes have more than halved since 2000 and are also expected to fall significantly in the future. In many countries, the postal service provider is in a very difficult economic situation, and several countries are now implementing changes to adapt to this development. Norway has come a long way in digitalisation. The costs for Norway's nationwide distribution network are largely fixed, while revenues fall in line with falling letter volumes. This development means that the universal service obligations need to be adapted accordingly."

The Ministry of Transport and Communication has engaged external advisors to undertake ”An assessment of Posten Norge's economically optimal distribution frequency, and an evaluation of alternative universal service obligations in accordance with the Postal Services Act, and the consequences thereof for the future level of Government procurements of commercially non-viable postal services.” The assignment will be completed before the end of November 2017.

The board assumes that in 2018 the Government will propose to Parliament the need for necessary adjustments in the universal service level, and that Posten will be paid for the additional costs of the economically unprofitable postal services as required by the Postal Services Act.

Addressed mail will continue to decline significantly in the years to come as a consequence of digitalisation at our customers. A more extensive regulatory freedom is therefore of vital importance to allow faster adjustments to the service offering to be made, in order to match market developments. The introduction of one joint mail stream with a two day distribution time from 1 January 2018 is a necessary adjustment of the service level to meet changes in the market. Nine mail terminals will be reduced to three, seven mail airplanes will be reduced to three and the workforce will be reduced considerably. A reduction in the number of days for mail distribution will be the next logical step, as has been done in many other European countries.

The logistics market is strongly influenced by the economic activity level in society. It is assumed that the Norwegian economy has overcome the cyclical low point, and a moderate recovery is expected in 2018. A less negative development in the oil sector and larger growth in consumption and business investment can give more favourable market prospects for the logistic business.

Growth forecasts suggest that the Swedish economy is experiencing a boom, but the growth in GNP will not be as high in 2018 as in the two preceding years. Is it assumed that the domestic growth will decline, but the exports market is expected to grow.

Posten is building a future-oriented logistics network and is establishing 18 new joint terminals for parcels and freight in Norway, reducing the number of terminals from over 40. The objective is to increase operational

efficiency and profitability in the logistics segment. Joint terminals provide a higher degree of co-production and co-ordination of parcels and freight, as well as simplifying linehaul. With this, the Group will be better prepared to meet strong competition from international actors.

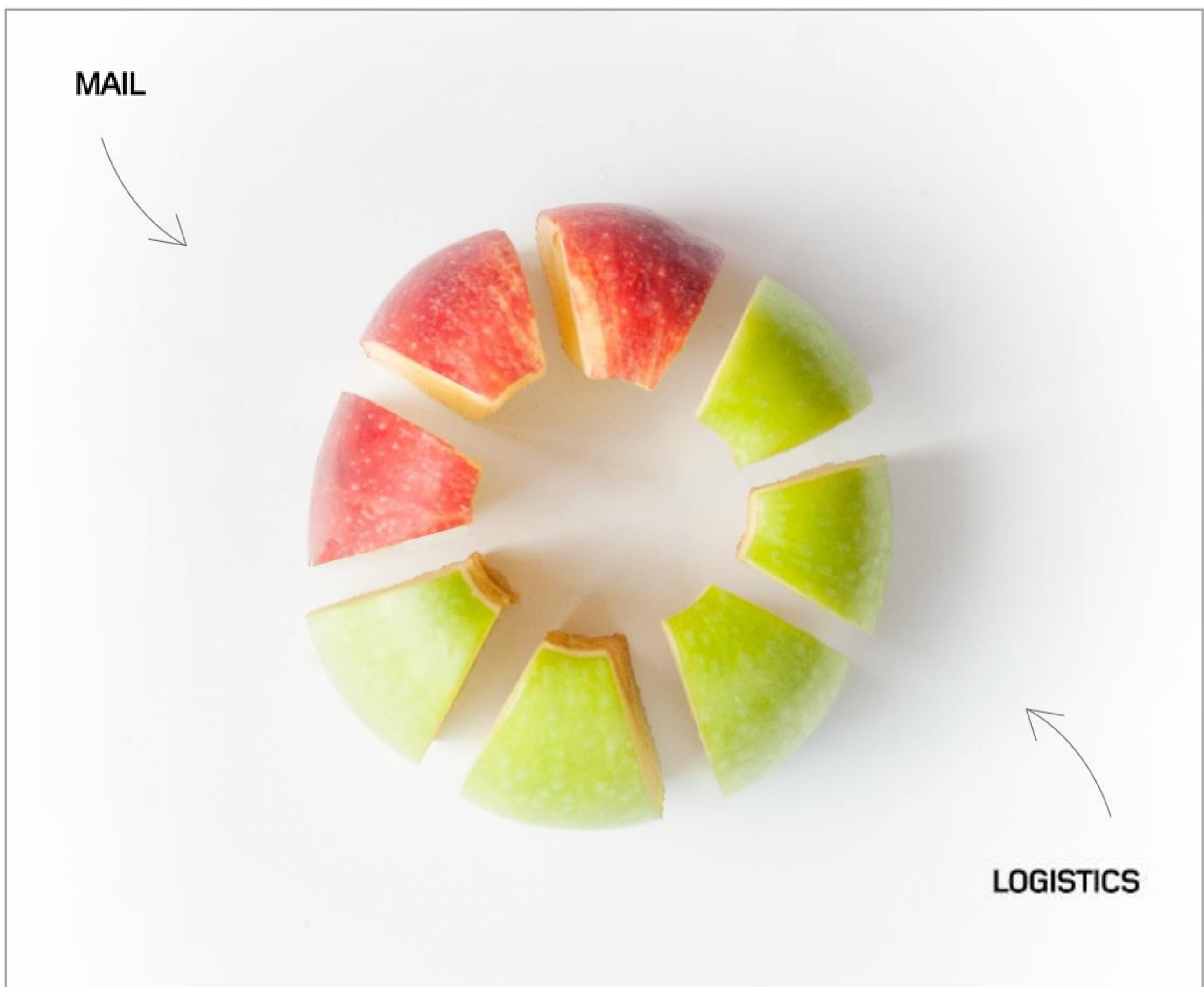
Oslo, 19 October 2017

The Board of Directors in Posten Norge AS

Posten Norge

FINANCIAL REPORT

3RD QUARTER 2017



Condensed income statement

Q3 2017	Q3 2016		Note	YTD 2017	YTD 2016	Year 2016
5 807	**5 934**	**Revenue**	1	**17 959**	**18 340**	**24 772**
2 489	2 534	Cost of goods and services		7 563	7 538	10 086
2 142	2 210	Payroll expenses		6 949	7 241	9 749
179	175	Depreciation and amortisation	2	508	529	694
2	49	Write-downs	2	2	50	313
867	858	Other operating expenses		2 563	2 654	3 599
5 679	**5 826**	**Operating expenses**		**17 584**	**18 012**	**24 440**
		Gain on sale of fixed assets etc		31	8	6
47	(2)	Restructuring expenses		30	(10)	(220)
		Other non-recurring items			54	45
46	**(2)**	**Other income and (expenses)**	**5**	**61**	**51**	**(169)**
(15)	(4)	Share of profit from associates and joint ventures		(20)	5	15
159	**102**	**Operating proftit**	1	**416**	**385**	**178**
77	78	Financial income		306	272	370
105	73	Financial expenses		349	259	318
(28)	**5**	**Net financial items**		**(43)**	**13**	**52**
131	**107**	**Profit before tax**		**373**	**397**	**230**
40	41	Tax expence		95	115	191
91	**67**	**Profit for the period**		**278**	**283**	**39**
89	65	Controlling interests	1	275	280	36
2	2	Non-controlling interests		3	2	4

Condensed statement of comprehensive income

Q3 2017	Q3 2016		YTD 2017	YTD 2016	Year 2016
91	**67**	**Profit / (loss) for the period**	**278**	**283**	**39**
		Items that will not be reclassified to income statement			
		Pension			
		Changes in estimates			(74)
		Tax			17
		Total items that will not be reclassified to income statement			**(58)**
		Items that later will be reclassified to income statement			
		Translation differences			
20	94	Result of hedging of foreign entities	1	191	173
(5)	(24)	Tax		(48)	(43)
(20)	(72)	Translation differences from hedging of investments of foreign entities	13	(152)	(142)
		Cash flow hedging			
6	6	Changes in value	(4)	7	10
2	13	Transferred to income	2	13	13
(2)	(5)	Tax	1	(5)	(6)
1	**13**	**Total items that later will be reclassified to income statement**	**12**	**7**	**5**
		Other income/(costs) from associates and joint ventures			
		Changes in tax rate			3
1	**13**	**Other income/(costs) directly included in equity**	**12**	**7**	**(50)**
92	**79**	**Comprehensive income**	**291**	**290**	**(11)**
		Total comprehensive income is distributed as follows:			
90	78	Controlling interests	288	288	(15)
2	2	Non-contolling interests	3	2	4

Condensed balance sheet

	Note	30.09 2017	31.12 2016
Assets			
Intangible assets	2	2 116	2 194
Deferred tax asset		392	396
Tangible fixed assets	2	5 809	5 866
Other financial assets		560	608
Total non-current assets		**8 877**	**9 063**
Inventories		19	21
Interest-free current receivables		3 880	4 255
Interest-bearing current receivables		106	85
Liquid assets		2 880	1 875
Current assets		**6 886**	**6 236**
Total assets		**15 763**	**15 299**
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity		3 059	2 777
Non-controlling interests		18	14
Equity	3	**6 197**	**5 912**
Provisions for liabilities		**1 535**	**1 588**
Interest-bearing non-current liabilities	4	2 841	1 978
Interest-free non-current liabilities		27	29
Non-current liabilities		**2 868**	**2 007**
Interest-bearing current liabilities	4	559	415
Interest-free current liabilities		4 507	5 117
Tax payable		96	260
Short-term liabilities		**5 162**	**5 793**
Total equity and liabilities		**15 763**	**15 299**

Condensed statement of changes in equity

	Controlling interests						Non-contr. interests	Total equity
	Share capital	Share premium reserves	Hedging reserves	Transl. differ-ences	Retained earnings	Other equity		
Equity 01.01.2016	**3 120**	**992**	**(17)**	**195**	**1 637**	**2 808**	**(2)**	**5 926**
Net income for the period					36	**36**	4	**39**
Other comprehensive income/(loss) for the period			17	(13)	(55)	**(50)**		**(50)**
Total comprehensive income			**17**	**(13)**	**(19)**	**(15)**	**4**	**(11)**
Addition non controlling interest					(13)	**(13)**	13	
Other equity transactions					(3)	**(3)**		**(3)**
Equity 31.12.2016	**3 120**	**992**	**0**	**183**	**1 602**	**2 777**	**14**	**5 912**
Equity 31.12.2016	**3 120**	**992**	**0**	**183**	**1 602**	**2 777**	**14**	**5 912**
Net income for the period					275	**275**	3	279
Other comprehensive income/(loss) for the period			(2)	14		**12**		12
Total comprehensive income			**(2)**	**14**	**275**	**288**	**3**	**291**
Dividend					**(19)**	(19)	(2)	(21)
Addition non controlling interest							15	15
Other equity transactions					11	**11**	(11)	
Equity 30.09.2017	**3 120**	**992**	**(2)**	**197**	**1 871**	**3 059**	**18**	**6 197**

Condensed statement of cash flows

Q3 2017	Q3 2016		01.01 - 30.09 2017	01.01 - 30.09 2016	Year 2016
131	107	Income before tax	373	397	230
(10)	(10)	Tax paid in period	(260)	(140)	(156)
		(Gain)/loss from sales of non-current assets, subsidiaries and associated company	(31)	(8)	(6)
182	224	Depreciation and write-downs	509	579	1 007
15	4	Share of net income from associated companies and joint venture	20	(5)	(15)
(11)	(7)	Financial items without cash flow effect	38	(57)	25
(17)	(45)	Changes in receivables, inventory and payables	(105)	(166)	(25)
(188)	(135)	Changes in other working capital	(472)	(204)	(182)
(80)	(51)	Changes in other accruals	(101)	(153)	70
16	15	Interests received	41	55	65
(21)	(13)	Interests paid	(49)	(51)	(69)
18	**88**	**Cash flow from/(used in) operating activities**	**(36)**	**249**	**945**
(190)	(285)	Investments in tangible non-current assets and intangible assets	(645)	(991)	(1 243)
(11)	(87)	Investments in businesses	(30)	(112)	(112)
		Investments in associated companies and joint venture	(7)		
12	29	Proceeds from sales of tangible non-current assets and intangible assets	78	78	95
(1)		Proceed from sale of subsidiaries	596	22	22
		Proceed from sale of associated companies			5
		Dividend received from associated companies	2		17
13	8	Changes in other financial non-current assets	22	10	6
(177)	**(335)**	**Cash flow from/(used in) investing activities**	**16**	**(993)**	**(1 210)**
		Proceeds from non-current and current debt raised	1 000	100	100
(50)	(119)	Repayment of non-current and current debt	(100)	(701)	(733)
145	390	Decrease/increase bank overdraft	145	427	
(19)		Group contributions/dividends paid	(19)		
76	**271**	**Cash flow from/(used in) financing activities**	**1 026**	**(174)**	**(633)**
(84)	**25**	**Total change in cash and cash equivalents during the year**	**1 005**	**(918)**	**(898)**
2 964	1 830	Cash and cash equivalents at the start of the period	1 875	2 773	2 773
2 880	**1 855**	**Cash and cash equivalents at end of period**	**2 880**	**1 855**	**1 875**

SELECTED ADDITIONAL INFORMATION

General

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' address is Biskop Gunnerus gate 14, 0001 Oslo, Norway.

This condensed interim report has been prepared in accordance with the IFRSs (International Financial Reporting Standards) approved by the EU and complies with the prevailing accounting standard IAS 34 for interim financial reporting. The condensed interim financial accounts do not provide complete note disclosures as required for annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements.

Accounting principles

The interim financial statements have been prepared in accordance with the same accounting principles as stated in the 2016 annual report, with the following exceptions:

New or amended standards that have been applied from 1 January 2017:

None of the approved standards or interpretations effective from 1 January 2017 has any significant impact on the consolidated accounts.

Standards issued, but not yet effective:

IFRS 9 *Financial Instruments* concerns the classification, measurement and recognition of financial assets and liabilities, as well as hedge accounting. The standard will be effective for the 2018 financial year. The Group does not expect any significant effect on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* concerns revenue recognition. The standard will be effective for the 2018 financial year. The Group has not fully assessed the effect of IFRS 15, but no significant effect on the consolidated financial statements is expected.

IASB issued the new standard IFRS 16 *Leases* in January 2016. The new standard changes the requirements for recognising lease agreements for the lessee significantly. All lease agreements (with some minor exceptions) shall be recognised in the balance sheet, showing the value of the right to use as assets and the corresponding lease obligations in the balance sheet. Lease payments shall be recorded as amortisations/repayments and interest expense. The "right to use" asset will be depreciated over its expected economic lifetime. The accounting requirements for lessors are basically unchanged. The new standard also has new and amended requirements for accompanying disclosures. IFRS 16 will be effective for the accounting year 2019 (provided approval by the EU).

The Group is in an early phase of evaluating the effects of IFRS 16, and has not yet fully assessed the impact of the new standard. The Group's initial assessment is that the new standard will change the accounting of lease contracts in the Group significantly, especially regarding lease agreements related to buildings and terminals and to the Group's car fleet.

No other issued standards or interpretations not yet effective are expected to have any significant impact on the Group's financial statements.

Estimates and assessments

In the preparation of the interim financial statements, management has used estimates and assumptions affecting revenues, expenses, assets and liabilities. Areas in which such estimates and assessments can have an impact include goodwill, other intangible assets, tangible fixed assets, pensions, provisions and tax.

The sources of uncertainty concerning estimates are the same as for the 2016 financial statements. Future events may result in changes in the estimates, and these changes will be recognised in the accounts once any new estimate has been determined.

The annual report for 2016 is available at www.postennorge.no

NOTES TO THE ACCOUNTS

Note 1 Segments

Posten Norge's operations are divided into two segments, Mail and Logistics. Group administration and shared functions, together with eliminations, are allocated to Other/eliminations.

The Group's segments are reported by areas whose operating results are regularly reviewed by the Board of Posten Norge AS. The objectives are to enable the Board to decide which resources should be allocated to the segment and to assess its earnings.

Internal revenues are turnover between segments in the Group. The pricing of transactions with other segments is based on normal commercial terms and conditions as if the segments were independent parties. Deferred tax assets are not included in allocated assets, and deferred tax and interest-bearing liabilities are not included in allocated liabilities.

The segments are described in more detail in the 2016 annual report.

Revenue per segment

Q3 2017	Q3 2016	Total revenue	YTD 2017	YTD 2016	Year 2016
1 976	2 029	External revenue	6 420	6 628	9 092
181	179	Internal revenue	545	544	747
2 156	**2 208**	**Mail**	**6 965**	**7 172**	**9 839**
3 831	3 904	External revenue	11 541	11 711	15 676
207	206	Internal revenue	613	640	849
4 038	**4 110**	**Logistics**	**12 153**	**12 351**	**16 525**
	1	External revenue	(1)	2	4
(388)	(385)	Internal revenue	(1 157)	(1 184)	(1 595)
(388)	**(384)**	**Other/eliminations**	**(1 158)**	**(1 183)**	**(1 591)**
5 807	**5 934**	**Posten Norge**	**17 959**	**18 340**	**24 772**

EBIT per segment

Q3 2017	Q3 2016	EBITDA	YTD 2017	YTD 2016	Year 2016
166	188	Mail	674	690	1 105
173	150	Logistics	334	321	430
(30)	(7)	Other/eliminations	(123)	(103)	(196)
309	**331**	**Posten Norge**	**885**	**907**	**1 339**

Q3 2017	Q3 2016	EBITE	YTD 2017	YTD 2016	Year 2016
84	112	Mail	440	456	800
77	53	Logistics	65	31	49
(31)	(9)	Other/eliminations	(128)	(110)	(204)
130	**157**	**Posten Norge**	**377**	**378**	**645**

Q3 2017	Q3 2016	Operating profit (EBIT)	YTD 2017	YTD 2016	Year 2016
125	105	Mail	477	520	724
68	13	Logistics	86	(17)	(334)
(34)	(16)	Other/eliminations	(147)	(119)	(212)
159	**102**	**Posten Norge**	**416**	**385**	**178**

Assets and liabilities per segment

30.09.2017	Mail	Logistics	Other	Group
Segment assets	3 720	10 216	(1 830)	12 105
Associated companies and joint ventures	35	351		385
Non allocated assets				3 272
Total assets				**15 763**
Segment liabilities	2 748	3 469	(52)	6 166
Non allocated liabilities				3 400
Total liabilities				**9 566**

31.12.2016	Mail	Logistics	Other	Group
Segment assets	3 864	10 815	(2 033)	12 647
Associated companies and joint ventures	23	358		381
Non allocated assets				2 271
Total assets				**15 299**
Segment liabilities	3 152	4 049	(207)	6 994
Non allocated liabilities				2 393
Total liabilities				**9 387**

Note 2 Intangible assets and tangible fixed assets

	Intangible assets	Tangible assets
Total at 1 January 2017	**2 194**	**5 866**
Additions	170	474
Additions from acquisitions	20	
Disposals		(78)
Disposals from sales of subsidiaries	(170)	(74)
Depreciation	(109)	(399)
Write-downs	(2)	1
Translation differences	13	19
Total at 30 September 2017	**2 116**	**5 809**

Investments exclusive of acquisitions as of the third quarter of 2017 amounted to MNOK 645, of which investments in IT related solutions constituted MNOK 170. MNOK 199 of the MNOK 474 invested in tangible fixed assets concerned buildings and property, of which the new logistics centres in Bergen, Stavanger, Narvik and Trondheim were the largest projects. Investments in other fixed assets included terminal furnishings, vehicles and other operating equipment.

The purchase price allocation (PPA) for the sub-subsidiary Netlife implied an increase of goodwill of MNOK 15 and added value in brand names of MNOK 4. Disposals from sales of companies mainly relate to the sale of the sub-group Bring SCM and Bring Cargo Inrikes Fastighets AB. Note 7 has details on disposals of companies.

Note 3 Equity

As at 30 September 2017, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000. All the company's shares are owned by the Norwegian State, represented by the Ministry of Trade, Industry and Fisheries.

At the Annual General Meeting in June 2017, it was decided that dividends of MNOK 19 would be distributed, corresponding to the Board's proposals in the 2016 financial statements. Dividends were paid in August 2017.

Note 4 Interest-bearing non-current and current liabilities

The Group's non-current interest-bearing liabilities increased by MNOK 863 from 31 December 2016 to 30 September 2017, mainly due to a new bond loan of MNOK 1 000 and repayments of debt amounting to MNOK 100.

Current interest-bearing liabilities increased by MNOK 144 from 31 December 2016 to 30 September 2017, caused by withdrawals on bank overdraft.

As at 30 September 2017, none of the Group's other credit facilities had been used. The average interest rate on Posten's outstanding interest-bearing liabilities was 2.0 % as at 30 September 2017.

Note 5 Other income and expenses

Other income and expenses include restructuring costs together with gain and loss on sales of tangible assets. The purpose of this line in the accounts is to show significant irregular items separately, thereby making the development in the operating items presented in the adjusted profit (EBITE) comparable.

Q3 2017	Q3 2016		YTD 2016	YTD 2016	Year 2015
		Gain/(loss) from sale of fixed assets etc.	31	8	6
46	(2)	Restructuring costs	30	(10)	(220)
		Other income and (expenses)		54	45
46	**(2)**	**Total other income and (expenses)**	**61**	**51**	**(169)**

Gain and loss from the sale of fixed assets as of the third quarter of 2017 primarily concerned the sale of Bring SCM, with a gain of MNOK 15, and of Bring Cargo Fastighets AB with a gain of MNOK 13. The gain from the sale of fixed assets in 2016 mainly related to the sale of the wholly owned subsidiary Posten Eiendom Skien AS.

Due to voluntary retirement and alternative restructuring solutions, provisions for adjustments to one addressed mail flow in the Mail segment amounting to MNOK 50 were reversed. Other restructuring costs provided for so far in 2017 mostly concerned the reorganisation of the terminal structure in the Logistics segment, and in 2016 adjustments to one addressed mail stream in the Mail segment.

Other income and expenses in 2016 mainly comprised income related to the settlement of a dispute in the Mail segment. In the third quarter, Posten has received a claim for compensation from a supplier concerning changes in purchase volumes. Posten has not accounted for the claim, as it is not considered an obligation according to IFRS.

Note 6 Fair value measurement

The fair value of financial assets and liabilities is calculated in line with the methods and assumptions, as well as the fair value hierarchy, used in previous years. This is described in more detail in the 2016 annual report.

The Group had the following financial assets and liabilities measured at fair value at the end of the third quarter of 2017:

	At fair value (FV)				At amortised cost		
	Valuation level	**FVO – FV Profit or loss**	**Derivatives at FV Profit or loss**	**Derivatives at FV OCI/ equity**	**Receivables**	**Other financial liabilities**	**30.09 2017**
Assets							
Interest-bearing current receivables					12		12
Other financial non-current assets	2		148		29		177
Interest-free current receivables	2		2	2	3 876		3 880
Interest-bearing current receivables					106		106
Liquid assets							2 880
Total financial assets							**7 057**
Liabilities							
Interest-bearing non-current liabilities	2	591				2 250	2 841
Interest-free non-current liabilities	2		21	4		2	27
Interest-bearing current liabilities	2					559	559
Interest-free current liabilities, incl. tax payable	2			15		4 588	4 603
Total financial liabilities							**8 031**
Total value hierarchy level 1							
Total value hierarchy level 2		(591)	129	(16)			(478)
Total value hierarchy level 3							

	At fair value (FV)				At amortised cost		
	Valuation level	**FVO – FV Profit or loss**	**Derivatives at FV Profit or loss**	**Derivatives at FV OCI/ equity**	**Receivables**	**Other financial liabilities**	**31.12 2016**
Assets							
Interest-bearing current receivables					8		8
Other financial non-current assets	2		194		28		223
Interest-free current receivables	2		12	39	4 203		4 255
Interest-bearing current receivables					85		85
Liquid assets							1 875
Total financial assets							**6 446**
Liabilities							
Interest-bearing non-current liabilities	2	635				1 344	1 978
Interest-free non-current liabilities	2		24	2		2	29
Interest-bearing current liabilities	2					415	415
Interest-free current liabilities, incl. tax payable	2			8		5 362	5 378
Total financial liabilities							**7 800**
Total value hierarchy level 1							
Total value hierarchy level 2		(635)	175	29			(431)
Total value hierarchy level 3							

The table above is shows the classification in categories pursuant to IAS 39. Details can be found in the 2016 financial report.

Level 1: Listed prices
Level 2: Other observable input, direct or indirect
Level 3: Non-observable input

There have been no transfers between the levels in the fair value hierarchy since last year.

Note 7 Changes to the Group's structure

Sale of company

In March 2017, Bring Cargo Inrikes AB sold the subsidiary Bring Cargo Inrikes Fastighets AB, cf. note 5. The sale involved disposals of property.

On 30 June 2017, the Group sold its share in Bring SCM, cf. note 5. The sale involved disposals of goodwill, a receivable on a customer for third-party logistics services and corresponding current liabilities.

Other changes

As part of simplifying the company structure, Bring Express AS (target company) merged with Posten Norge AS (acquiring company) with effect from 1 January 2017. The merger was carried out as a parent-subsidiary merger without compensation and with accounting and tax continuity.

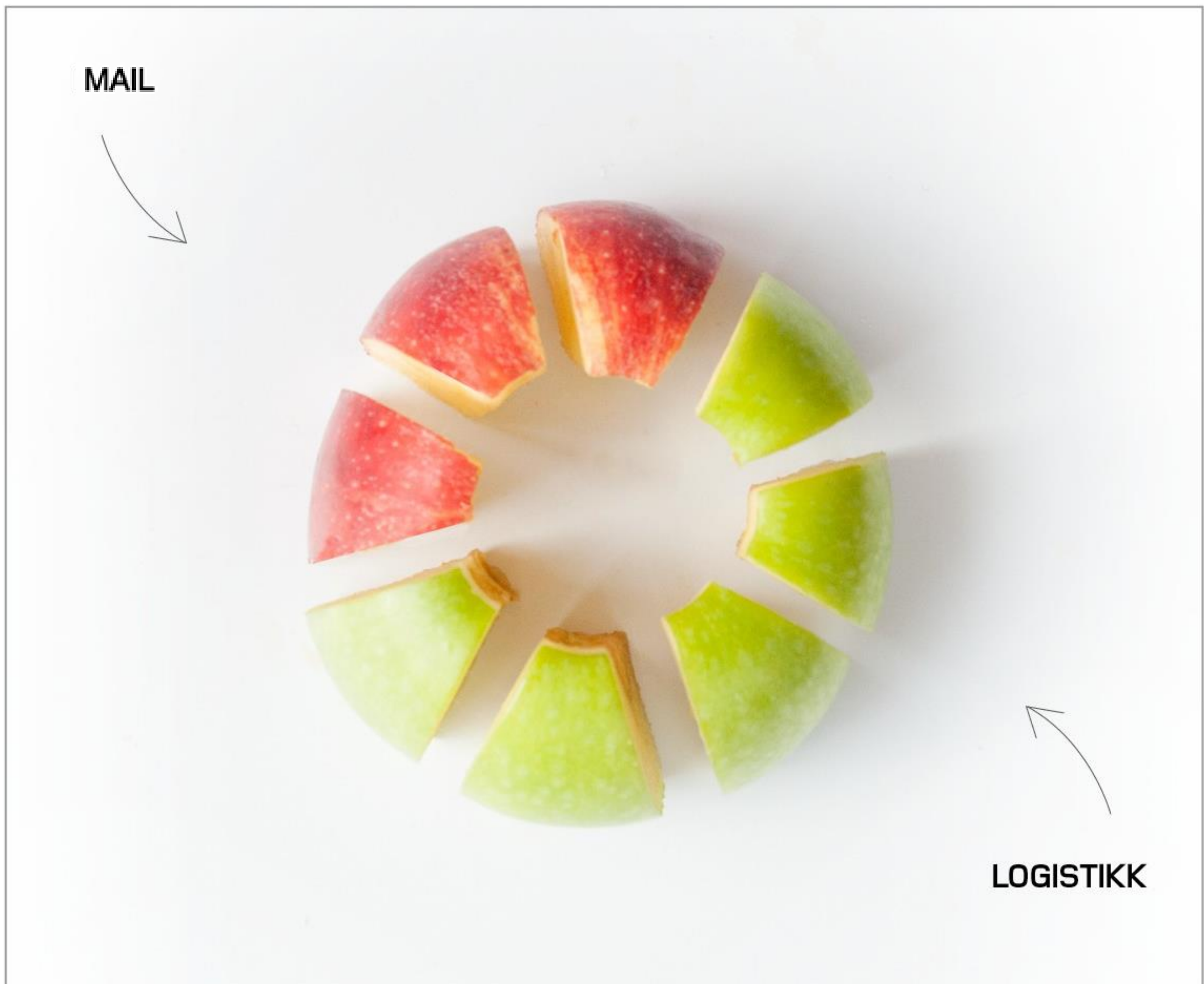
A business transfer of customs and international traffic from Bring Transportløsninger AS to Bring Cargo AS was carried out, effective from 1 January 2017.

In April 2017, a business transfer from Bring Frigo AS to Bring Transportløsninger AS was carried out as part of consolidating the Group's operation of vehicles.

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

ALTERNATIVE PERFORMANCE MEASURES

3RD QUARTER 2017



Alternative Performance Measures (APM)

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

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

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

EBITDA, adjusted profit (EBITE), 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). The adjusted profit (EBITE) is EBITDA before other income and expenses and includes depreciation. EBIT includes the Group's write-downs, other income and expenses in addition to income from associated companies and joint ventures.

The target figures are valuable for the users of Posten's financial information, also including management, the Board and external parties. They give the users of the financial information the opportunity to assess the operating result on the basis of variable current items, as depreciation and amortisation costs, non-recurring items and other gain and loss related to 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 EBIT and EBITE margins are presented defined as EBIT and adjusted profit (EBITE), respectively, divided by total income.

		YTD 2017	YTD 2016
+	Revenue	17 959	18 340
-	Costs of goods and services	7 563	7 538
-	Payroll and social expenses	6 949	7 241
-	Other operating expenses	2 563	2 654
=	**EBITDA**	**885**	**907**

		YTD 2017	YTD 2016
+	EBITDA	885	907
-	Depreciation	508	529
=	**EBITE**	**377**	**378**

		YTD 2017	YTD 2016
	EBITE/	377	378
-	Total revenues	17 959	18 340
=	**EBITE margin**	**2.1%**	**2.1%**

		YTD 2017	YTD 2016
+	EBITE	377	378
-	Write-downs	2	50
+/-	Total other income and expenses	61	51
+	Share of profit or loss from associates and joint ventures	(20)	5
=	**EBIT**	**416**	**385**

		YTD 2017	YTD 2016
	EBIT/	416	385
	Total revenues	17 959	18 340
=	**EBIT margin**	**2.3%**	**2.1%**

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.

		30.09 2017	30.09 2016
+	Interest-bearing non-current liabilities	2 841	2 073
+	Interest-bearing current liabilities	559	843
-	Market-based financial investments	2 724	1 630
-	Cash	58	75
-	Bank deposits - Group account system	4	7
-	Bank deposits - other	94	143
=	**Net interest-bearing dept (NIBD)**	**520**	**1 061**

		30.09 2017	30.09 2016
+	Market-based investments	2 724	1 630
+	Syndicate facility	3 294	3 145
+	Bilateral credit facilities	750	750
-	Certificate loans	300	300
=	**Long-term liquidity reserve**	**6 468**	**5 225**

		30.09 2017	30.09 2016
+	Long-term liquidity reserve	6 468	5 225
+/-	Deposits on group account		
+/-	Deposits outside group account	98	150
+	Bank overdraft not utilised	406	123
=	**Short-term liquidity reserve**	**6 973**	**5 498**

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
+	Total intangible assets	2 210	2 409
+	Total tangible fixed assets	5 852	5 618
+	Total current assets	6 502	7 003
-	Total liquid assets	2 217	2 447
-	Interest-bearing current assets	92	116
-	Interest-free current liabilities	5 084	5 482
+	Tax payable	128	125
+	Ddividend and group contributions	3	1
=	**Invested capital***	**7 302**	**7 111**

*Rolling twelvw months

		2017	2016
	Last 12 months' accumulated EBITE/	644	591
	Invested capital	7 302	7 111
=	**Return on invested capital (ROIC)**	**8.8%**	**8.3%**

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:

		YTD 2017	YTD 2016
+	Totalt investments	645	991
-	Investment due to aquisitions	19	218
=	**Investment before aquisitions***	**626**	**773**

*Equivalent to Investments in tangible non-current assets and intangible assets in the cash flow statment

		2017	2016
	Profit after tax total	35	-226
	Average equity on balance sheet date*	6 206	6 287
=	**Return on equity after tax**	**0.6%**	**-3.6%**

*(IB+UB)/2

		30.09 2017	30.09 2016
	Total equity on balance sheet date/	6 197	6 216
	Total equity and liabilities (total capital)	15 763	15 787
=	**Equity ratio**	**39.3%**	**39.4%**

		YTD 2017	YTD 2016
+	Total revenue	17 959	18 340
-	Total external revenue	11 504	11 353
=	**Revenue**	**6 455**	**6 987**