QUARTERLY REPORT




3rd QUARTER **2018**

Message from the CEO

In a rapidly shifting market, Posten Norge is asserting itself with good customer solutions and great adaptability

Adjusted operating profit for the third quarter is MNOK 126, MNOK 4 lower than at the same time last year. Revenue fell to MNOK 5 643 in the third quarter, MNOK 164 lower than in the third quarter of 2017. Both the declined revenue and the result must be seen in the light of the increasing decline in letter volumes.

So far this year, the Group has had growth within parcels and freight in as well as outside Norway. Together with a new terminal structure and new production processes, this has had positive effects for the Logistics segment. During the third quarter, we were pleased to see the results of the announced efficiency measures in several areas, and that the adjusted result for the Logistics segment is better than in the same quarter last year. The total result for the logistics area is, however, still not satisfying, and the efforts with improvement initiatives continue.

So far this year, the addressed mail fell by 12,5 percent – which is record high. For the third quarter 2018, the decline constituted 15,5 percent, enforcing the need for further restructuring of the mail network. Each household is now receiving only three addressed letter packets per week, and consequently, there is no longer any basis for daily mail deliveries. For actors with specific needs, like the newspapers, it is necessary to find other alternative solutions.

The Government proposes to grant MNOK 534 to government procurements of commercially non-viable postal services in the fiscal budget for 2019. This is in line with Posten's advance calculations, but Posten must also be given freedom of action to adjust to the market development. I expect that the proposal for changes in the Postal Act is presented and discussed in the Norwegian Parliament this autumn. This is essential in order to give us adequate time to transition to a mail distribution every other day from 2020.

Fewer fixed distribution days do not prevent good solutions for e-commerce also in the future. The consumers want freedom of action, and we are developing new services adjusted to new consumer needs. In my opinion, the Government is right in maintaining the VAT exemption for private imports of goods (the 350 kroner limit) until simple and reasonable solutions for customs clearance are in place, planned for 2021 by the EU.

In Norway as well as in the other Nordic countries, future economic growth is expected, a growth we shall benefit from.

Tone Wille
Group CEO

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

QUARTERLY REPORT

3rd QUARTER 2018

Main features from the third quarter 2018

The Group's turnover in the third quarter was MNOK 5 643, a reduction of 2,8 percent compared with the third quarter in 2017. The adjusted operating profit in the third quarter was MNOK 126, about the same level as the same period last year, although still not satisfactory.

For the Logistics segment, the result improved from the same quarter in 2017. As expected, implemented improvement measures give more cost-effective operations.

In the Mail segment, results declined in the third quarter compared with the same period last year. The reduction is mainly a consequence of decline in volume for addressed mail. Government procurements of commercially non-viable postal services were, however, higher than in the third quarter in 2017 and mitigated the effects from the decline in volume.

Turnover so far in 2018 was MNOK 17 487, a decline of 2,6 percent compared with the same period in 2017. The decline is primarily caused by sale of operations and a decline in mail volume. Organic growth so far in 2018 was a positive 1,1 percent as a result of increased turnover in the Logistics segment. Adjusted operating profit amounted to MNOK 284, a decrease of MNOK 93 compared with the same period in 2017. So far in 2018, both the Logistics and Mail segment experienced a decline in results compared with last year.

At the beginning of 2018, the Logistics segment had additional costs related to the winter's weather challenges in addition to the transition to a new terminal structure and the introduction of new production processes for parcels and freight in Norway. The result improvement in the third quarter demonstrates that the planned measures begin to have effect in parts of the operations. In the third quarter, the productivity also increased within parcels and freight in Norway, and showed growth in and outside Norway.

In the Mail segment, the mail volume continued to decline. So far in 2018, the volume of addressed mail decreased by 12,5 percent. This contributed to a decline in results in spite of the fact that cost-effective measures have been implemented more extensively than planned.

Profit before tax so far in 2018 was MNOK 286, a decline of MNOK 88 compared with the same period in 2017. Return on equity (ROE) was 5,3 percent at the end of the third quarter 2018, an improvement of 4,7 percentage points compared with the same period last year. At the end of the third quarter 2018, return on invested capital (ROIC) was 8,4 percent, a reduction of 0,4 percentage points compared with the same period in 2017.

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

Profit development (unaudited)

Q3 2018	Q3 2017		YTD 2018	YTD 2016	Year 2017
5.643	5.807	Revenue	17 487	17 959	24 678
285	309	EBITDA	777	885	1 386
126	130	Adjusted profit	284	377	703
116	159	Operating profit (EBIT)	328	416	692
(16)	(28)	Net financial items	(42)	(43)	(71)
100	131	Profit before taxes	286	373	621
76	**91**	**Profit for the period / year**	**221**	**278**	**388**

Alternative performance measures applied in the quarterly report are described in an appendix to the report
See condensed financial statement page 12

Key financial figures (unaudited)

		30.09 2018	30.09 2017	Year 2017
Adjusted profit-margin	%	1,6	2,1	2,8
Operating profit (EBIT)-margin	%	1,9	2,3	2,8
Equity ratio	%	39,5	39,3	37,6
Return on invested capital*	%	8,4	8,8	9,8
Return on equity (after tax)*	%	5,3	0,6	6,3
Net interest-bearing debt		575	520	(176)
Investments, excluding acquisitions		652	645	959

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

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

Balance sheet (unaudited)

	30.09 2018	31.12 2017
ASSETS		
Non-current assets	8 746	8 850
Current assets	7 302	8 112
Assets	**16 048**	**16 962**
EQUITY AND LIABILITIES		
Equity and liabilities	6 344	6 375
Provisions for liabilities	1 472	1 505
Non-current liabilities	2 971	3 096
Current liabilities	5 262	5 986
Equity and liabilities	**16 048**	**16 962**

Balance sheet

The decline in assets is mainly caused by the sale of Bring Citymail Sweden in the first quarter, reduced receivables and liquid funds due to payment of liabilities related to operations

Current liabilities were MNOK 724 lower than compared with 31 December 2017 as a consequence of payment of trade payables and other liabilities related to operations, in addition to the disposal of Bring Citymail Sweden.

Cash flows (unaudited)

Q3 2018	Q3 2017		Year 2018	YTD 2017	Year 2017
388	18	Cash flows from/(used in) operating activities	107	(36)	592
(173)	(177)	Cash flows from/(used in) investing activities	(685)	16	88
(189)	76	Cash flows from/(used in) financing activities	62	1 026	1 382
26	**(84)**	**Total change in liquid assets**	**(516)**	**1 005**	**2 062**
3 395	2 964	Cash and cash equivalents at the beginning of the period	3 937	1 875	1 875
3 421	**2 880**	**Cash and cash equivalents at the end of the period**	**3 421**	**2 880**	**3 937**

Cash flows

Net cash flows from operating activities so far this year amounted to MNOK 107. The increase from the same period in 2017 is mainly due to a positive effect of higher net payments from customers and disbursements to suppliers, together with less paid income tax than last year.

Net cash flows used in investing activities so far in 2018 were MNOK 685, primarily related to ongoing operating investments and the cash effect from the sale of Bring Citymail Sweden. Most of the operating investments concerned the building and 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 from financing activities so far this year amounted to MNOK 62. Increased utilisation of bank overdrafts contributed positively. In addition, interest-bearing debt and dividends to the State were paid.

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.

Q3 2018	Q3 2017		YTD 2018	YTD 2017	Year 2017
4 242	4 038	Revenue	12 604	12 153	16 533
182	173	Segment profit (EBITDA)	334	334	497
87	77	Adjusted profit	45	65	129

The Logistics segment increased turnover by MNOK 451 so far in 2018. The organic growth was 4,9 percent. The Norwegian logistics operations experienced a solid growth within contract parcels, freight and international forwarding and transport. There was satisfactory growth in e-commerce to private consumers, for home deliveries and courier services in as well as outside Norway. Turnover in offshore showed a better development in the last quarter, but was still characterised by low activity in the oil sector.

Adjusted operating result for the Logistics segment was MNOK 45 so far this year, MNOK 20 weaker than in the same period in 2017. The result was influenced by a slow start of the year, mainly as a consequence of additional resources used in the implementation of a new terminal structure. The last months have showed a positive trend with increased productivity in the Norwegian parcels and freight network, and the result for the third quarter was better than for the corresponding period last year. Parcels operations outside Norway also experienced solid profitability improvement due to high growth. There were still profitability challenges in parts of other operations.

The Norwegian parcels and freight network is going through a comprehensive restructuring process that will continue until 2020. Comprehensive improvement measures are implemented to achieve more cost-effective operations. The results at the end of the third quarter 2018 show that the announced measures are beginning to have effect.

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.

Q3 2018	Q3 2017		YTD 2018	YTD 2017	Year 2017
1 770	2 156	Revenue	5 986	6 965	9 694
139	166	Segment profit (EBITDA)	587	674	1 152
76	84	Adjusted profit	387	440	843

So far in 2018, the addressed mail volume in Norway fell by 12,5 percent. Public authorities had a decline in volume of 27 percent, and the volume for the bank and finance sector fell by 15 percent. The decrease in addressed volumes was larger than expected and has increased in the last quarter with a decline of 15,5 percent.

Turnover so far this year was reduced by MNOK 979 compared with 2017. The main reasons were the decline in volumes, the sale of Bring Citymail Sweden and the reduced income caused by the introduction of one addressed mail flow from 1 January 2018.

Adjusted operating result so far this year was MNOK 387, a reduction of MNOK 53 compared with 2017. Government procurements of commercially non-viable postal services were MNOK 258 higher than in the same period last year. The Government now pays in full for the additional costs of maintaining five days mail distribution in the entire country. The Norwegian Parliament has granted a total of MNOK 507 to government procurements of commercially non-viable postal services for 2018. Cost adjustments to operations were not adequate to compensate for the large decline in addressed mail volumes.

The introduction of one addressed mail flow from the start of the year has been carried out as planned, and the income and cost development is as expected. The last phase of the new production structure was implemented at the end of the third quarter, and full effect of the transition will not be achieved until the last quarter of 2018.

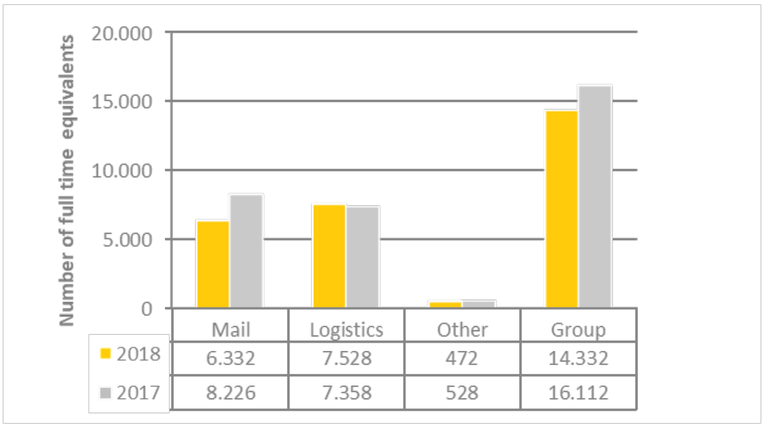
In the third quarter, 91,5 percent of addressed mail was delivered within 2 days, well above the requirement of 85 percent. So far this year, the share of mail delivered within 2 days was 90,3 percent.

Other matters

HSE

Workforce

The Group's workforce at the end of the third quarter of 2018 constituted 14 332 full-time equivalents, a reduction of 1 780 full-time equivalents compared with the corresponding period in 2017. In the Mail segment, the workforce decreased by 1 894 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 somewhat as a consequence of the new distribution centre at Arlanda, Stockholm.



Absence due to sickness and personal injuries

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

In the third quarter of 2018, absence due to sickness in the Group was 5,6 percent, an increase of 0,3 percentage points compared with the third quarter of 2017. Absence due to sickness in the last 12 months was 6,0 percent, unchanged from last year.

The total number of personal injuries per million worked hours (H2) was 9,1 percent in the third quarter of 2018, an increase of 2,8 from the same period in 2017. The injury frequency in the last 12 months increased from 7,9 per September last year to 10,0 per September this year. Efforts to strengthen the Group's security culture continue, and one of the new initiatives is the introduction of a new group security campaign. In addition, 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 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. One of the initiatives is a mentor programme for unemployed women with an immigrant background, where the interest has been so high that Posten extended the programme to include more participants.

Posten also has a clear ambition to have a gender balance that reflects the total diversion in the Group. Gender balance is emphasised in recruiting, selecting training and leader programmes and in succession planning.

Posten is continuing the efforts with more initiatives within gender equality and diversity.

The external environment

The Group is focusing on reducing CO_2 emissions, local pollution and noise in the cities, and has already implemented emission-free distributions of letters and small parcels in 43 Norwegian cities. The next step is to achieve emission-free distributions of parcels and freight to the business community in the cities. This is challenging, as there are few available electric vehicles in this segment. The Group is actively considering new ways of distribution and has purchased electric cargo bikes to be tested in Oslo and Trondheim. The concept “Home deliveries with zero emissions” with electric vehicles and electric cargo bikes has also been launched in Stockholm, Gothenburg, Malmø and Copenhagen.

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

Future prospects

The productivity growth in the Norwegian economy has increased. Higher activity in the oil sector, the development of infrastructure and digitalisation contribute to the growth. A larger growth in prices is expected in the time to come, particularly within wholesale and retail trade and the oil supply industry. The Swedish economy is also facing positive growth prospects. The demand for logistic services normally increases in line with the growth in the economy, and favourable economic conditions contribute to better market prospects for the logistics industry. The decline in volume of addressed mail is expected to continue, influenced by increased digitalisation in private businesses as well as in the public sector.

The turnover development in the Group’s logistics operations showed solid growth so far in 2018. The profitability is still not satisfactory, but the third quarter improved compared with the start of the year. The implemented initiatives are expected to gradually strengthen the profitability in the Logistics segment.

The accelerating decline in addressed mail volumes confirms that the changes must take place increasingly quicker. The Postal Act’s requirement of daily distribution of mail entails considerable structural costs. As a consequence, the bill to the Government 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. To enable a transition in 2020 with adequate time to carry out a good restructuring process, all political and regulatory matters must be clarified in 2018. Posten expects that the proposal for changes in the Postal Act announced by the Government in the fiscal budget will be presented and discussed in the Norwegian Parliament during the autumn of 2018. If the change is approved by the Parliament, this will be the largest personnel change in Posten’s history.

Irene Egset has been employed as CFO i Posten Norway and takes over for Finance Director Ulf Aass, who has been temporarily appointed. Egset takes over on 1 January 2019.

Oslo, 25 October 2018

The Board of Directors in Posten Norge

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

FINANCIAL REPORT

3rd QUARTER **2018**

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

Condensed income statement

Q3 2018	Q3 2017		Note	YTD 2018	YTD 2017	Year 2017
5 643	**5 807**	**Revenue**	1	**17 487**	**17 959**	**24 678**
2 494	2 489	Cost of goods and services		7 418	7 563	10 317
2 019	2 142	Payroll expenses		6 637	6 949	9 451
159	179	Depreciation and amortisation	2	492	508	683
	2	Write-downs	2	5	2	59
845	867	Other operating expenses		2 656	2 563	3 524
5 517	**5 679**	**Operating expenses**		**17 207**	**17 584**	**24 034**
(10)	46	Other income and (expenses)	5	40	61	57
	(15)	Share of profit from associates and joint ventures		8	(20)	(9)
116	**159**	**Operating profit**	1	**328**	**416**	**692**
(16)	(28)	Net financial items		(42)	(43)	(71)
100	**131**	**Profit before tax**		**286**	**373**	**621**
24	40	Tax expense		65	95	233
76	**91**	**Profit for the period / year**		**221**	**278**	**388**
74	89	Controlling interests		217	275	382
3	2	Non-controlling interests		3	3	6

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Condensed statement of comprehensive income

Q3 2018	Q3 2017		YTD 2018	YTD 2017	Year 2017
76	**91**	**Profit for the period**	**221**	**278**	**388**
		Items that will not be reclassified to income statement			
		Pension			(26)
		Total items that will not be reclassified to income statement			**(26)**
		Items that later will be reclassified to income statement			
		Translation differences			
(3)	15	Hedging of foreign entities	57	1	2
11	(20)	Translation differences from foreign entities	(122)	13	130
8	**(5)**	**Total translation differences**	**(65)**	**14**	**131**
	6	Cash flow hedging	4	(2)	(3)
8	**1**	**Total items that later will be reclassified to income statement**	**(61)**	**12**	**128**
		Changes in tax rate			(6)
8	**1**	**Other comprehensive income (loss)**	**(61)**	**12**	**96**
84	**92**	**Total comprehensive income**	**160**	**291**	**483**
		Total comprehensive income is distributed as follows:			
82	90	Controlling interests	157	288	477
3	2	Non-controlling interests	3	3	6

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Condensed balance sheet

	Note	2018	2017
ASSETS			
Intangible assets	2	2 146	2 118
Deferred tax assets		266	281
Tangible fixed assets	2	5 774	5 794
Other financial assets		560	657
Total non-current assets		**8 746**	**8 850**
Inventories		13	14
Interest-free current receivables		3 822	4 054
Interest-bearing current receivables		46	107
Liquid assets		3 421	3 937
Current assets		**7 302**	**8 112**
Total assets		**16 048**	**16 962**
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity		3 191	3 233
Non-controlling interests		32	22
Equity	3	**6 344**	**6 375**
Provisions for liabilities		**1 472**	**1 505**
Interest-bearing non-current liabilities	4	2 954	3 072
Interest-free non-current liabilities		17	24
Non-current liabilities		**2 971**	**3 096**
Interest-bearing current liabilities	4	1 042	689
Interest-free current liabilities		4 113	5 158
Tax payable		106	138
Short-term liabilities		**5 262**	**5 986**
Total equity and liabilities		**16 048**	**16 962**

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Condensed statement of changes in equity

	Controlling interests							
	Share capital	Share premium reserves	Hedging reserves	Transl. differ-ences	Retained earnings	Other equity	Non-contr. interests	Total equity
Equity 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 transactions					(3)	**(3)**	(11)	**(14)**
Equity 31.12.2017	**3 120**	992	(3)	314	1 930	**3 233**	**22**	**6 375**
Equity 01.01.2018	3 120	992	(3)	314	1 930	**3 233**	**22**	**6 375**
Profit for the period					217	**217**	3	**221**
Other comprehensive income/(loss) for the period			4	(65)		**(61)**		**(61)**
Total comprehensive income			**4**	**(65)**	**217**	**157**	**3**	**160**
Dividend					(194)	**(194)**	(4)	**(198)**
Addition non controlling interest							10	**10**
Other equity transactions					(4)	**(4)**		**(4)**
Equity 30.09.2018	**3 120**	992	2	249	1 949	**3 191**	**32**	**6 344**

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Condensed statement of cash flows

Q3 2018	Q3 2017		01.01 - 30.09 2018	01.01 - 30.09 2017	Year 2017
100	131	Income before tax	286	373	621
2	(10)	Tax paid in period	(109)	(260)	(251)
(1)		(Gain)/loss from sales of non-current assets, subsidiaries and associated company	(21)	(31)	(271)
159	182	Depreciation and write-downs	497	509	743
	15	Share of net income from associated companies and joint venture	(8)	20	9
10	(11)	Financial items without cash flow effect	83	38	54
82	(17)	Changes in receivables, inventory and payables	73	(105)	(267)
(13)	(188)	Changes in other working capital	(491)	(472)	(114)
48	(80)	Changes in other accruals	(192)	(101)	73
20	16	Interests received	49	41	56
(20)	(21)	Interests paid	(59)	(49)	(62)
388	**18**	**Cash flow from / (used in) operating activities**	**107**	**(36)**	**592**
(197)	(190)	Investments in tangible non-current assets and intangible assets	(652)	(645)	(959)
(1)	(11)	Investments in businesses	(1)	(30)	(40)
		Investments in associated companies and joint venture		(7)	(7)
27	12	Proceeds from sales of tangible non-current assets and intangible assets	64	78	232
	(1)	Proceed from sale of subsidiaries	(102)	596	824
		Proceed from sale of associated companies			21
		Dividend received from associated companies		2	2
(2)	13	Changes in other financial non-current assets	6	22	16
(173)	**(177)**	**Cash flow from / (used in) investing activities**	**(685)**	**16**	**88**
100		Proceeds from non-current and current debt raised	100	1 000	1 500
(225)	(50)	Repayment of non-current and current debt	(375)	(100)	(100)
130	145	Decrease/increase bank overdraft	531	145	
(194)	(19)	Group contributions/dividends paid	(194)	(19)	(19)
(189)	**76**	**Cash flow from / (used in) financing activities**	**62**	**1 026**	**1 382**
26	**(84)**	**Total change in cash and cash equivalents during the year**	**(516)**	**1 005**	**2 062**
3 395	2 964	Cash and cash equivalents at the start of the period	3 937	1 875	1 875
3 421	**2 880**	**Cash and cash equivalents at end of period**	**3 421**	**2 880**	**3 937**

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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 value of use for an 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. Additional information about the Group's assessment of the standard is included in the 2017 annual report.

The implementation of this standard will have a significant effect for the Group. The estimated implementation effect is specified in the Group's accounting principles in the 2017 annual report.

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

The new standard is 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

Q3 2018	Q3 2017	Total revenue	YTD 2018	YTD 2017	Year 2017
4 081	3 831	External revenue	12 117	11 541	15 726
161	207	Internal revenue	487	613	807
4 242	**4 038**	**Logistics**	**12 604**	**12 153**	**16 533**
1 561	1 976	External revenue	5 368	6 420	8 952
210	181	Internal revenue	617	545	742
1 770	**2 156**	**Mail**	**5 986**	**6 965**	**9 694**
1		External revenue	1	(1)	
325	328	Internal revenue	1 004	1 008	1 295
325	**328**	**Other**	**1 005**	**1 007**	**1 295**
(695)	(716)	Eliminations	(2 108)	(2 165)	(2 844)
5 643	**5 807**	**Posten Norge**	**17 487**	**17 959**	**24 678**

Revenue categories (external revenue)

Deliveries over time*	YTD 2018
Parcels and cargo	5 666
Other logistics business	6 451
Total Segment Logistics	**12 117**
Letter products and banking services	4 793
Government procurement	380
Other	195
Total Segment Mail	**5 368**
Other	**1**
Total revenue	**17 487**

*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.)

Operating result (EBIT) per segment

Q3 2018	Q3 2017	EBITDA	YTD 2018	YTD 2017	Year 2017
182	173	Logistics	334	334	497
139	166	Mail	587	674	1 152
(36)	(30)	Other	(145)	(123)	(263)
285	**309**	**Posten Norge**	**777**	**885**	**1 386**

Q3 2018	Q3 2017	Adjusted operating profit / (loss)	YTD 2018	YTD 2017	Year 2017
87	77	Logistics	45	65	129
76	84	Mail	387	440	843
(37)	(31)	Other	(148)	(128)	(269)
126	**130**	**Posten Norge**	**284**	**377**	**703**

Q3 2018	Q3 2017	Operating profit (EBIT)	YTD 2018	YTD 2017	Year 2017
78	68	Logistics	38	86	162
76	125	Mail	439	477	819
(37)	(34)	Other	(149)	(147)	(290)
116	**159**	**Posten Norge**	**328**	**416**	**692**

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

Assets and liabilities per segment

30.09.2018	Logistics	Mail	Other	Elim.	Group
Associates and joint ventures	384				384
Other non-current assets	5 820	2 105	159		8 083
Current assets	3 016	845	106	(133)	3 835
Total allocated assets	**9 220**	**2 950**	**265**	**(133)**	**12 302**
Deferred tax assets					266
Interest-bearing receivables					59
Liquid assets					3 421
Total non-allocated assets					**3 746**
Total assets					**16 048**
Provisions for liabilities	837	622	15		1 474
Total interest-free liabilities	2 424	1 755	189	(133)	4 236
Total allocated liabilities	**3 261**	**2 378**	**204**	**(133)**	**5 710**
Deferred tax					
Total interest-bearing liabilities					3 996
Total non-allocated liabilities					**3 994**
Total liabilities					**9 704**

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 assets					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**

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

Cash flows for the segments

YTD 2018	Logistics	Mail	Other	Group
Profit/(loss) before tax	(4)	418	(128)	286
Gain from sales of non-current assets and subsidiaries	(4)	(17)		(21)
Ordinary depreciation and impairment	292	201	4	497
Share of result from investments by the equity method	(4)	(3)		(8)
Changes in working capital and other accruals	(354)	(172)	(83)	(610)
Tax paid in the period				(109)
Financial items without cash flow effect				83
Net interest paid				(10)
Cash flows from / (used in) operating activities	**(75)**	**426**	**(206)**	**107**
Cash flow effect from investments	(529)	(114)	(9)	(653)
Cash flow effect from sales	45	(84)		(38)
Changes in non-current receivables and financial assets	6			6
Cash flows used in investing activities	**(478)**	**(198)**	**(9)**	**(685)**
Proceeds from non-current and current debt raised				100
Repayment of debt				(375)
Decrease/increase bank overdraft				531
Dividend paid				(194)
Cash flows from financing activities				**62**
Net change in cash and cash equivalents during the period				**(516)**
Cash and cash equivalents at the beginning of the period				3 937
Cash and cash equivalents at the end of the period				**3 421**

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

Note 2 Intangible and tangible fixed assets

	Intangible assets	Tangible assets
Total at 01.01.18	**2 118**	**5 794**
Additions	157	495
Additions from acquisitions	14	
Disposals		(46)
Disposals from sales of subsidiaries	(10)	(30)
Depreciation	(99)	(394)
Write-downs	(2)	(3)
Translation differences	(32)	(41)
Total at 30.09.18	**2 146**	**5 774**

Investments exclusive of acquisitions in the third quarter of 2018 amounted to MNOK 652, of which investments in IT related solutions constituted MNOK 157. MNOK 200 of the MNOK 495 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.

Note 7 has details on acquisitions and disposals of companies.

Note 3 Equity

As at 30 September 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 118 from 31 December 2017 to 30 September 2018, mainly due to repayments of loans amounting to MNOK 100 and a change in fair value of loans in Japanese yen of MNOK 15.

Current interest-bearing liabilities as at 30 September 2018 increased by MNOK 353 compared with 31 December 2017, primarily as a result of an increased bank overdraft of appr. MNOK 530, increased certificate loans of MNOK 100 and repayment of bond loan amounting to MNOK 275.

As at 30 September 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 30 September 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

Q3 2018	Q3 2017		YTD 2018	YTD 2017	Year 2017
1		Gain/(loss) from sale of fixed assets etc.	21	31	270
(10)	47	Restructuring costs	(9)	30	15
		Other income and (expenses)	29		(229)
(10)	**46**	**Total other income and (expenses)**	**40**	**61**	**57**

Gain from the sale of fixed assets so far in 2018 mainly comprised the sale of land belonging to Posten Eiendom Svanholmen, whereas the same period in 2017 included the sale of the Bring SCM Group and Bring Cargo Fastighets AB.

Restructuring costs in the third quarter of 2018 primarily concerned operating adjustment in the Logistics segment. In the same quarter in 2017, provisions regarding adjustments to one addressed mail flow in the Mail segment of MNOK 50 were reversed.

Other income and expenses included a reversed provision of MNOK 34 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 30 September 2018

	At fair value (FV)				At amortised cost		
	Valuation level	**FVO – FV Profit or loss**	**Deriva-tives at FV Profit or loss**	**Deriva-tives at FV OCI / equity**	**Receivables**	**Other financial liabili-ties**	**30.09 2018**
Assets							
Interest-bearing current receivables					13		13
Other financial non-current assets	2		146	5	12		164
Interest-free current receivables	2			4	3 818		3 822
Interest-bearing current receivables					46		46
Liquid assets							3 421
Total financial assets							**7 466**
Liabilities							
Interest-bearing non-current liabilities	2	591				2 363	2 954
Interest-free non-current liabilities	2		12	3		2	17
Interest-bearing current liabilities	2					1 042	1 042
Interest-free current liabilities, incl. tax payable	2					4 219	4 220
Total financial liabilities							**8 232**
Total value hierarchy level 1							
Total value hierarchy level 2		(591)	135	5			(451)
Total value hierarchy level 3							

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

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

	At fair value (FV)				At amortised cost		
	Valuation level	**FVO – FV Profit or loss**	**Deriva-tives at FV Profit or loss**	**Deriva-tives at FV OCI / equity**	**Receivables**	**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	2					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, direct or indirect
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.)

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.

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.

ALTERNATIVE PERFORMANCE MEASURES




3rd 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.

		30.09 2018	30.09 2017
+	Revenue (current year)	17 487	17 959
-	Revenue (last year)	17 959	18 340
=	**Nominal change in revenue**	**(472)**	**(381)**

		30.09 2018	30.09 2017
+	Nominal change in revenue	(472)	(381)
+/-	Impact exchange rates	4	254
+/-	Acquisitions of companies		67
	Sale of companies*	921	
+/-	Change in government procurement	(258)	128
=	**Organic change in revenue**	**195**	**67**

* Revenue last year is adjusted for companies sold in current year

		30.09 2018	30.09 2017
	Organic change in revenue/	195	67
	Adjusted revenue*	17 233	18 407
=	**Organic growth**	**1,1 %**	**0,4 %**

* 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.) 29

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.

		YTD 2018	YTD 2017
+	Revenue	17 487	17 959
-	Costs of goods and services	7 418	7 563
-	Payroll and social expenses	6 637	6 949
-	Other operating expenses	2 656	2 563
=	**EBITDA**	**777**	**885**

		YTD 2018	YTD 2017
+	EBITDA	777	885
-	Depreciation	492	508
=	**Adjusted profit**	**284**	**377**

		YTD 2018	YTD 2017
	Adjusted profit/	284	377
	Total revenues	17 487	17 959
=	**Adjusted profit-margin**	**1,6 %**	**2,1 %**

		YTD 2018	YTD 2017
+	Adjusted profit	284	377
-	Write-downs	5	2
+/-	Total other income and expenses	40	61
+	Share of profit or loss from associates and joint ventures	8	(20)
=	**Operating profit (EBIT)**	**328**	**416**

		YTD 2018	YTD 2017
	Operating profit (EBIT)/	328	416
	Total revenues	17 487	17 959
=	**Operating profit (EBIT) margin**	**1,9 %**	**2,3 %**

(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.

		30.09 2018	30.09 2017
+	Interest-bearing non-current liabilities	2 954	2 841
+	Interest-bearing current liabilities	1 042	559
-	Market-based financial investments	3 276	2 724
-	Cash	50	58
-	Bank deposits - Group account system		4
-	Bank deposits - other	95	94
=	**Net interest-bearing debt (NIBD)**	**575**	**520**

		30.09 2018	30.09 2017
+	Market-based investments	3 276	2 724
+	Syndicate facility	3 313	3 294
+	Bilateral credit facilities		750
-	Certificate loans	400	300
=	**Long-term liquidity reserve**	**6 189**	**6 468**

		30.09 2018	30.09 2017
+	Long-term liquidity reserve	6 189	6 468
+/-	Deposits on group account		
+/-	Deposits outside group account	96	98
+	Bank overdraft not utilised	19	406
=	**Short-term liquidity reserve**	**6 303**	**6 973**

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

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:

		30.09 2018	30.09 2017
+	Total intangible assets	2 135	2 210
+	Total tangible fixed assets	5 776	5 852
+	Total current assets	7 364	6 502
-	Total liquid assets	3 424	2 217
-	Interest-bearing current assets	81	92
-	Interest-free current liabilities	4 648	5 084
+	Tax payable	92	128
+	Dividend and group contributions	30	3
=	**Invested capital***	**7 245**	**7 302**

*Rolling twelve months

		2018	2017
	Last 12 months' accumulated adjusted profit/	610	644
	Invested capital	7 245	7 302
=	**Return on invested capital (ROIC)**	**8,4 %**	**8,8 %**

(The information in this document has not been audited. All amounts are in MNOK.) 33

Other alternative performance measures

The Group applies and presents some other individual performance measures, considered to be useful for the market and the users of the Group's financial information. These measures are shown in the table below:

		YTD 2018	YTD 2017
+	Totalt investments	665	664
-	Investment due to acquisitions	14	19
=	**Investment before acquisitions***	**652**	**645**

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

		2018	2017
	Profit after tax total	330	35
	Average equity on balance sheet date*	6 270	6 177
=	**Return on equity after tax**	**5,3 %**	**0,6 %**

*(Opening + closing balance)/2

		30.09 2018	30.09 2017
	Total equity on balance sheet date/	6 344	6 197
	Total equity and liabilities (total capital)	16 048	15 763
=	**Equity ratio**	**39,5 %**	**39,3 %**

(The information in this document has not been audited. All amounts are in MNOK.) 34