Posten Norge

# QUARTERLY REPORT




## 4th QUARTER **2018**

## *Message from the CEO*

**It has never been more important for Posten to restructure the postal business. We shall continue to develop our services and shape the future's delivery network.**

We had much to be pleased about in 2018. Our customers have become more satisfied. The logistics market is growing. Customers have returned to us, and we have won new ones. The market is, however, demanding with high competition and low margins.

Adjusted operating profit for 2018 was MNOK 531, MNOK 172 weaker than the year before. The Group's revenue amounted to MNOK 23 894, 3 percent down from 2017. The accelerated decline in mail volumes had significant result consequences – which also will be the case in 2019.

The Logistics segment showed growth in 2018 driven by the general market conditions. The result development in the fourth quarter was positive in the Norwegian logistics network, where 14 of a total of 18 new co-localised terminals have been completed. The result development for the Logistics segment for the year as a whole was, however, not satisfactory.

The Mail segment is characterised by a dramatic decline in mail volumes and reduced results, despite considerable cost measures. Addressed mail fell by 12,9 percent and unaddressed mail by 11,4 percent in 2018. The decline increases month by month. As a consequence of digitalisation, Posten has lost a total of 65 percent of the mail volumes over the last 20 years. Posten has adjusted to the market development for a long time, and we must continue to adjust and develop the services we have to offer. The transition to fewer fixed postal days requires a political decision. We expect that the proposal for changes in the Postal Act is presented to the Norwegian Parliament in the beginning of 2019.

An important success factor in the time to come is to succeed within e-commerce with industrial production and individual deliveries. The logistics network in Norway is the engine in the Norwegian logistics business. When the remaining four terminals are ready in 2020, we will have the full effect of new production processes and transport management systems in the network, and can benefit from economies of scale.

Customers want flexibility and a delivery place of their own choice. Digitalisation brings about new possibilities for customer orientation and simplification. In 2019, the Group will carry on the work to shape the future's delivery network in a digital time – with a competitive cost level. This concerns further coordination of mail and parcel deliveries and increased flexibility. The customers shall have the opportunity to choose where they wish to have parcels delivered. We will establish more delivery places and home deliveries, inside or outside their door.

We enter 2019 with the ambition to restructure and develop our services to make everyday life simpler for our customers.

*Tone Wille*
Group CEO

# QUARTERLY REPORT

4th QUARTER **2018**

## Main features from the fourth quarter 2018

The Group's turnover in the fourth quarter was MNOK 6 407, a reduction of 4,6 percent compared with the fourth quarter in 2017. The adjusted operating profit in the fourth quarter was MNOK 246, MNOK 79 weaker than in the same period last year. Operating profit (EBIT) was MNOK 88. In the fourth quarter of 2018, MNOK 104 were recognised as income as a consequence of a change in regulations about compensation for coordinating public occupational pension and contractual early retirement pension (AFP) in the private sector. In the corresponding period last year, MNOK 180 were recognised as income, and related to government procurements of commercially non-viable services in connection with approved changes to the fiscal budget. This concerned additional costs by maintaining two addressed mail flows.

The Logistics segment improved adjusted operating profit from the same quarter in 2017. As expected, implemented measures in the Norwegian parcels and freight network resulted in more cost-effective operations. The operating result (EBIT) was negative and weaker than last year due to write-downs of goodwill and provisions for losses.

In the Mail segment, the adjusted operating result in the fourth quarter declined compared with the same period last year. The reduction is mainly due to the reduced mail volumes and income in the fourth quarter of 2017 related to the additional grant related to government procurements of commercially non-viable services.

Revenue in 2018 was MNOK 23 894, a decline of 3,2 percent compared with 2017. The decline is primarily caused by sale of companies and a fall in mail volumes. Organic growth in 2018 was a positive 1,7 percent as a result of increased turnover in the Logistics segment. Adjusted operating profit amounted to MNOK 531, a decrease of MNOK 172 compared with 2017, mainly due to the result decline in the Mail segment as a consequence of the continued fall in mail volumes. In 2018, the addressed mail volume declined by 12,9 percent.

Operating profit (EBIT) was MNOK 415, a reduction of MNOK 276 from 2017. In addition to the declined result in the Mail segment, the write-down of goodwill in the Logistics segment of MNOK 138 contributed negatively. Profit before tax amounted to MNOK 366.

Return on equity (ROE) was 3,9 percent for 2018, a reduction of 2,5 percentage points compared with 2017. This is primarily due to weaker result after tax in 2018. The return on invested capital (ROIC) was 7,3 percent for 2018, 2,5 percentage points weaker than for 2017. This was caused by increased invested capital in the period combined with a reduced adjusted operating profit.

## Profit development (unaudited)

| Q4 2018 | Q4 2017 | | Year 2018 | Year 2017 |
|---|---|---|---|---|
| 6 407 | 6 718 | Revenue | 23 894 | 24 678 |
| 408 | 501 | EBITDA | 1 185 | 1 386 |
| 246 | 326 | Adjusted operating profit | 531 | 703 |
| 88 | 275 | Operating profit (EBIT) | 415 | 692 |
| (7) | (27) | Net financial items | ( 49) | (71) |
| 80 | 248 | Profit before taxes | 366 | 621 |
| **27** | **110** | **Profit for the period / year** | **248** | **388** |

Alternative performance measures applied in the quarterly report are described in appendix to the report
See condensed income statement

## Key financial figures (unaudited)

| | | Year 2018 | Year 2017 |
|---|---|---|---|
| Adjusted operating profit-margin | % | 2.2 | 2.8 |
| Operating profit (EBIT)-margin | % | 1.7 | 2.8 |
| Equity ratio | % | 40.3 | 37.6 |
| Return on invested capital* | % | 7.3 | 9.8 |
| Return on equity (after tax)* | % | 3.9 | 6.3 |
| Net interest-bearing debt | | 312 | (176) |
| Investments, excluding acquisitions | | 962 | 959 |

Alternative performance measures applied in the quarterly report are described in appendix to the report
*Last twelve months

(The information in this document has not been audited. All amounts are in MNOK.) 4

## Balance sheet (unaudited)

| | 31.12 2018 | 31.12 2017 |
|---|---|---|
| **ASSETS** | | |
| Non-current assets | 8 730 | 8 850 |
| Current assets | 7 341 | 8 112 |
| **Assets** | **16 071** | **16 962** |
| **EQUITY AND LIABILITIES** | | |
| Equity and liabilities | 6 481 | 6 375 |
| Provisions for liabilities | 1 201 | 1 505 |
| Non-current liabilities | 3 030 | 3 096 |
| Current liabilities | 5 359 | 5 986 |
| **Equity and liabilities** | **16 071** | **16 962** |

### Balance sheet

The decline in assets is mainly caused by the sale of Bring Citymail Sweden in the first quarter of 2018. Goodwill was written off in the fourth quarter of 2018, and receivables and liquid funds were reduced as a consequence of operating investments and payment of liabilities related to operations.

The reduction in provisions for liabilities is primarily due to reduced pension liabilities amounting to MNOK 212. The change in regulations concerning the compensation for coordinating public occupational pension and the contractual early-retirement pension (AFP) in the private sector was the main cause to the reduced pension obligation.

Current liabilities are MNOK 626 lower than at 31 December 2017. In addition to the disposal of Bring Citymail Sweden, this was primarily a result of payment of trade payables and other debt related to operations.

## Cash flows (unaudited)

| Q4 2018 | Q4 2017 | | Year 2018 | Year 2017 |
|---|---|---|---|---|
| 491 | 628 | Cash flows from/(used in) operating activities | 598 | 592 |
| (167) | 73 | Cash flows from/(used in) investing activities | (853) | 88 |
| (131) | 356 | Cash flows from/(used in) financing activities | (69) | 1 382 |
| **192** | **1 056** | **Total change in liquid assets** | **(324)** | **2 062** |
| 3 421 | 2 880 | Cash and cash equivalents at the beginning of the period | 3 937 | 1 875 |
| **3 613** | **3 937** | **Cash and cash equivalents at the end of the period** | **3 613** | **3 937** |

## Cash flows

Net cash flows generated by operating activities in 2018 amounted to MNOK 598, about the same level as in 2017. Profit after tax in 2018 was lower compared with 2017, as was also the case for paid taxes. In addition, net payments from customers and disbursements to suppliers were higher compared with last year.

Net cash flows used in investing activities in 2018 were MNOK 853, primarily related to ongoing operating investments and the sale of operating assets. Most of the operating investments concerned the building of logistics centres and IT investments. In 2017, net cash flows from investing activities were positive as a consequence of payments from the sale of companies and properties.

Net cash flows used in financing activities in 2018 amounted to MNOK 69, mainly as a consequence of disbursements of dividends, countered by a net increase in interest-bearing debt.

# Market and development per segment (unaudited)

## LOGISTICS

*The segment comprises the divisions E-Commerce and Logistics, International Logistics and Express. Division E-Commerce and Logistics is responsible for all parcel products concerning the e-commerce customers, in addition to groupage and part loads, thermo and warehouse in Norway. Division International Logistics is responsible for industrial direct freight and industry solutions for industrial and offshore customers. Division Express has the Nordic responsibility for the service areas express and home deliveries. Note 1 in the 2017 financial statements has further descriptions.*

| Q4 2018 | Q4 2017 | | Year 2018 | Year 2017 |
|---|---|---|---|---|
| 4 716 | 4 380 | Revenue | 17 320 | 16 533 |
| 190 | 163 | Segment profit (EBITDA) | 525 | 497 |
| 90 | 64 | Adjusted operating profit | 135 | 129 |
| **(114)** | **76** | **Operating profit / (loss) (EBIT)** | **(76)** | **162** |

The Logistics segment increased turnover by MNOK 787 in 2018. The organic growth was 5,9 percent. E-commerce to private consumers, including home delivery services, showed positive growth in as well as outside Norway. There was also a solid growth within contract parcels, freight and international forwarding.

Adjusted operating profit for the Logistics segment was MNOK 135 in 2018, an improvement of MNOK 6 compared with 2017. The beginning of the year required increased resource use in new parcels and freight terminals in Norway. The last half year showed a positive trend with increased productivity and result improvement in this part of the business. Parcels operations outside Norway and within international forwarding also experienced profitability improvement due to large growth and more effective operations. In other parts of the business there were profitability challenges due to cost levels combined with strong competition. The change in regulations about compensation for coordinating public occupational pension and private early-retirement pension (AFP) had a positive effect on the results in the fourth quarter.

Operating loss (EBIT) for 2018 was MNOK 76 caused by a write-down of goodwill and provisions for losses in parts of the business.

The Norwegian parcels and freight network is going through a large-scale restructuring process that will continue until 2020. Comprehensive improvement measures are implemented to achieve more cost-effective operations. The adjusted operating result for the fourth quarter 2018 confirms that the implemented measures are beginning to have effect in this area. Other areas are also engaged in making operations more effective and improving profitability.

## MAIL

*The segment comprises the division Mail. Division Mail is responsible for the traditional postal services in Norway (including those requiring a licence). Note 1 in the 2017 financial statements has further descriptions.*

| Q4 2018 | Q4 2017 | | Year 2018 | Year 2017 |
|---|---|---|---|---|
| 2 102 | 2 729 | Revenue | 8 088 | 9 694 |
| 332 | 479 | Segment profit (EBITDA) | 919 | 1 152 |
| 270 | 403 | Adjusted operating profit | 657 | 843 |
| **309** | **342** | **Operating profit / (loss) (EBIT)** | **748** | **819** |

The addressed mail volume fell by 12,9 percent in 2018. Public authorities had a decline in volume of 24 percent, and the volume for the bank and finance sector fell by 17 percent. The decline in addressed volumes increased in the last half year with a fall of 14,9 percent.

Turnover in 2018 was reduced by MNOK 1 606 compared with 2017. The main reasons were the sale of Bring Citymail Sweden, the decline in volumes and the reduced income caused by the introduction of one addressed mail flow from 1 January 2018.

Adjusted operating profit in 2018 was MNOK 657, a reduction of MNOK 186 compared with 2017. Government procurements of commercially non-viable postal services constituted MNOK 536 in 2018, MNOK 193 more than last year and basically related to the additional costs of maintaining five days mail distribution in the entire country. Considerable cost adjustments have been made to operations, including the introduction of one addressed mail flow from the beginning of the year. Both the income and cost development related to the transition was as expected, although not adequate to compensate for the large decline in addressed mail volumes. In the fourth quarter, the change in regulations about compensation for coordinating public occupational pension and private early-retirement pension (AFP) had a positive impact on the result.

Operating profit (EBIT) in 2018 amounted to MNOK 748 and included positive non-reocurring effects related to the sale of property and reversal of provision in connection with the sale of the subsidiary Bring Citymail Sweden.

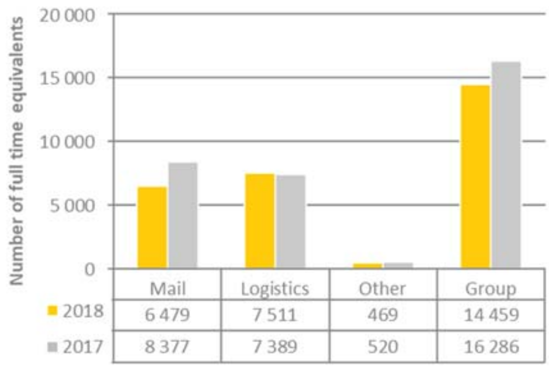
In the fourth quarter, 90,1 percent of addressed mail was delivered within 2 days. The result for the year 2018 was 89,9 percent. Both the fourth quarter and the year as a whole ended well above the licence requirement of 85 percent.

# Other matters

## HSE

*Workforce*

The Group's workforce at the end of 2018 constituted 14 459 full-time equivalents, a reduction of 1 827 full-time equivalents compared with the end of 2017. In the Mail segment, the workforce decreased by 1 898 full-time equivalents, mainly related to the sale of Bring Citymail Sweden and reductions within mail distribution and production. In the Logistics segment, the workforce increased as a consequence of the new distribution centre at Arlanda, Stockholm.




*Absence due to sickness and personal injuries*

The Group experienced a tragic fatal accident on 26 November 2018. A postman died from the injuries he was inflicted when hit by a runaway car with no driver at a distribution point. The investigation of the accident has been completed, and the Group will implement measures in line with the investigation report.

Posten'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, but the development in 2018 is not satisfactory.

In the fourth quarter of 2018, absence due to sickness in the Group was 6,0 percent, an increase of 0,1 percentage points compared with the fourth quarter of 2017. Absence due to sickness in the last 12 months was 6,0 percent, 0,2 percentage points higher than a year ago (excluding the sold subsidiary Bring Citymail Sweden, it was a reduction of 0,1 percentage points from 2017).

The total number of personal injuries per million worked hours (H2) was 7,8 percent in the fourth quarter of 2018, a reduction of 4,5 from the same period in 2017. The injury frequency in the last 12 months increased from 8,4 per December last year to 9,0 per December this year. The number of personal injuries was reduced from 232 in 2017 to 223 in 2018 (the figures for 2017 include injuries for the sold subsidiary Bring Citymail Sweden). Efforts to strengthen the Group's security culture continue, and focus will be on making thorough investigations of injuries and near accidents with a high injury potential.

*Gender equality and diversity*

Diversity contributes to increased well-being, innovation and performance. Posten has set goals for ethnic diversity efforts up to 2020, where the basis is that the Group shall reflect society and have more employees with a multicultural background in positions within management, staff and administration. The goal is that the total share of employees with a multicultural background in Posten shall be 17 percent, and in positions within management, staff and administration 9 percent. In 2018, the total share of employees with a multicultural background was

16,9 percent compared with 16,8 percent in the Norwegian society (2017), and the share of positions within management, staff and administration was 7,8 percent.

Posten also has a clear ambition to have a gender balance among executives that reflects the total diversion in the Group. Gender balance is emphasised in recruiting, selecting training and leader programmes and in succession planning. The percentage of women in the Group was 31,4 in 2018, and 27,6 percent of the Group's executives are women.

Posten continiues with more initiatives within gender equality and diversity.

## The external environment

Posten and Bring continue to focus on a green conversion and have come a long way with the electrification of the vehicle pool. The Group has Norway's largest electric vehicle pool consisting of more than 1200 electric vehicles.

In the fourth quarter of 2018, Posten was one of the first businesses to order a hydrogen-driven truck especially tailored for European conditions. The Group also purchased four electric vans put directly into the Christmas traffic. In addition, electric cargo bikes were tested in Oslo and Trondheim in 2018. The bikes shall increase the availability in central areas and are part of the objective to have emisson-free vehicles and buildings by 2025.

Oslo won the European Green Capital Award for 2019, and Posten and Bring were one of the partners.

## Future prospects

The logistics market is highly influenced by economic growth. The growth in our markets is expected to continue in 2019, although somewhat more moderately. E-commerce to private consumers and the oil sector are expected to continue to grow substasntially.

The Group’s logistics business showed solid growth in 2018. The profitability is still not satisfactory, but several areas have a positive result development. Implemented measures are expected to strengthen profitability.

The growth in the logistics market opens up for new possibilities. Digitalisation gives more flexibility, and the Group will continue the efforts to shape the future’s delivery network, making it possible for the customers to choose where they wish to have their parcels delivered.

The decline in addressed mail volumes is expected to increase as a consequence of increased digitalisation within the private as well as the business market. The decline in mail volumes is expected to further increase from 2020 due to the Government’s proposal to remove the 350 kroner limit for the VAT redemption at imports of goods from abroad.

The accelerating decline in addressed mail volumes confirms that changes must take place at an increasing pace. The Postal Act’s requirement of daily distribution of mail entails considerable structural costs. As a consequence, the cost of government procurements of commercially, non-viable postal services will increase significantly in the time to come if Posten is not granted the freedom of action to continue the adaptation to the market development. A necessary next step is to change from mail distribution five days a week to every other day in the entire country. The Government has announced changes in the Postal Act in the fiscal budget, but the changes have still not been presented to and discussed by the Norwegian Parliament. Posten depends on a prompt clarification of political and regulatory matters to enable a transition from 2020. If the change is approved by the Parliament, this will be the largest personnel change in Posten’s history, and adequate time to carry out a good transition process is of vital importance.

Reduced profitability in the Mail segment can, however, not be compensated by increased earnings in the Logistics segment. Further restructuring and adjustments of the services will therefore be necessary.

Oslo, 15 February 2019

The Board of Directors in Posten Norge

# FINANCIAL REPORT




## 4th QUARTER **2018**

## Condensed income statement

| Q4 2018 | Q4 2017 | | Note | Year 2018 | Year 2017 |
|---|---|---|---|---|---|
| **6 407** | **6 718** | **Revenue** | 1 | **23 894** | **24 678** |
| 2 853 | 2 754 | Cost of goods and services | | 10 270 | 10 317 |
| 2 216 | 2 501 | Payroll expenses | | 8 853 | 9 451 |
| 162 | 176 | Depreciation and amortisation | 2 | 654 | 683 |
| 153 | 57 | Write-downs | 2 | 158 | 59 |
| 931 | 961 | Other operating expenses | | 3 586 | 3 524 |
| **6 314** | **6 450** | **Operating expenses** | | **23 522** | **24 034** |
| (6) | (4) | Other income and (expenses) | 5 | 35 | 57 |
| | 10 | Share of profit from associates and joint ventures | | 8 | (9) |
| **88** | **275** | **Operating profit** | 1 | **415** | **692** |
| (7) | (27) | Net financial items | | (49) | (71) |
| **80** | **248** | **Profit before tax** | | **366** | **621** |
| 54 | 138 | Tax expense | | 118 | 233 |
| **27** | **110** | **Profit for the period / year** | | **248** | **388** |
| 28 | 107 | Controlling interests | | 246 | 382 |
| (1) | 3 | Non-controlling interests | | 2 | 6 |

(The information in this document has not been audited. All amounts are in MNOK.) 13

## Condensed statement of comprehensive income

| Q4 2018 | Q4 2017 | | YTD 2017 | Year 2017 |
|---|---|---|---|---|
| **27** | **110** | **Profit / (loss) for the period / year** | **248** | **388** |
| | | **Items that will not be reclassified to income statement** | | |
| 63 | (26) | Pension | 63 | (26) |
| **63** | **(26)** | **Total items that will not be reclassified to income statement** | **63** | **(26)** |
| | | **Items that later will be reclassified to income statement** | | |
| | | **Translation differences** | | |
| (25) | 1 | Hedging of foreign entities | 32 | 2 |
| 78 | 116 | Translation differences from foreign entities | (44) | 130 |
| **53** | **117** | **Total translation differences** | **(12)** | **131** |
| (4) | (1) | Cash flow hedging | | (3) |
| **50** | **115** | **Total items that later will be reclassified to income statement** | **(11)** | **128** |
| (2) | (6) | Changes in tax rate | (2) | (6) |
| **111** | **83** | **Other comprehensive income (loss)** | **50** | **96** |
| **138** | **193** | **Total comprehensive income (loss)** | **298** | **483** |
| | | **Total comprehensive income is distributed as follows:** | | |
| 139 | 190 | Controlling interests | 296 | 477 |
| (1) | 3 | Non-controlling interests | 2 | 6 |

(The information in this document has not been audited. All amounts are in MNOK.) 14

## Condensed balance sheet

| | Note | 31.12 2018 | 31.12 2017 |
|---|---|---|---|
| **ASSES** | | | |
| Intangible assets | 2 | 2 049 | 2 118 |
| Deferred tax asset | | 224 | 281 |
| Tangible fixed assets | 2 | 5 812 | 5 794 |
| Other financial assets | 6 | 645 | 657 |
| **Total non-current assets** | | **8 730** | **8 850** |
| Inventories | | 15 | 14 |
| Interest-free current receivables | 6 | 3 671 | 4 054 |
| Interest-bearing current receivables | 6 | 42 | 107 |
| Liquid assets | 6 | 3 613 | 3 937 |
| **Current assets** | | **7 341** | **8 112** |
| **Total assets** | | **16 071** | **16 962** |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | | 3 120 | 3 120 |
| Other equity | | 3 330 | 3 233 |
| Non-controlling interests | | 31 | 22 |
| **Equity** | 3 | **6 481** | **6 375** |
| **Provisions for liabilities** | | **1 201** | **1 505** |
| Interest-bearing non-current liabilities | 4,6 | 3 015 | 3 072 |
| Interest-free non-current liabilities | 6 | 14 | 24 |
| **Non-current liabilities** | | **3 030** | **3 096** |
| Interest-bearing current liabilities | 4,6 | 910 | 689 |
| Interest-free current liabilities | 6 | 4 342 | 5 158 |
| Tax payable | | 107 | 138 |
| **Short-term liabilities** | | **5 359** | **5 986** |
| **Total equity and liabilities** | | **16 071** | **16 962** |

(The information in this document has not been audited. All amounts are in MNOK.) 15

## Condensed statement of changes in equity

| | Controlling interests | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share pre-mium reserves | Hedging reserve | Transl. differences | Retained earnings | Other equity | Non-contr. interests | Total equity |
| **Equity at 01.01.2017** | **3 120** | 992 | | 183 | 1 602 | **2 777** | **14** | **5 912** |
| Profit for the period | | | | | 382 | **382** | 6 | **388** |
| Other comprehensive income/(loss) for the period | | | (3) | 131 | (32) | **96** | | **96** |
| **Total comprehensive income** | | | **(3)** | **131** | **350** | **477** | **6** | **483** |
| Dividend | | | | | (19) | **(19)** | (2) | **(21)** |
| Addition non-controlling interest | | | | | | | 15 | **15** |
| Other equity changes | | | | | (3) | **(3)** | (11) | **(14)** |
| **Equity at 31.12.2017** | **3 120** | 992 | (3) | 314 | 1 930 | **3 233** | **22** | **6 375** |
| | | | | | | | | |
| **Equity at l 01.01.2018** | **3 120** | 992 | (3) | 314 | 1 930 | **3 233** | **22** | **6 375** |
| Profit for the period | | | | | 246 | **246** | 2 | 248 |
| Other comprehensive income/(loss) for the period | | | | (12) | 61 | **50** | | 50 |
| **Total comprehensive income** | | | | **(12)** | **307** | **296** | **2** | **298** |
| Dividend | | | | | (194) | **(194)** | (4) | (198) |
| Addition non-controlling interest | | | | | | | 10 | 10 |
| Other equity changes | | | | | (5) | **(5)** | | (5) |
| **Equity at 31.12.2018** | **3 120** | 992 | (2) | 302 | 2 038 | **3 330** | **31** | **6 481** |

(The information in this document has not been audited. All amounts are in MNOK.)

## Condensed statement of cash flows

| Q4 2018 | Q4 2017 | | Året 2018 | Year 2017 |
|---|---|---|---|---|
| 80 | 248 | Income before tax | 366 | 621 |
| (20) | 8 | Tax paid in period | (130) | (251) |
| (43) | (240) | (Gain)/loss from sales of non-current assets, subsidiaries and associated company | (64) | (271) |
| 316 | 234 | Depreciation and write-downs | 813 | 743 |
| | (10) | Share of net income from associated companies and joint venture | (8) | 9 |
| 22 | 16 | Financial items without cash flow effect | 105 | 54 |
| (220) | (162) | Changes in receivables, inventory and payables | (147) | (267) |
| 379 | 358 | Changes in other working capital | (113) | (114) |
| (7) | 174 | Changes in other accruals | (199) | 73 |
| 2 | 15 | Interests received | 51 | 56 |
| (17) | (13) | Interests paid | (76) | (62) |
| **491** | **628** | **Cash flow from / (used in) operating activities** | **598** | **592** |
| | | | | |
| (310) | (315) | Investments in tangible non-current assets and intangible assets | (962) | (959) |
| 28 | | Cash effect from refunds on previous years' investments | 28 | |
| (2) | (10) | Cash effect from investments in businesses | (3) | (40) |
| | | Cash effect from investments in associated companies and joint venture | | (7) |
| 18 | 154 | Proceeds from sales of tangible non-current assets and intangible assets | 81 | 232 |
| 103 | 228 | Cash effect from sale of subsidiaries | 1 | 824 |
| | 21 | Cash effect from sale of associated companies | | 21 |
| | | Dividend received from associated companies | | 2 |
| (3) | (5) | Changes in other financial non-current assets | 3 | 16 |
| **(167)** | **73** | **Cash flow from / (used in) investing activities** | **(853)** | **88** |
| | | | | |
| 400 | 500 | Proceeds from non-current and current debt raised | 500 | 1 500 |
| | | Repayment of non-current and current debt | (375) | (100) |
| (531) | (145) | Decrease/increase bank overdraft | | |
| | | Group contributions/dividends paid | (194) | (19) |
| **(131)** | **356** | **Cash flow from / (used in) financing activities** | **(69)** | **1 382** |
| **192** | **1 056** | **Total change in cash and cash equivalents during the year** | **(324)** | **2 062** |
| 3 421 | 2 880 | Cash and cash equivalents at the start of the period | 3 937 | 1 875 |
| **3 613** | **3 937** | **Cash and cash equivalents at end of period** | **3 613** | **3 937** |

(The information in this document has not been audited. All amounts are in MNOK.) 17

# SELECTED ADDITIONAL INFORMATION

## General

Posten Norge AS was established as a company on 1 December 1996 and is 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 IFRS, with the same accounting principles as stated in the 2017 annual report, with the following exceptions:

*New or amended standards that have been applied from 1 January 2018:*

IFRS 9 *Financial Instruments* replaces IAS 39 Financial instruments – recognition and measurement. The standard introduces new requirements to classification and measurement, impairment and hedge accounting. The Group's financial assets mainly comprise receivables without significant financing elements, and the Group has consequently applied the simplified model in the implementation. The changes caused by this standard have no significant effect on the consolidated financial statements (ref. the Group's annual report for 2017).

IFRS 15 *Revenue from Contracts with Customers* concerns revenue recognition. The standard sets new and changed requirements to disclosures. The changes in this standard have no significant effect on the Group's recognition of income. Regarding the information requirements in IFRS 15, the Group has chosen a more detailed division of income in categories to be shown in notes starting in 2018, see note 1. Due to the choice of implementation method (modified model), there is no restatement of comparable figures, and therefore only this year's income categories are shown (ref. the Groups annual report for 2017).

No other issued standards or interpretations effective from 1 January 2018 have any significant impact on the Group's financial statements.

*Standards issued, but not yet effective:*

IASB issued the new standard IFRS 16 *Leases* in January 2016. The standard requires that the lessee recognises lease contracts in the balance sheet, whereby the right of use asset and the corresponding lease liability is recognised in the balance sheet. Lease payments recognised in other operating expenses by today's accounting rules, shall pursuant to IFRS 16 be classified as depreciation and finance costs.

The Group evaluated the effects of the new standard in 2017 and completed this work in 2018. The assessment of relevant contracts in the Group satisfying the standard's definition and requirement for recognition is described in more detail in the Group's annual report for 2017.

The Group decided in 2018 to apply the modified retrospective method without restating comparable figures at the implementation of IFRS 16. Leased assets and liabilities will generally be measured at the same amount. The following practical solutions for lease agreements previously classified as operating leases are adopted at the implementation date:

- The same discount interest is applied for portfolios of lease contracts with similar characteristics.
- For leases, where provisions in line with IAS 37 were made for onerous contracts, right of use assets in are adjusted for the value of the onerous contracts at the implementation date.
- The Group has excluded initial direct costs from the measurement of the right of use assets at the implementation date. The exclusion has no material effect.
- In determining the lease period, the Group has taken known information about options into account.

The implementation of this standard will have significant effect for the Group. The estimated implementation effect as at 1 January 2019 is as follows:

- The lease liability and related right of use assets carried in the balance sheet (before derecognition of subleases and write-downs) will increase by approximately 4,2 billion kroner. No significant effect for the Group's equity is expected as a consequence of implementing IFRS 16.
- The Group's total capital will increase, and this implies that the Group's equity ratio will be reduced to 32-33 percent.

Based on lease contracts interest level and lease periods as at 1 January 2019, the expected effects in the income statement for 2019 are estimated as follows:

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

Compared with the estimates given in the 2017 annual report, the effects have been updated as a consequence of changes in the assessment and mix of lease contracts, including the fact that the remaining lease period for several significant contracts is shorter, and the number of leases have been reduced by the sale of Bring Citymail Sweden. The interest level and estimated discount rates have increased.

The new standard will be effective for the accounting year 2019.

*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 2017 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 2017 is available at www.postennorge.no

# NOTES TO THE ACCOUNTS

## Note 1 Segments

Posten Norge's operations are divided into two segments, Logistics and Mail. Group administration and shared function are allocated to Other.

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.

The segments are described in more detail in the 2017 annual report.

### Revenue per segment

| Q4 2018 | Q4 2017 | Total revenue | Year 2018 | Year 2017 |
|---|---|---|---|---|
| 4 549 | 4 186 | External revenue | 16 666 | 15 726 |
| 167 | 194 | Internal revenue | 654 | 807 |
| **4 716** | **4 380** | **Logistics** | **17 320** | **16 533** |
| 1 871 | 2 532 | External revenue | 7 239 | 8 952 |
| 232 | 197 | Internal revenue | 849 | 742 |
| **2 102** | **2 729** | **Mail** | **8 088** | **9 694** |
| | | External revenue | | |
| 297 | 289 | Internal revenue | 1 301 | 1 296 |
| **297** | **289** | **Other** | **1 301** | **1 296** |
| (708) | (679) | Eliminations | (2 815) | (2 845) |
| **6 407** | **6 718** | **Posten Norge** | **23 894** | **24 678** |

### Revenue categories (external revenue)

| Deliveries over time* | 2018 |
|---|---|
| Parcels and Cargo | 7 888 |
| Other Logistics business | 8 777 |
| **Total Segment Logistics** | **16 666** |
| Letter products and Banking services | 6 425 |
| Government procurement | 536 |
| Other | 278 |
| **Total Segment Mail** | **7 239** |
| **Other** | |
| **Total Revenue** | **23 894** |

*Some of the Group's services are delivered at a certain time. These services are not separated from revenue delivered over time as they are considered to be immaterial

(The information in this document has not been audited. All amounts are in MNOK.) 21

## Operating result (EBIT) per segment

| Q4 2018 | Q4 2017 | EBITDA | Year 2018 | Year 2017 |
|---|---|---|---|---|
| 190 | 163 | Logistics | 525 | 497 |
| 332 | 479 | Mail | 919 | 1 152 |
| (113) | (140) | Other | (258) | (263) |
| **408** | **501** | **Posten Norge** | **1 185** | **1 386** |

| Q4 2018 | Q4 2017 | Adjusted operating profit / (loss) | Year 2018 | Year 2017 |
|---|---|---|---|---|
| 90 | 64 | Logistics | 135 | 129 |
| 270 | 403 | Mail | 657 | 843 |
| (114) | (141) | Other | (262) | (269) |
| **246** | **326** | **Posten Norge** | **531** | **703** |

| Q4 2018 | Q4 2017 | Operating profit (EBIT) | Year 2018 | Year 2017 |
|---|---|---|---|---|
| (114) | 76 | Logistics | (76) | 162 |
| 309 | 342 | Mail | 748 | 819 |
| (107) | (143) | Other | (257) | (290) |
| **88** | **275** | **Posten Norge** | **415** | **692** |

(The information in this document has not been audited. All amounts are in MNOK.)

## Assets and liabilities per segment

| 31.12.2018 | Logistics | Mail | Other | Elim. | Group |
|---|---|---|---|---|---|
| Associates and joint ventures | 402 | 2 | | | 404 |
| Other non-current assets | 5 842 | 2 025 | 217 | | 8 085 |
| Current assets | 2 988 | 725 | 31 | (58) | 3 686 |
| **Total allocated assets** | **9 232** | **2 752** | **248** | **(58)** | **12 175** |
| Deferred tax asset | | | | | 224 |
| Interest-bearing receivables | | | | | 59 |
| Liquid assets | | | | | 3 613 |
| **Total non-allocated assets** | | | | | **3 897** |
| **Total assets** | | | | | **16 071** |
| Provisions for liabilities | 787 | 428 | (14) | | 1 201 |
| Total interest-free liabilities | 2 579 | 1 686 | 255 | (58) | 4 463 |
| **Total allocated liabilities** | **3 367** | **2 114** | **241** | **(58)** | **5 664** |
| Deferred tax | | | | | |
| Total interest-bearing liabilities | | | | | 3 926 |
| **Total non-allocated liabilities** | | | | | **3 926** |
| **Total liabilities** | | | | | **9 590** |

| 31.12.2017 | Logistics | Mail | Other | Elim. | Group |
|---|---|---|---|---|---|
| Associates and joint ventures | 427 | 22 | | | 449 |
| Other non-current assets*) | 5 672 | 2 247 | 182 | | 8 100 |
| Current assets | 2 928 | 1 145 | 17 | (22) | 4 068 |
| **Total allocated assets** | **9 027** | **3 413** | **198** | **(22)** | **12 617** |
| Deferred tax asset | | | | | 281 |
| Interest-bearing receivables | | | | | 127 |
| Liquid assets | | | | | 3 937 |
| **Total non-allocated assets** | | | | | **4 345** |
| **Total assets** | | | | | **16 962** |
| Provisions for liabilities | 902 | 603 | | | 1 505 |
| Total interest-free liabilities | 2 809 | 2 328 | 205 | (22) | 5 321 |
| **Total allocated liabilities** | **3 711** | **2 931** | **205** | **(22)** | **6 825** |
| Deferred tax | | | | | |
| Total interest-bearing liabilities | | | | | 3 761 |
| **Total non-allocated liabilities** | | | | | **3 761** |
| **Total liabilities** | | | | | **10 587** |

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

## Cash flows for the segments

| Year 2018 | Logistics | Mail | Other | Group |
|---|---|---|---|---|
| Income before tax | (130) | 719 | (223) | 366 |
| Gain/(loss) from sales of non-current assets and subsidiaries | 6 | (64) | (6) | (64) |
| Depreciation and write-downs | 543 | 264 | 5 | 813 |
| Share of net income from associated companies and joint venture | (5) | (3) | | (8) |
| Changes in working capital and other accruals | (304) | (176) | 23 | (458) |
| Tax paid in period | | | | (130) |
| Financial items without cash flow effect | | | | 105 |
| Net interests | | | | (25) |
| **Cash flow from / (used in) operating activities** | **110** | **740** | **(200)** | **598** |
| | | | | |
| Cash flow effect from investments | (775) | (148) | (15) | (937) |
| Cash flow effect from sales | 64 | 18 | | 82 |
| Changes in non-current receivables and financial assets | (1) | 7 | (3) | 3 |
| **Cash flows used in investing activities** | **(712)** | **(122)** | **(18)** | **(853)** |
| | | | | |
| Proceeds from non-current and current debt raised | | | | 500 |
| Repayment of debt | | | | (375) |
| Dividend paid | | | | (194) |
| **Cash flows from financing activities** | | | | **(69)** |
| **Change in cash and cash equivalents during the period** | | | | **(324)** |
| Cash and cash equivalents at the beginning of the period | | | | 3 937 |
| **Cash and cash equivalents at the end of the period** | | | | **3 613** |

(The information in this document has not been audited. All amounts are in MNOK.) 24

| Year 2017 | Logistics | Mail | Other | Group |
|---|---|---|---|---|
| Income before tax | 94 | 782 | (255) | 621 |
| (Gain)/loss from sales of non-current assets and subsidiaries | (108) | (179) | 16 | (271) |
| Depreciation and write-downs | 423 | 311 | 9 | 743 |
| Share of net income from associated companies and joint venture | (8) | 18 | | 9 |
| Changes in working capital and other accruals | (443) | 31 | 107 | (308) |
| Tax paid in period | | | | (251) |
| Financial items without cash flow effect | | | | 54 |
| Net interests | | | | (7) |
| **Cash flow from / (used in) operating activities** | **(42)** | **963** | **(123)** | **592** |
| | | | | |
| Cash flow effect from investments | (610) | (196) | (202) | (1 007) |
| Cash flow effect from sales | 848 | 228 | | 1 077 |
| Dividend paid | | 2 | | 2 |
| Changes in non-current receivables and financial assets | | | | 16 |
| **Cash flows from / (used) in investing activities** | **239** | **35** | **(202)** | **88** |
| | | | | |
| Proceeds from non-current and current debt raised | | | | 1 500 |
| Repayment of debt | | | | (100) |
| Dividend paid | | | | (19) |
| **Cash flows from financing activities** | | | | **1 382** |
| **Change in cash and cash equivalents during the period** | | | | **2 062** |
| Cash and cash equivalents at the beginning of the period | | | | 1 875 |
| **Cash and cash equivalents at the end of the period** | | | | **3 937** |

(The information in this document has not been audited. All amounts are in MNOK.) 25

## Note 2 Intangible and tangible fixed assets

| | Intangible assets | Tangible assets |
|---|---|---|
| **Total at 01.01.18** | **2 118** | **5 794** |
| Additions | 220 | 742 |
| Additions from acquisitions | 17 | |
| Adjustments | | (30) |
| Disposals | (3) | (61) |
| Disposals from sales of subsidiaries | (14) | (85) |
| Depreciation | (130) | (524) |
| Write-downs | (149) | (9) |
| Translation differences | (10) | (15) |
| **Total at 31.12.18** | **2 049** | **5 812** |

Investments exclusive of acquisitions in 2018 amounted to MNOK 962, of which investments in IT related solutions constituted MNOK 218. MNOK 266 of the MNOK 742 invested in tangible fixed assets concerned buildings and property, mainly to the new logistics centres in Vestfold and Stavanger. Investments in other fixed assets included terminal furnishings, vehicles and other operating equipment.

Disposals of assets primarily concerned ordinary disposals of operating equipment. Disposal from sale of subsidiary is related to the sale of Bring Citymail Sweden and Posten Eiendom Svanholmen.

Write-downs mainly concern goodwill in the Logistics segment.

Note 7 has details on acquisitions and disposals of companies.

## Note 3 Equity

As at 31 December 2018, 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 2018, a dividend of MNOK 194 was approved, corresponding to the Board's proposal in the 2017 financial statements. The dividend was paid in August 2018.

## Note 4 Interest-bearing non-current and current liabilities

The Group's non-current interest-bearing liabilities was reduced by MNOK 57 from 31 December 2017 to 31 December 2018, mainly due to repayments of loans amounting to MNOK 100 and a change in fair value of loans in Japanese yen of MNOK 50.

Current interest-bearing liabilities as at 31 December 2018 increased by MNOK 221 compared with 31 December 2017, primarily as a result of increased certificate loans of MNOK 500 reduced by repayment of bond loan amounting to MNOK 275.

As at 31 December 2018, none of the Group's credit facilities had been used. The average interest rate on Posten's outstanding interest-bearing liabilities was 2,1 percent as at 31 December 2018.

## 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 comparable.

| Q4 2018 | Q4 2017 | | Year 2018 | Year 2017 |
|---|---|---|---|---|
| 47 | 240 | Gain/(loss) from sale of fixed assets etc. | 68 | 270 |
| (13) | (15) | Restructuring costs | (22) | 15 |
| (40) | (229) | Other income and (expenses) | (11) | (229) |
| **(6)** | **(4)** | **Total other income and (expenses)** | **35** | **57** |

Gain from the sale of fixed assets in the fourth quarter of 2018 mainly comprised the sale of land belonging to Posten Eiendom Svanholmen. For the year 2018, the gain also included expropriation of property. The 2017 gain included the sale of the Bring SCM Group and Bring Cargo Fastighets AB.

Restructuring costs in the fourth quarter of 2018 primarily concerned operating adjustments in the Logistics segment.

Other income and expenses in the fourth quarter of 2018 mainly concerned loss provisions in the Logistics segment. In 2018, a provision of MNOK 34 was also reversed following the sale of the subsidiary Bring Citymail Sweden to the German company Allegra Capital GmbH in the first quarter of 2018, and the result of the agreement was a smaller loss than expected (details in note 7). Other income and expenses in 2017 mainly concerned provisions for expected losses relating to this sale.

In 2017, Posten received a claim for compensation from a supplier regarding changes in purchase volumes. The claim amounts to MNOK 110. Posten is contesting the claim in total and has not provided for it in the accounts.

## 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 2017 annual report.

The Group had the following financial assets and liabilities measured at fair value as at 31 December 2018

| | 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 2018** |
| **Assets** | | | | | | | |
| Interest-bearing current receivables | | | | | 17 | | 17 |
| Other financial non-current assets | 2 | | 210 | 3 | 10 | | 223 |
| Interest-free current receivables | 2 | | | | 3 671 | | 3 671 |
| Interest-bearing current receivables | | | | | 42 | | 42 |
| Liquid assets | | | | | | | 3 613 |
| **Total financial assets** | | | | | | | **7 566** |
| **Liabilities** | | | | | | | |
| Interest-bearing non-current liabilities | 2 | 657 | | | | 2 359 | 3 015 |
| Interest-free non-current liabilities | 2 | | 10 | 2 | | 2 | 14 |
| Interest-bearing current liabilities | | | | | | 910 | 910 |
| Interest-free current liabilities, incl. tax payable | 2 | | 5 | 27 | | 4 416 | 4 449 |
| **Total financial liabilities** | | | | | | | **8 399** |
| Total value hierarchy level 1 | | | | | | | |
| Total value hierarchy level 2 | | (657) | 194 | (27) | | | (489) |
| Total value hierarchy level 3 | | | | | | | |

Level 1: Listed prices.
Level 2: Other observable input, directly or indirectly
Level 3: Non-observable input

(The information in this document has not been audited. All amounts are in MNOK.) 28

| | At fair value (FV) | | | | At amortised cost | | |
|---|---|---|---|---|---|---|---|
| | Valua-tion level | FVO – FV Profit or loss | Deriva-tives at FV Profit or loss | Deriva-tives at FV OCI / equity | Receiv-ables | Other financial liabilities | 31.12 2017 |
| **Assets** | | | | | | | |
| Interest-bearing current receivables | | | | | 20 | | 20 |
| Other financial non-current assets | **2** | | 163 | | 25 | | 188 |
| Interest-free current receivables | **2** | | | | 4 053 | | 4 054 |
| Interest-bearing current receivables | | | | | 107 | | 107 |
| Liquid assets | | | | | | | 3 937 |
| **Total financial assets** | | | | | | | **8 306** |
| **Liabilities** | | | | | | | |
| Interest-bearing non-current liabilities | **2** | 607 | | | | 2 465 | 3 072 |
| Interest-free non-current liabilities | **2** | | 19 | 3 | | 2 | 24 |
| Interest-bearing current liabilities | | | | | | 689 | 689 |
| Interest-free current liabilities, incl. tax payable | **2** | | 3 | 13 | | 5 280 | 5 296 |
| **Total financial liabilities** | | | | | | | **9 082** |
| Total value hierarchy level 1 | | | | | | | |
| Total value hierarchy level 2 | | (607) | 142 | (16) | | | (481) |
| Total value hierarchy level 3 | | | | | | | |

Level 1: Listed prices.
Level 2: Other observable input, directly or indirectly
Level 3: Non-observable input

The table above shows the classification in categories pursuant to IAS 39. Details can be found in the 2017 financial report. There have been no transfers between the levels in the fair value hierarchy since last year.

(The information in this document has not been audited. All amounts are in MNOK.) 29

## Note 7 Changes in the Group’s structure

*Sale of company*

In March 2018, Posten Norge AS sold Bring Citymail Sweden to the German company Allegra Capital GmbH, with accounting effect from 1 March 2018. Bring Citymail Sweden is engaged in mail distribution in Sweden and will carry on the business under the name Citymail, with continuity for customers and employees. The sale implied disposals of tangible fixed assets, short-term receivables and liabilities related to operations, in addition to investments in associated companies and joint ventures.

The Group also sold Posten Eiendom Svanholmen on 1 October 2018. The sale implied disposed property for the Group.

*Other changes*

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

## Note 8 Events after the Reporting Period

“Events after the reporting period” are are those events, favourable and unfavourable, that occur between the end of reporting period and the date when the financial statements are authorised for issue.

### Restructuring of route preparation

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

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

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

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

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

Posten Norge

# ALTERNATIVE PERFORMANCE MEASURES




## 4th QUARTER 2018

## Alternative Performance Measures

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.

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

### Organic growth

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

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

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

* Revenue last year is adjusted for companies sold current year

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

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

(The information in this document has not been audited. All amounts are in MNOK.) 32

## Operating profit / loss before depreciation (EBITDA), adjusted operating profit / loss, operating profit / loss (EBIT)

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

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

Profit/loss before tax, financial items and depreciation (EBITDA) is an important financial parameter for the Group and the basis for the term adjusted profit. The adjusted operating profit/loss is EBITDA before other income and expenses and includes depreciation. Operating profit/loss (EBIT) includes the Group's impairments, 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.

| | | Year 2018 | Year 2017 |
|---|---|---|---|
| + | Revenue | 23 894 | 24 678 |
| - | Costs of goods and services | 10 270 | 10 317 |
| - | Payroll and social expenses | 8 853 | 9 451 |
| - | Other operating expenses | 3 586 | 3 524 |
| = | **EBITDA** | **1 185** | **1 386** |

| | | Year 2018 | Year 2017 |
|---|---|---|---|
| + | EBITDA | 1 185 | 1 386 |
| - | Depreciation | 654 | 683 |
| = | **Adjusted operating profit** | **531** | **703** |

| | | Year 2018 | Year 2017 |
|---|---|---|---|
| | Adjusted profit/ | 531 | 703 |
| | Total revenues | 23 894 | 24 678 |
| = | **Adjusted operating profit-margin** | **2.2 %** | **2.8 %** |

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

| | | Year 2018 | Year 2017 |
|---|---|---|---|
| | Operating profit (EBIT)/ | 415 | 692 |
| | Total revenues | 23 894 | 24 678 |
| = | **Operating profit (EBIT) margin** | **1.7 %** | **2.8 %** |

(The information in this document has not been audited. All amounts are in MNOK.)

## 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 2018 | 31.12 2017 |
|---|---|---|---|
| + | Interest-bearing non-current liabilities | 3 015 | 3 072 |
| + | Interest-bearing current liabilities | 910 | 689 |
| - | Market-based financial investments | 3 274 | 3 235 |
| - | Cash | 93 | 69 |
| - | Bank deposits - Group account system | 176 | 578 |
| - | Bank deposits - other | 70 | 56 |
| = | **Net interest-bearing debt (NIBD)** | **312** | **(176)** |

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

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

(The information in this document has not been audited. All amounts are in MNOK.) 35

## Invested capital and return on invested capital (ROIC)

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

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

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

*Rolling twelve months

| | | 2018 | 2017 |
|---|---|---|---|
| | Last 12 months' accumulated adjusted profit/ | 531 | 703 |
| | Invested capital | 7 251 | 7 183 |
| = | **Return on invested capital (ROIC)** | **7.3 %** | **9.8 %** |

(The information in this document has not been audited. All amounts are in MNOK.) 36

## 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:

| | | Year 2018 | Year 2017 |
|---|---|---|---|
| + | Totalt investments | 979 | 981 |
| - | Investment due to acquisitions | 17 | 22 |
| = | **Investment before acquisitions*** | **962** | **959** |

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

| | | 2018 | 2017 |
|---|---|---|---|
| | Profit after tax total | 248 | 388 |
| | Average equity on balance sheet date* | 6 428 | 6 115 |
| = | **Return on equity after tax** | **3.9 %** | **6.3 %** |

*(Opening + closing balance)/2

| | | 31.12 2018 | 31.12 2017 |
|---|---|---|---|
| | Total equity on balance sheet date/ | 6 481 | 6 375 |
| | Total equity and liabilities (total capital) | 16 071 | 16 962 |
| = | **Equity ratio** | **40.3 %** | **37.6 %** |

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