Quarterly Report

1st quarter 2021

Posten Norge

Message from the CEO

The year has started well for Posten. New shoppping habits have been established. Last year's strong growth within e-commerce continued and contributed to the best first quarter ever. The organisation also handled the increased infection pressure and infection control in a satisfactory manner.

The effect of the Corona pandemic for the Group reflects the development in society. As new and more contagious virus variants emerged, the infection control and infection tracking efforts intensified. The Group's absence due to sickness was, however, record-low.

New shopping habits developed during the pandemic resulted in increased e-commerce and growth for the Group's e-commerce services to private consumers. In the first quarter, the parcel volumes from e-commerce increased by 61 percent compared with the same period last year (the increase in the last 12 months was 58,3 percent). The corporate market developed positively in spite of Corona restrictions and partly locked-down businesses.

Adjusted operating profit in the first quarter was MNOK 427, a significant improvement from MNOK 153 in the same period last year, and the strongest first quarter in Posten's history. Adjusted operating margin in the first quarter was 7,1 percent compared with 2,6 percent last year. The considerable profit growth was a result of the strong increase in parcel volumes from e-commerce and home deliveries, combined with cost-effective operations and improved profitability within other logistic areas.

Posten is implementing a number of initiatives to realise the Group's three strategic main goals.

The customers' first choice. E-commerce has been simplified, and Posten is in the initial phase of placing parcel boxes open 24 hours a day on a thousand locations all over Norway. More than one million people have registered as users of the Posten app. In Denmark, Bring is the first to offer returns from parcel boxes. Customer satisfaction and loyalty have a positive trend, and as per the first quarter, Net Promotor Score (NPS) was 53, 6 compared with 45,4 last year.

Leading in technology and innovation. Posten is working at full speed on innovation and development. In the first quarter, the establishment of a fully automated warehouse solution at the logistic centre Berger outside Oslo was started. The investment makes it possible for Bring to offer a wholly integrated warehouse solution, "Shelfless", comprising storing, picking and packing, as well as delivering goods for customers. The Group invests in ventures and has, as one example, invested in the Swedish technology company Crossborderit (CBIT), marketing new technology that simplifies customs and excise processes within international trade.

Posten has become a partner in the research project «BEST in retail» directed by the Norwegian School of Economics (NHH). The objective is to promote research based on innovation and increase competence within retailing.

Digipost had 20 percent volume growth from the same period last year. One of the reasons was that municipalities use digital mail to distribute information about Corona and vaccines. With 70 000 new registered users in the first quarter, Posten's digital letter box now comprises 2,5 million users.

Best in sustainable value creation. In the first quarter, the Group's transition to vehicles that use renewable fuel has been extended to include heavier vehicles, and the Group started using lorries that run on both liquid biogas and electricity. An important ambition in the Group's new efforts within climate and environment is that from 2022 no further orders for fossil-driven vans in cities will be made. Outside the cities this will end in 2023.

The main goals **are made possible by competent and engaged employees**. The quarter was characterised by strong demand and high activity in the market – almost as much as at Christmas. Operations were at top speed, and the employees made enormous efforts to deliver efficiently and with good quality. Absence due to sickness in the Group, on a 12 months' basis, ended on 5,8 percent, which was 0,2 percentage points lower than at the same time last year. I wish to thank all Posten's employees very much.

Tone Wille

Group CEO

Main features

The Group's turnover in the first quarter 2021 was MNOK 5 999, an increase of 0,6 percent compared with the first quarter 2020. Organic growth in the quarter was 3,3 percent. Adjusted operating profit in the quarter was MNOK 427, an improvement of MNOK 274 compared with 2020.

The Logistics segment had a solid result improvement in the first quarter 2021 due to strong growth in e-commerce to private consumers, in addition to growth in the the corporate market after a period of low activity as a consequence of the Corona pandemic.

As expected, the Mail segment's profit development in the first quarter 2021 was negative. Cost adjustments to operations were insufficient to compensate for the significant decline within addressed and unaddressed mail. Positive results for the product "Norgespakken" partly counteracted the negative fall in volumes.

The operating result (EBIT) in the first quarter 2021 was MNOK 426, an improvement of MNOK 268 compared with the first quarter 2020.

The financial result in the first quarter 2021 was MNOK 144 better than in the first quarter 2020. This was mainly due to unrealised losses on fund investments in the first quarter 2020 caused by the fact that the bond market was strongly affected by the first wave of the Corona pandemic.

The Group's profit before tax was MNOK 434 in the first quarter 2021, an improvement of MNOK 413 compared with the first quarter 2020. Profit after tax was MNOK 353, an improvement of MNOK 343 compared with the first quarter 2020.

Return on equity (ROE) in the first quarter was 20,7 percent, an increase of 19,8 percentage points compared with the first quarter 2020. Return on invested capital (ROIC) in the first quarter was 17,4 percent, an improvement of 9,5 percentage points compared with the first quarter 2020.

Profit development (unaudited)

Q1 2021	Q1 2020		Year 2020
5 999	5 964	Revenue	23 996
729	527	EBITDA	2 886
427	153	Adjusted operating profit	1 423
426	158	Operating profit (EBIT)	1 485
7	(137)	Net financial items	(141)
434	21	Profit before tax	1 344
353	**9**	**Profit after tax**	**1 123**

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

See condensed financial statement

Key financial figures (unaudited)

		Q1 2021	Q1 2020	Year 2020
Adjusted profit-margin	%	7,1	2,6	5,9
Operating profit (EBIT) margin	%	7,1	2,6	6,2
Equity ratio	%	39,6	32,5	37,5
Return on invested capital/ROIC*	%	17,4	7,9	14,1
Return on equity (after tax)*	%	20,7	0,9	16,4
Net interest-bearing debt		1 236	3 866	1 027
Investments, excluding acquisitions		191	139	700

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

*Last twelve months

Balance sheet (unaudited)

	31.03 2021	31.12 2020
ASSETS		
Non-current assets	10 607	10 644
Current assets	7 486	7 826
Held for sale assets	1 193	1 173
Assets	**19 286**	**19 643**
EQUITY AND LIABILITIES		
Equity	7 642	7 367
Provisions for liabilities	811	797
Non-current liabilities	3 569	3 639
Current liabilities	6 082	6 667
Held for sale liabilities	1 182	1 174
Equity and liabilities	**19 286**	**19 643**

The changes in the balance sheet were generally influenced by the fact that the Norwegian krone strengthened against other currencies compared with 31 December 2020 so that assets and liabilities in foreign currencies declined in value in Norwegian kroner.

As of 31 March 2021, the subgroup Bring Frigo Sweden was still classified as held for sale in the balance sheet, and assets and liabilities related to the subgroup are shown on separate lines in the statement.

The change in non-current assets was mainly a result of normal operational investments, the period's depreciation and foreign currency translation differences.

Current assets changed primarily as a consequence of a reduction in liquid assets, due among other things to the repayment of MNOK 200 of a short-term certificate loan.

The change in non-current liabilities was primarily due to a reduction in the Group's non-current lease liabilities.

The reduction in current liabilities was mainly due to the repayment of MNOK 200 on a certificate loan in addition to reduced trade payables and public duties.

Cash flows (unaudited)

Q1 2021	Q1 2020		Year 2020
181	236	Cash flows from operating activities	2 607
(161)	(140)	Cash flows used in investing activities	(299)
(406)	(364)	Cash flows used in financing activities	(1 630)
(387)	**(268)**	**Change in liquid assets**	**677**
4 680	3 912	Liquid assets at the beginning of the period	3 912
(68)	92	Currency differences	91
4 225	3 735	Liquid assets at the end of the period incl held for sale	4 680
(47)		Liquid assets classified as held for sale	(47)
4 178	**3 735**	**Liquid assets at the end of the period**	**4 633**

Cash flows from operating activities were positive in the first quarter 2021. This was mainly due to a positive operating result before depreciation. Changes in other accruals, net interest payments and paid taxes reduced cash flows from operations.

In the first quarter 2021, net cash flows used in investing activities amounted to MNOK 161, being mainly the period's net investments in operating equipment and the Group's investments in equity instruments (shares).

Cash flows used in financing activities concerned ordinary instalments on lease liabilities and repayments of certificate loans.

Market and development per segment (unaudited)

LOGISTICS

The segment comprises the divisions E-Commerce and Logistics in addition to International Logistics. Holdings & Ventures also reports as part of the segment. Division E-Commerce and Logistics is responsible for all standardised parcel products for e-commerce customers, in addition to groupage and part loads, warehouses in Norway and the service area home deliveries in the Nordics. Division International Logistics is responsible for industrial direct freight and industry solutions for manufacturing and offshore customers. Holdings & Ventures shall maximise the value of portfolio companies and venture investments in the Nordics and includes the Group's thermo operations and express services.

Q1 2021	Q1 2020		Year 2020
4 715	4 471	Revenue	18 571
563	355	Operating profit before depreciation (EBITDA)	2 316
361	99	Adjusted operating profit	1 268
361	**106**	**Segment operating profit (EBIT)**	**1 285**

The Logistics segment's turnover increased by MNOK 244 (5,5 percent) in the first quarter 2021. Organic growth was 9,1 percent. The growth in e-commerce to private consumers and home deliveries was record-high in the period, caused by changed shopping habits as a consequence of the Corona pandemic. The e-commerce volume in the last 12 months increased by 58,3 percent. For a period, there was a decline in the volume from the corporate market due to the Corona pandemic, but demand has gradually picked up, and the growth in the corporate market was 6,9 percent in the first quarter 2021.

Adjusted operating profit for the Logistics segment was MNOK 361 in the first quarter 2021, an improvement of MNOK 261 compared with the first quarter 2020. Growth in e-commerce together with increased demand from the corporate market contributed to considerably improved results. As expected, the continued focus on developing the service range, more options for the customers and cost-effective operations contributed to the considerably improved profitability. The profit development within freight forwarding was also positive.

Operating profit (EBIT) was MNOK 361 in the first quarter 2021, MNOK 255 better than the same period last year.

MAIL

The segment comprises the division Mail. Division Mail is responsible for the traditional postal services in Norway (including those requiring a license) such as flexible services to private customers and addressed and unaddressed mail distribution to the corporate market in Norway.

Q1 2021	Q1 2020		Year 2020
1 468	1 631	Revenue	6 041
170	200	Operating profit before depreciation (EBITDA)	710
78	94	Adjusted operating profit	326
77	**94**	**Segment operating profit (EBIT)**	**371**

The Mail segment's turnover fell by MNOK 163 (10,0 percent) in the first quarter 2021 due to the continued volume falls in addressed and unaddressed mail. The volume of addressed mail fell by 17,3 percent in the first quarter 2021, and the unaddressed mail volume fell by 5,9 percent. The product "Norgespakken" grew by 31,2 percent compared with the first quarter 2020.

Adjusted operating profit for the Mail segment was MNOK 78 in the first quarter, a reduction of MNOK 16 compared with the first quarter 2020. The strong volume growth in 'Norgespakke' resulted in a much improved result for the product.

The operating result (EBIT) in the first quarter 2021 was MNOK 77, a reduction of MNOK 17 compared with the first quarter 2020.

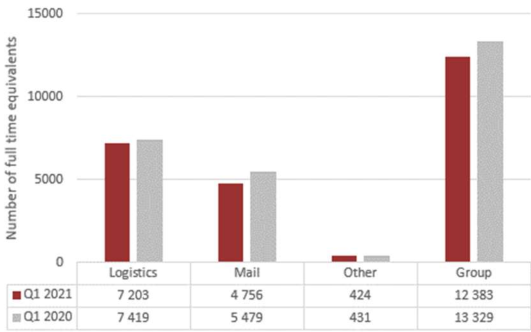
In the first quarter, 93,0 percent of addressed mail was delivered within 3 days. This was well above the licence requirement of 85 percent.

Other matters

HSE

Workforce

The Group's workforce as at 31 March 2021 was 12 383 full-time equivalents, a reduction of 946 full-time equivalents compared with the same period in 2020. In the Mail segment, the workforce decreased by 723 full-time equivalents, mainly related to reductions within mail distribution and production at the transition to distribution every other day.



Absence due to sickness and injuries

Posten's ambition is to 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 injuries and absences due to sickness have declined significantly in recent years.

In the first quarter of 2021, absence due to sickness in the Group was 5,9 percent, 1 percentage point lower than the first quarter 2020. Absence due to sickness as a 12 months' trend was 5,8, 0,2 percentage point lower than at year-end. In the first quarter 2021, absence due to sickness was lower than for the corresponding quarter last year. March in particular showed considerable improvement and reflected a demanding situation with the first large outbreak of Coved-19 around the same time last year.

The total number of injuries per million worked hours (H2) as a 12 months' trend increased from 7,0 at year-end to 8,3 as at 31 March 2021. Most personal injuries (3 out of 4) occurred in the division Network Norway. The development was strongly affected by the weather and driving conditions. Together with the employees, the Group has implemented measures to reverse this trend.

The external environment

The Group has outlined a direction for climate and environmental efforts and shall be "the greenest logistics supplier".

The transition from heavier vehicles to more environmentally friendly vehicles has started, and in the first quarter, two electric large lorries carrying up to 18 pallets were put to use. One of them is servicing Oslo, and the other will be tested in various cities in Norway. The Group also started using its first liquid biogas semitrailer on the Oslo – Stokke – Hamar routes. All these vehicles will provide the Group with important experiences for further adjustments.

Regulatory issues

In accordance with the proposed government budget for 2021, the Norwegian Parliament has granted MNOK 566 to government procurements of commercially non-viable postal services and bank services in the rural mail districts for 2021. The amount is in accordance with Posten's pre-calculations. In the first quarter 2021, MNOK 141 was taken to income, in line with the granted amount.

Based on a request from PostNord, the national communication authority has decided that Posten must give PostNord access to Posten's zone keys. These are keys to entrance doors and letter box facilities in apartment buildings. The parties have been told to establish a shared solution before the end of 2021. Posten has appealed the decision. The appeal will be considered by the Ministry of Transport.

Future prospects

Both the Norwegian and international economies have been affected by the Corona pandemic in the last 12 months. Activities have increased since the significant fall during spring last year, but it is still expected that the economy will be characterised by lower activity until summer. In January 2021, the activity level in Norwegian economy was 1,5 percentage points lower than in February 2020. However, activities are expected to increase significantly in the second half-year as a consequence of the vaccination of the population, and the GNP growth for inland Norway in 2021 is estimated at 3,3 percent[1]. In Sweden, the estimate for growth is 3,7 percent in 2021[2]. The situation will nevertheless be demanding for many in future years, and the repercussions from the infection control measures are expected to affect the economy in the time to come. Several years will pass before one can expect unemployment to be back to a more normal level.

There is much uncertainty related to the future economic development both in Norway and internationally. It is assumed that several infection control measures can be eased from this summer, but this requires that the vaccination programmes succeed, and that the Corona infection is reduced. There is also considerable uncertainty related to possible virus mutations than can be immune to today’s vaccines.

The economic development is normally an important indicator for the development in logistics services. Strong growth in e-commerce and home deliveries have, however, contributed to a solid growth in the Logistics segment, and this growth continued in the first quarter 2021. The corporate market also grew in the first quarter. The growth for e-commerce and home deliveries to private consumers will probably be normalised as society opens up again. Nevertheless, high growth is expected in the years to come. The logistics market is, however, changing rapidly, and competition is likely to be further sharpened as new players continually jockey for a place in the value chain. In line with expectations, more cost-effective operations have resulted in considerable improved profitability, and this is expected to continue in 2021.

The volume fall in the Mail segment continued in the first quarter 2021, for both addressed and unaddressed mail. The transition to digital solutions is permanent and means that a good part of the mail volume is lost. The present regulations allow only limited possibilities for further structural and operational adjustments to mail services. The combination of escalating volume falls and the lack of opportunities for adjustments will mean considerable profitability challenges in the years to come. Sustainable mail services, economic as well as environmental, require that necessary adjustments to the service range are made in line with changes in the market.

Posten’s ambition is to strengthen its market position in Norway and the Nordics through the active, sustainable development of services, good digital interface solutions, a proactive customer service and high quality. Posten’s goals are to be the customers’ first choice, leading in technology and innovation and best at sustainable value. Posten is currently placing parcel boxes on 1 000 locations across Norway, where the customers easily can collect their parcels. In total, the Group will have approximately 8 000 delivery points in the Nordics by the end of 2021. In Denmark, Bring is about to offer returns from the parcel boxes, a service that has been in demand for a long time and is expected to contribute to an improved customer experience. New, sustainable and innovative services and greater freedom of choice for the customers are important factors in strengthening Posten’s competitive power in the future.

1 ssb.no, Konjunkturtendensene 2021/1, https://www.ssb.no/nasjonalregnskap-og-konjunkturer/artikler-og-publikasjoner/renteokninger-i-sikte

2 konj.se, Konjunkturläget mars 2021, https://www.konj.se/publikationer/konjunkturlaget/konjunkturlaget/2021-03-31-ljusare-tider-i-sommar.html

Financial Report

1st quarter 2021
Posten Norge

Financial report

1st quarter 2021 **Posten Norge**

Condensed income statement

Q1 2021	Q1 2020		Note	Year 2020
5 999	**5 964**	**Revenue**	**1**	**23 996**
2 438	2 566	Costs of goods and services		9 937
2 148	2 214	Payroll expenses		8 523
302	375	Depreciation and amortisation	2,3	1 463
1	2	Write-downs	2,3	169
684	656	Other operating expenses		2 650
5 573	**5 813**	**Operating expenses**		**22 742**
		Other income and (expenses)	5	119
	7	Share of profit from associated companies		112
426	**158**	**Operating profit**	**1**	**1 485**
7	(137)	Net financial items		(141)
434	**21**	**Profit before tax**		**1 344**
81	11	Tax expense		221
353	**9**	**Profit after tax**		**1 123**
351	6	Controlling interests		1 119
1	3	Non-controlling interests		4

Condensed statement of comprehensive income

Q1 2021	Q1 2020		Year 2020
353	**9**	**Profit after tax**	**1 123**
		Pension remeasurement	(61)
		Items that will not be reclassified to income statement	**(61)**
(108)	214	Translation differences	63
31	(46)	Hedging of net investment	(46)
(77)	**168**	**Total translation differences**	**17**
1	**(5)**	**Cash flow hedging**	**(5)**
(75)	**163**	**Items that will be reclassified to income statement**	**12**
(75)	**163**	**Other comprehensive income**	**(50)**
277	**172**	**Total comprehensive income**	**1 073**
		Total comprehensive income is distributed as follows:	
276	169	Controlling interests	1 069
1	3	Non-controlling interests	4

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

Condensed balance sheet

	Note	31.03 2021	31.12 2020
ASSETS			
Intangible assets	2	1 812	1 823
Deferred tax asset		269	282
Tangible fixed assets	2	5 390	5 409
Right-of-use assets	3	2 848	2 854
Other financial assets	6	288	275
Non-current assets		**10 607**	**10 644**
Interest-free current receivables		3 218	3 067
Interest-bearing current receivables	6	90	125
Liquid assets	6	4 178	4 633
Current assets		**7 486**	**7 826**
Assets held for sale	7	1 193	1 173
Assets		**19 286**	**19 643**
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity[1)]		4 512	4 237
Non-controlling interests		10	9
Equity		**7 642**	**7 367**
Provisions for liabilities		**811**	**797**
Non-current lease liabilities		2 485	2 515
Interest-bearing non-current liabilities	4, 6	1 073	1 108
Interest-free non-current liabilities	6	11	16
Non-current liabilities		**3 569**	**3 639**
Current lease liabilities		634	625
Interest-bearing current liabilities	4, 6	1 222	1 411
Interest-free current liabilities	6	4 025	4 420
Tax payable		201	210
Current liabilities		**6 082**	**6 667**
Liabilities held for sale	7	1 182	1 174
Equity and liabilities		**19 286**	**19 643**

1) Includes accumulated translation differences and hedging reserves related to held for sale operations

(The information in this document has not been audited. All amounts are in MNOK.) 10

Condensed statement of changes in equity

	Controlling interests							
	Share capital	Share premium reserves	Hedging reserve	Transl. diff.	Retained earnings	Other equity	Non-contr. interests	Total equity
Equity 01.01.2021	**3 120**	**992**	**(7)**	**283**	**2 969**	**4 237**	**9**	**7 367**
Profit for the period					351	351	1	353
Other comprehensive result			1	(77)		(75)		(75)
Total comprehensive result			**1**	**(77)**	**351**	**276**	**1**	**277**
Other changes in equity					(1)	(2)	1	
Equity 31.03.2021	**3 120**	**992**	**(5)**	**206**	**3 319**	**4 512**	**10**	**7 642**

	Controlling interests							
	Share capital	Share premium reserves	Hedging reserve	Transl. diff	Retained earnings	Other equity	Non-contr. interests	Total equity
Equity 01.01.2020	**3 120**	**992**	**(1)**	**279**	**1 907**	**3 177**	**66**	**6 363**
Profit for the period					1 119	1 119	4	1 123
Other comprehensive result			(5)	17	(61)	(50)		(50)
Total comprehensive result			**(5)**	**17**	**1 057**	**1 069**	**4**	**1 073**
Changes in non-contr. interests					(8)	(8)	(61)	(69)
Other changes in equity				(13)	13			
Equity 31.12.2020	**3 120**	**992**	**(7)**	**283**	**2 969**	**4 237**	**9**	**7 367**

As at 31 March 2021, 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.

In the 2020 financial statements it was proposed to distribute a dividend of MNOK 560. In addition, it is proposed to distribute an additional dividend of MNOK 500 in 2021, a total of MNOK 1 060. The final dividend will be decided at the Annual Shareholders' Meeting in June 2021.

Condensed statement of cash flows

Q1 2021	Q1 2020		Year 2020
434	21	Profit before tax	1 344
(94)	(55)	Tax paid in period	(165)
(4)	(10)	(Gain)/loss from sales of tangible fixed assets and subsidiary	(73)
302	376	Ordinary depreciation and write-downs	1 632
	(7)	Share of profit from associated companies	(112)
(5)	51	Financial items without cash flow effect	57
(111)	57	Changes in receivables and payables	30
(265)	(113)	Changes in other working capital	278
(52)	(44)	Changes in other accruals	(280)
22	18	Interest received	105
(46)	(57)	Interest paid	(209)
181	**236**	**Cash flows from operating activities**	**2 607**
(191)	(139)	Investments in non-current assets	(700)
(26)		Cash-effect from purchase of businesses	(97)
38	42	Proceeds from sales of non-current assets	133
	(68)	Cash-effect from sale of businesses	28
	40	Cash-effect from sale of associated companies	364
17	(16)	Changes in other financial non-current assets	(27)
(161)	**(140)**	**Cash flows used in investing activities**	**(299)**
(206)	(214)	Payment of lease liabilities	(851)
(200)	(150)	Repayment of borrowings	(779)
(406)	**(364)**	**Cash flows used in financing activities**	**(1 630)**
(387)	**(268)**	**Change in liquid assets**	**677**
4 680	3 912	Liquid assets at the beginning of the period	3 912
(68)	92	Currency differences[1)]	91
4 225	**3 735**	**Liquid assets at the end of the period incl. held for sale**	**4 680**
(47)		Liquid assets classified as held for sale	(47)
4 178	**3 735**	**Liquid assets at the end of the period**	**4 633**

1) Currency differences are presented on a separate line and numbers from 1st quarter 2020 have been reclassified.

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

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 2020 annual report.

Standards issued, but not yet effective:

There are no approved standards not yet effective with significant effect on the consolidated 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, right-of-use assets, lease obligations, pensions, provisions and tax.

In other respects, the sources of uncertainty concerning estimates are the same as for the 2020 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 2020 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. Owner function and shared functions are allocated to Other.

The Group's segments are reported by areas whose operating results are regularly reviewed by Posten's Board. 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 between 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 2020 annual report.

Revenue per segment

Q1 2021	Q1 2020	Revenue	Year 2020
4 649	4 419	External revenue	18 354
67	52	Internal revenue	216
4 715	**4 471**	**Logistics**	**18 571**
1 351	1 544	External revenue	5 641
117	87	Internal revenue	400
1 468	**1 631**	**Mail**	**6 041**
370	327	Internal revenue	1 295
370	**327**	**Other**	**1 295**
(555)	(465)	Eliminations	(1 911)
5 999	**5 964**	**Group**	**23 996**

Revenue categories (external revenue)

Q1 2021	Q1 2020	Deliveries over time*	Year 2020
2 308	1 972	Parcels and freight	8 938
2 340	2 447	Other logistics business	9 416
4 649	**4 419**	**Logistics**	**18 354**
1 210	1 360	Mail and banking services	5 117
141	185	Government procurements	523
1 351	**1 544**	**Mail**	**5 641**
		Other	
5 999	**5 964**	**External revenue**	**23 996**

*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.) 14

Operating result (EBIT) per segment

Q1 2021	Q1 2020	Operating profit before depreciation (EBITDA)	Year 2020
563	355	Logistics	2 316
170	200	Mail	710
(3)	(27)	Other	(137)
729	**527**	**Group**	**2 886**

Q1 2021	Q1 2020	Adjusted operating profit	Year 2020
361	99	Logistics	1 268
78	94	Mail	326
(11)	(41)	Other	(170)
427	**153**	**Group**	**1 423**

Q1 2021	Q1 2020	Operating profit (EBIT)	Year 2020
361	106	Logistics	1 285
77	94	Mail	371
(11)	(43)	Other	(170)
426	**158**	**Group**	**1 485**

Investments per segment

Investments	YTD 2021	YTD 2020	Year 2020
Logistics	168	121	552
Mail	23	17	146
Other	1	1	3
Group	**191**	**139**	**700**

Note 2 Intangible assets and tangible fixed assets

	Intangible assets	Tangible assets
Carrying amount 01.01.2021	**1 823**	**5 409**
Additions	36	155
Disposals		(40)
Cost price adjustments/scrapping		(3)
Depreciation	(24)	(111)
Write-downs		(1)
Translation differences	(24)	(20)
Carrying amount 31.03.2021	**1 812**	**5 390**

Investments in owned assets so far this year amounted to MNOK 191, of which investments in IT-related solutions were MNOK 36. Approximately MNOK 70 of the MNOK 155 invested in tangible fixed assets related to buildings and property, and the rest mainly comprised terminal equipment, vehicles and other operating equipment. MNOK 168 of total investments concerned the Logistics segment.

Note 3 Leases

The following amounts related to lease agreements are included in the balance sheet:

	31.03 2021	31.12 2020
Right-of-use assets	**2 848**	**2 854**
Non-current lease liabilities	2 485	2 515
Current lease liabilities	634	625
Lease liabilities	**3 119**	**3 140**

The following amounts related to lease agreements are included in the income statement:

Q1 2021	Q1 2020		Year 2020
167	214	Depreciation	842
		Write-downs	12
30	35	Interest expense on lease liabilities	132

Note 4 Interest-bearing non-current and current liabilities

The Group's interest-bearing liabilities include:

	31.03 2021	31.12 2020
Bond loans	350	350
Liabilities to credit institutions	723	757
Interest-bearing non-current liabilities	**1 073**	**1 108**
First year's instalment on non-current liabilities	1 111	1 111
Certificate loans	100	300
Other non-current liabilities	11	
Interest-bearing current liabilities	**1 222**	**1 411**

In the first quarter 2021, interest-bearing liabilities were reduced by MNOK 200 following payment of certificate loans.

As at 31 March 2021, none of the Group's credit facilities had been used. The average interest rate on Posten's outstanding interest-bearing liabilities was 1,57 percent as at 31 March 2021.

Note 5 Other income and expenses

Other income and expenses comprise significant income and costs of limited predictive value and include restructuring costs and gains and losses on sales of fixed assets.

Q1 2021	Q1 2020		Year 2020
		Restructuring costs	76
		Gain/(loss) from sale of fixed assets	54
		Other income/(expenses)	(11)
		Other income and (expenses)	**119**

There were no Other income and expenses in either the first quarter 2021 or the first quarter 2020.

In 2020, a provision for reduced distribution frequency that was partly counterbalanced by restructuring costs related to the closure of several post offices was reversed (i.e. a cost reduction). The gain from sale of fixed assets in 2020 mainly concerned the sale of Bring Freight Forwarding AB and operations in Bring Åkeri AB. Other income and expenses in 2020 were mainly costs in connection with the preparation of the sale of Bring Frigo Sweden (note 7).

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 2020 annual report.

The Group had the following financial assets and liabilities measured at fair value as at 31 March 2021:

		At fair value (FV)			At amortised cost		
	Level	Fair value over profit or loss*	Derivatives at fair value over profit or loss	Derivatives at fair value over OCI	Receiv-ables	Other financial liabilities	31.03.2021
Assets							
Interest-bearing non-current receivables					54		54
Other financial non-current assets	1, 2	94	90	5	16		205
Interest-free current receivables	2		1	29	3 188		3 218
Interest-bearing current receivables					90		90
Liquid assets					4 178		4 178
Financial assets							**7 745**
Liabilities							
Non-current lease liabilities						2 485	2 485
Interest-bearing non-current liabilities	2	389				684	1 073
Interest-free non-current liabilities	2		1	8		2	11
Current lease liabilities						634	634
Interest-bearing current liabilities						1 222	1 222
Interest-free current liabilities, incl. tax payable	2			1		4 225	4 226
Financial liabilities							**9 651**
Total value hierarchy level 1 (net)		36					36
Total value hierarchy level 2 (net)		(330)	90	25			(216)
Total value hierarchy level 3 (net)							

* Includes fair value option for interest-bearing non-current liabilities

		At fair value (FV)			At amortised cost		
	Level	Fair value over profit or loss (FVO)	Derivatives at fair value over profit or loss	Derivatives at fair value over OCI	Receiv-ables	Other financial liabilities	31.12.2020
Assets							
Interest-bearing non-current receivables					57		57
Other financial non-current assets	2		126	7	57		189
Interest-free current receivables	2			2	3 064		3 067
Interest-bearing current receivables					125		125
Liquid assets					4 633		4 633
Financial assets							**8 072**
Liabilities							
Non-current lease liabilities						2 515	2 515
Interest-bearing non-current liabilities	2	424				683	1 108
Interest-free non-current liabilities	2		2	11		2	16
Current lease liabilities						625	625
Interest-bearing current liabilities						1 411	1 411
Interest-free current liabilities, incl. tax payable	2		3	7		4 620	4 630
Financial liabilities							**10 306**
Total value hierarchy level 1 (net)							
Total value hierarchy level 2 (net)		(424)	120	(9)			(313)
Total value hierarchy level 3 (net)							

* Includes fair value option for interest-bearing non-current liabilities

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

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.)

Note 7 Changes in the Group's structure

No significant acquisitions/disposals of companies or changes in the Group's structure have taken place in the first quarter 2021.

Held for sale

Bring Frigo Sverige AB with subsidiaries (Bring Frigo SE)

In December 2020, the Group introduced the subgroup Bring Frigo Sweden for sale in the market. At year-end 31 December 2020, Bring Frigo SE was classified as held for sale in the balance sheet.

Final bids were received in March 2021, and on 29 March 2021, a sales agreement was entered into between Posten Norge AS and AURELIUS Twenty-Nine GmbH. The sales agreement is subject to approval from the Swedish competition authorities, and the sale is expected to be finalised during the second quarter 2021. The final consideration will not be available until the sale has been closed, and total transaction costs in connection with the sale have so far not been calculated. The sale is expected to give an accounting gain.

Bring Frigo SE is part of the Logistics segment, operating a network for temperate logistics. This comprises means of transport for temperate transport, refrigerated and frozen storage and terminals designed for the transport of goods in a temperature-controlled network. In 2020, Bring Frigo had a turnover of approximately 2,4 billion Swedish kroner.

	31.03 2021	31.12 2020
ASSETS CLASSIFIED AS HELD FOR SALE		
Non-current assets	783	704
Current assets	411	468
Held for sale assets	**1 193**	**1 173**
LIABILITIES CLASSIFIED AS HELD FOR SALE		
Provisions for liabilities	247	259
Non-current liabilities	485	459
Current liabilities	450	457
Held for sale liabilities	**1 182**	**1 174**

As at 31 March 2021, accumulated positive translation differences and hedging reserves recognised in equity related to business held for sale totalled MNOK 64.

Note 8 Impact of the Corona pandemic

Note 26 in the 2020 annual report describes the effects of the Corona pandemic, including the effect on operating income and result, write-downs of non-financial assets, financial risk and other changes in sources of estimation uncertainty.

The Corona pandemic has lasted for more than one year and has probably caused changes of a permanent character in shopping habits and trends. Increased digitalisation and increased e-commerce have given volume growth and profit improvement for the Group. The corporate market experienced a temporary recession but is showing growth again. As expected, the digitalisation has accelerated the volume fall in the Mail segment, but in total, the Group does not perceive any significant negative financial consequences of the Corona pandemic as per the first quarter 2021.

There is still uncertainty related to the consequences of the Corona pandemic, and the financial consequence are closely followed up by the Group. The distinction between effects from the Corona pandemic and other external market changes, trends or internal circumstances in the organisation became less evident towards the end of 2020, and this trend has continued in the first quarter 2021.

No impairment indications for non-financial assets have been identified in the first quarter 2021.

Alternative Performance Measures

Alternative Performance Measures

The Group's financial information has been prepared in accordance with international accounting standards (IFRSs). In addition, information is 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 operational growth.

		YTD 2021	YTD 2020	Year 2020
+	Revenue (current year)	5 999	5 964	23 996
-	Revenue (last year)	5 964	5 913	24 212
=	**Nominal change in revenue**	**36**	**51**	**(216)**

		YTD 2021	YTD 2020	Year 2020
+	Nominal change in revenue	36	51	(216)
+/-	Impact of exchange rates	(18)	(80)	(516)
+/-	Acquisitions of companies			
+/-	Sale of companies*	130	155	868
+/-	Change in government procurements	43	(51)	96
=	**Organic change in revenue**	**190**	**74**	**232**

* Adjustment of revenue for companies sold

		YTD 2021	YTD 2020	Year 2020
+	Organic change in revenue	190	74	232
/	Adjusted revenue*	5 834	5 832	23 575
=	**Organic growth**	**3,3%**	**1,3 %**	**1,0 %**

*Adjustment of revenue for currency effects, acquisitions and government procurement

(The information in this document has not been audited. All amounts are in MNOK.) 20

Alternative Performance Measures

1st quarter 2021 Posten Norge

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

Group management follows 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 limited predictive value.

Profit before depreciation, financial items and tax (EBITDA) is an important financial parameter for the Group and the basis for the term 'Adjusted operating profit'. The adjusted operating profit is EBITDA before write-downs and other income and expenses but includes depreciation. Operating profit (EBIT) includes the Group's write-downs, other income and expenses, and income from associated companies and joint ventures.

The target figures are valuable for the users of Posten's financial information, 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 restructuring costs, gains and losses on the sale of non-current assets and other income costs outside the Group's normal business considered to have limited predictive value are excluded. It is also assumed that the target figures contribute to a more comparable evaluation of the operating results of the Group's competitors.

		YTD 2021	YTD 2020	Year 2020
+	Revenue	5 999	5 964	23 996
-	Costs of goods and services	2 438	2 566	9 937
-	Payroll expenses	2 148	2 214	8 523
-	Other operating expenses	684	656	2 650
=	**EBITDA**	**729**	**527**	**2 886**

		YTD 2021	YTD 2020	Year 2020
+	EBITDA	729	527	2 886
-	Depreciation	302	375	1 463
=	**Adjusted operating profit**	**427**	**153**	**1 423**

		YTD 2021	YTD 2020	Year 2020
+	Adjusted operating profit/	427	153	1 423
/	Revenue	5 999	5 964	23 996
=	**Adjusted profit margin**	**7,1 %**	**2,6 %**	**5,9 %**

		YTD 2021	YTD 2020	Year 2020
+	Adjusted operating profit	427	153	1 423
-	Write-downs	1	2	169
+/-	Other income and (expenses)			119
+	Share of profit or loss from associated companies		7	112
=	**EBIT**	**426**	**158**	**1 485**

		YTD 2021	YTD 2020	Year 2020
+	EBIT	426	158	1 485
/	Revenue	5 999	5 964	23 996
=	**EBIT margin**	**7,1 %**	**2,6%**	**6,2 %**

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

Alternative Performance Measures

1st quarter 2021 Posten Norge

Net interest-bearing debt (NIBD) and liquidity reserve

A primary objective of the Group's financial guidelines is to secure financial freedom of action for the Group. Such freedom makes it possible for the enterprise to operationalise strategies and reach its 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 triggered by individual projects, i.e., adequate resources to realise the Group's approved strategies.

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

Net interest-bearing debt comprises both current and non-current interest-bearing debt, less commercial financial investments and cash and cash equivalents. The Group has covenants in connection with external financing. Compliance with the covenants is calculated on the basis of the Group's accounting figures (without the effects of IFRS 16 Leases). Net liabilities/EBITDA is one such covenant. The debt/equity ratio shows the share of equity related to both current and non-current debt.

The Group's liquidity reserve includes all assets available to finance operations and investments. It is split between amounts available according to current or longer-term agreements, and is a useful target figure in considering whether the Group has adequate liquidity to achieve the Group's approved strategy.

		31.03 2021	31.03 2021*	31.03 2020	31.12 2020
+	Interest-bearing non-current liabilities	3 558	1 086	5 718	3 623
+	Interest-bearing current liabilities	1 856	1 224	1 883	2 037
-	Commercial financial investments	3 488	3 488	3 311	3 468
-	Cash	14	14	44	16
-	Bank deposits corporate cash-pool account	627	627	267	1 091
-	Bank deposits	49	49	113	59
=	**Net interest-bearing debt/(receivables)**	**1 236**	**(1 867)**	**3 866**	**1 027**

* Not including IFRS 16 effects

		31.03 2021	31.03 2021*	31.03 2020	31.12 2020
+	Net interest-bearing debt/(receivables)	1 236	(1 867)	3 866	1 027
/	Equity on the balance sheet date	7 642	7 676	6 536	7 367
=	**Debt/equity ratio**	**0,2**	**(0,2)**	**0,6**	**0,1**

* Not including IFRS 16 effects

		31.03 2021	31.03 2021*	31.03 2020	31.12 2020
+	Net interest-bearing debt/(receivables)	1 236	(1 867)	3 866	1 027
/	EBITDA last twelve months	3 087	2 164	2 399	2 886
=	**Net interest-bearing debt/(receivables)/EBITDA**	**0,4**	**(0,9)**	**1,6**	**0,4**

* Not including IFRS 16 effects

		31.03 2021	31.03 2020	31.12 2020
+	Commercial financial investments	3 488	3 311	3 468
+	Syndicate facility	2 799	4 029	2 932
-	Certificate loans	100	300	300
=	**Non-current liquidity reserve**	**6 187**	**7 039**	**6 100**

		31.03 2021	31.03 2020	31.12 2020
+	Non-current liquidity reserve	6 187	7 039	6 100
+/-	Deposits on group account	627	267	1 091
+/-	Deposits outside group account	49	113	59
+	Bank overdraft not utilised	500	500	500
=	**Current liquidity reserve**	**7 363**	**7 919**	**7 749**

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

Alternative Performance Measures

1st quarter 2021 Posten Norge

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. Value is generated as long as the business is growing and achieves a higher return on its invested capital (ROIC) than the cost of capital (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:

		31.03 2021	31.03 2020	31.12 2020
+	Intangible assets	1 904	1 992	1 921
+	Tangible fixed assets	8 840	9 467	9 112
+	Current assets	7 809	7 606	7 873
-	Total liquid assets	4 223	3 648	4 087
-	Interest-bearing current assets	88	62	87
-	Interest-free current liabilities	4 625	4 570	4 755
+	Tax payable	141	84	129
+	Dividends and group contributions	(2)	9	(1)
=	**Invested capital**	**9 756**	**10 877**	**10 106**

*Last twelve months

		31.03 2021	31.03 2020	31.12 2020
+	Last 12 months' accumulated adjusted operating profit	1 697	855	1 423
/	Invested capital	9 756	10 877	10 106
=	**Return on invested capital (ROIC)**	**17,4 %**	**7,9 %**	**14,1 %**

Other alternative performance measures

The Group uses and presents 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 2021	YTD 2020	Year 2020
+	Total investments in owned tangible fixed assets	191	175	752
-	Investments due to acquisitions		36	52
=	**Investments before acquisitions**	**191**	**139**	**700**

		31.03 2021	31.03 2020	31.12 2020
+	Profit after tax last 12 months	1 466	60	1 123
/	Average equity on balance sheet date*	7 089	6 475	6 865
=	**Return on equity after tax (ROE)**	**20,7 %**	**0,9%**	**16,4 %**

*(OB+CB)/2

		31.03 2021	31.03 2020	31.12 2020
+	Equity on balance sheet date	7 642	6 536	7 367
/	Equity and liabilities (total capital)	19 286	20 136	19 643
=	**Equity ratio**	**39,6 %**	**32,5 %**	**37,5 %**

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