QUARTERLY REPORT




1st QUARTER **2018**

Message from the CEO

Important initiatives have been taken in the first quarter to develop the Group and to strengthen profitability in digital times

The profit development in the first quarter of 2018 was weaker than last year, a fact that should be seen in view of the increasing decline in mail volumes, fewer working days (influenced by the timing of Easter) and deficient payment for government procurements of commercially non-viable postal services. There have also been additional costs related to extensive reorganisations in the Mail segment and new terminals coming into operation in the Norwegian logistics network. These expenses are expected to decline during the first half-year.

We contribute our corporate customers succeeding with their e-commerce strategies and we enjoy considerable growth and satisfactory profit development within Express and Home deliveries. Some areas in the logistic segment are still having profitability challenges, where the implementation of initiated measures are expected to give result effects towards the end of the year.

The Ministry of Transport and Communication proposes to open for mail distribution every other day from 2020 due to the increasing decline in mail volumes. Posten supports a transition to fewer distribution days and will offer new flexible delivery alternatives to give consumers and businesses the opportunity to have the goods they buy online delivered in the way they want and are willing to pay for – every day of the week, if they so wish. The proposal for a change in the Postal Act has been out for comments in the first quarter. If Posten shall be able to implement a mail distribution every other day in 2020, all political and regulatory matters must clarified in 2018.

From 1 January, we transitioned to one addressed mail flow. The first weeks of running-in the new production setup implied quality challenges, but additional efforts contributed to a quick improvement of the delivery quality. The requirement that 85 percent of the mail shall be delivered in the course of two days was met for the first quarter.

As part of the strategy to specialise the Group's portfolio, we have sold the mail business Bring Citymail Sweden. The mail market in Sweden is declining, and the company's profitability was not developing satisfactorily. The sale of Bring Citymail Sweden does not impact Bring's other operations in Sweden.

The Group is making offensive efforts in the Nordics within e-commerce, home deliveries and logistics. The speed in developing and marketing new services is high to meet the requirements from a growing e-commerce market and increased demand for logistics services. In April, we launched two new services: Digital stamp and Send from your own mailbox. We have placed parcel lockers as pilots in housing cooperatives. In the time to come, we will test and introduce several new services that will contribute to make everyday life simpler for our customers.

The Group has recently connected to cooperation partners within leading digital innovation environments in Norway as well as abroad. Together with these partners we shall succeed in our efforts within digital innovation and in exploring new business models.

Our ambitious development program towards 2020 is a targeted investment that requires considerable resources and which in the short term can influence negatively on the profits. The work to improve operations is continuing with unabated strength. We also see signs of increased activity in the market, and we win new contracts. Overall we expect better results during 2018.

Main features from the first quarter of 2018

The Group's revenues in the first quarter was MNOK 5 869, a reduction of 3,7 percent compared with the first quarter in 2017. The organic growth in the quarter was negative by 1,6 percent, a consequence of the increasing decline in mail volume and fewer working days. The number of working days was negatively influenced by the fact that Easter came in the first quarter of 2018 compared to the second quarter in 2017. As a consequence, the adjusted result in the first quarter was a loss of MNOK 55, a reduction of MNOK 246 compared with the same period in 2017. A decline in profit was expected, both due to falling letter volume and the time of Easter.

The result in both segments was negatively affected by fewer business days. The result in the Mail segment was in addition caused by an increasing decline in volume and costs related to reorganisations and deficient payment for government procurements of commercially non-viable postal services. The result developement in the Logistics segment was also a consequence of costs related to starting up new processes and production setups. The weather challenges in winter caused additional costs in connection with the shift of freight from planes to ground at the introduction of one addressed mail flow. Express and Home deliveries showed satisfactory growth and result development.

Bring Citymail Sweden was sold with accounting effect from March 1, as part of a planned adjustment of the Group's business portfolio.

Operating profit (EBIT) in the first quarter was a loss of MNOK 21, a reduction of MNOK 224 compared with the same quarter in 2017.

The Group's profit before tax was a loss of MNOK 28 in the first quarter, a reduction of MNOK 232 compared with 2017. The loss after tax was MNOK 16, a reduction of MNOK 172 compared with 2017.

The return on equity (ROE) was 3,5 percent in the first quarter, an increase of 0,6 percentage points compared to the first quarter of 2017. The return on invested capital (ROIC) in the first quarter was 6,4 percent, a decline of 4,8 percentage points compared to the first quarter of 2017.

Profit development (unaudited)

Q1 2018	Q1 2017		Year 2017
5 869	6 094	Revenue	24 678
109	353	Operating profit before depreciations (EBITDA)	1 386
(55)	191	Adjusted profit/(loss)	703
(21)	203	Operating profit/(loss) (EBIT)	692
(7)	1	Net financial items	(71)
(28)	204	Profit/(loss) before taxes	621
(16)	**156**	**Profit / (loss) for the period / year**	**388**

Alternative performance measures applied in the quarterly report are described in appendix to the report
See condensed financial statement page 14

Key financial figures (unaudited)

		31.03 2018	31.03 2017	Year 2017
Adjusted profit-margin	%	(0,9)	3,1	2,8
Operating profit (EBIT)-margin	%	(0,4)	3,3	2,8
Equity ratio	%	39,6	39,6	37,6
Return on invested capital*	%	6,4	11,2	9,8
Return on equity (after tax)*	%	3,5	2,9	6,3
Net interest-bearing debt		319	530	(176)
Investments, excluding acquisitions		201	237	959

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

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

Balance sheet (unaudited)

	31.03 2018	31.12 2017
ASSETS		
Non-current assets	8 720	8 850
Current assets	7 202	8 112
Assets	**15 922**	**16 962**
EQUITY AND LIABILITIES		
Equity and liabilities	6 313	6 375
Provisions for liabilities	1 491	1 505
Non-current liabilities	3 044	3 096
Current liabilities	5 074	5 986
Equity and liabilities	**15 922**	**16 962**

Balance sheet

The reduction in non-current assets is mainly a result of depreciation and foreign currency effects in addition to the sale of Bring Citymail Sweden. Investments in non-current assets in the period amounted to MNOK 201. Most of the investments concerned new logistics centres and IT systems.

The decline in current assets was primarily due to reduced trade receivables, countered by an increase in balances with foreign mail companies, where settlement takes place on agreed dates.

A payment of MNOK 50 on interest-bearing long-term loans was made in the period.

As at 31 March 2018, the Group had non-current liabilities amounting to MNOK 5 074, a reduction of MNOK 912 compared with 31 December 2017. The decline is mainly due to a reduction in trade payables, public duties and tax payable, repayment of certificate loan and the disposal of Bring Citymail Sweden.

Cash flows (unaudited)

Q1 2018	Q1 2017		Year 2017
(214)	127	Cash flows from/(used in) operating activities	592
(281)	(120)	Cash flows from/(used in) investing activities	88
(13)	(47)	Cash flows from/(used in) financing activities	1 382
(508)	**(40)**	**Total change in liquid assets**	**2 062**
3 937	1 875	Cash and cash equivalents at the beginning of the period	1 875
3 429	**1 836**	**Cash and cash equivalents at the end of the period**	**3 937**

Cash flows

Cash flows from operating activities in the first quarter were negative by MNOK 214. The reduction from the same quarter in 2017 was mainly due to reduced operating profit before depreciation (EBITDA). Cash flows from operating activities were also influenced by the increase in working capital. This primarily constituted a reduction in public duties and other liabilities related to operations.

Net cash flows from investing activities in the first quarter 2018 were negative by MNOK 281, 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 of logistics centres and IT investments

Net cash flows from financing activities in the first quarter were negative by MNOK 13, caused by payment of certificate loan, set-off by an increase in bank overdraft.

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.

Q1 2018	Q1 2017		Year 2017
4 055	3 985	Revenue	16 533
(12)	73	Segment profit (EBITDA)	497
(93)	(11)	Adjusted profit/(loss)	129

The Logistics segment had a turnover growth of 2 percent in the first quarter of 2018. The market development was good within parcels and freight operations outside Norway, international freight and express and home deliveries. This accounted for the increase in revenue. Fewer working days gave a decline in turnover in the Norwegian parcels and freight business, but turnover per working day increased. Revenues in manufacturing and offshore operations were characterised by low project activities in the oil sector.

Adjusted result in the first quarter for the Logistics segment was a loss of MNOK 93, a reduction of MNOK 82 from the same quarter in 2017. The decline is mainly influenced by fewer working days and costs related to initialising new processes and reorganising the production in connection with new terminals.

These expenses are expected to decline during the first half-year. In connection with the introduction of one addressed mail flow, air transport in the south of Norway was replaced by transport by car and train. The change caused additional costs in the start-up phase. The weather challenges last winter have implied increased costs for additional transport by car due to delayed and suspended trains.

Express and home deliveries had increased results in the first quarter due to a large increase in demand. The same positive result development and demand also applied for international freight.

There were still margin challenges in the Norwegian logistics business, but the efforts to improve operations are progressing at full speed and are expected to improve profits later in 2018.

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.

Q1 2018	Q1 2017		Year 2017
2 180	2 494	Revenue	9 694
158	326	Segment profit (EBITDA)	1 152
105	250	Adjusted profit	843

In the first quarter, the addressed mail volume in Norway fell by 12,8 percent compared with the same period in 2017. Adjusted for fewer working days, the decline in volume was 10 percent. Unaddressed mail declined by 12,7 percent in the first quarter against the same period in 2017, but the volume development for unaddressed mail improved towards the end of the quarter.

Revenues declined by MNOK 314 in the first quarter compared with 2017. The main reasons were the reduced volumes, fewer working days, the sale of Bring Citymail Sweden and the decreased income as a consequence of the introduction of one mail from 1 January 2018.

The introduction of one addressed mail flow from year-end gave a negative price effect and thereby an immediate income reduction, whereas the cost reduction is realised only gradually throughout the year when new production facilities are implemented in several phases and are brought to an end in the third quarter.

In the first quarter, adjusted profit was reduced by MNOK 145 compared with 2017, mainly related to a fall in volumes in combination with deficient payment for government procurements of commercially non-viable postal services. In addition, the working days were fewer than last year (influenced by the timing of the Easter). The implementation of the large reorganisation of operations caused additional expenses in the start-up phase. The expense development improved during the quarter.

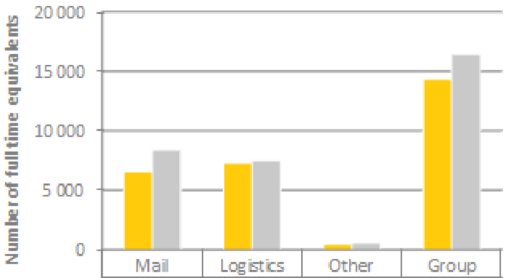
In the first quarter of 2018, 87,4 percent of addressed mail was delivered within 2 days, better than the requirement of 85 percent.

Other conditions

HSE

Workforce

The Group's workforce in the first quarter of 2018 constituted 14 332 full-time equivalents, a reduction of 2 113 full-time equivalents compared with the corresponding period in 2017. In the Mail segment, the workforce decreased by 1 833 full-time equivalents. The reduction mainly concerned the sale of Bring Citymail Sweden. There were also reductions related to mail distribution and production of approximately 390 full-time equivalents. In the Logistics segment the workforce was reduced by 203 full-time equivalents, and this mainly concerned discontinued operations and sale of business.



	Mail	Logistics	Other	Group
2018	6 546	7 310	475	14 332
2017	8 379	7 514	552	16 445

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 first quarter of 2018, absence due to sickness in the Group was 6,7 percent, an increase of 0,1 percentage points compared with the first quarter of 2017. Absence due to sickness in the last 12 months was 5,8 percent, a reduction of 0,3 percentage points compared with the absence one year ago. The total number of personal injuries per million worked hours (H2) was 10,1 in the first quarter of 2018, an increase of 1,7 from the same period in 2017.

A considerable part of the personal injuries in the Posten Group in recent years happened in Bring Citymail. As an example, 30 percent of the Group's personal injuries occurred in this company in 2017. The sale of Bring Citymail is therefore expected to impact the H2 level in the time to come.

Gender equality and diversity

Diversity contributes to increased well-being, innovation and performance. Posten's goal for diversity efforts up to 2020 is that at least 17 percent of the employees in the Norwegian part of the Group shall have background as immigrants, and that 9 percent of the employees in positions within management, staffing and administration.

In 2017, 15,8 percent of the staff in the Norwegian part of the Group had immigrant background, an increase of 1,3 percentage points from 2016. For positions within management, staffing and administration, the share was 6,7 percent. The share of leaders with immigrant background has increased from 4,6 percent in 2016 to 5,2 percent in 2017.

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

Posten Norge is continuing the efforts with further ambitions within gender equality and diversity in the Group. The ambition is to have a gender balance among leaders reflecting the total distribution in the Group. For leaders in the Group, the percentage of women was 29 percent, against 33 percent percentage of women in total (leaders and staff).

The external environment

The Group has set an ambitious goal in using only renewable energy in all their vehicles and buildings before 2025, provided that new technology is competitive with “fossil” solutions when implemented on a large scale. In addition, the Group is considering the use of compressed/floating biogas.

In the first quarter, there has been a good dialogue with various vehicle manufacturers in order to motivate speeding up the technology development, in particular related to electric models of larger vans and heavier vehicles. The Group’s wish is to take an active part at an early stage in testing new technology.

Other matters

For 2018, the Norwegian Parliament granted during autumn 2017 MNOK 165 in payment for government procurements of commercially non-viable postal services ordered by the government and delivered by Posten. In connection with the Revised National Budget presented on May 15, the Government has proposed to increase the grant by NOK 342 million to NOK 507 million to pay the Post for postal distribution 5 days a week. Totally this is MNOK 185 lower than the net costs Posten has calculated. Posten is recognising income in line with the granted amount. The under compensation mainly concerns carry-over costs after the transition to one mail flow from 1 January 2018.

Future prospects

The Group has an ambitious development program to meet the customers' needs in a digital time and to make everyday life simpler for them. The work to reorganise and develop the Group's operations continues at an unabated speed. Efforts towards 2020 require considerable resources and can in the short term influence negatively on the result. A transition to fewer fixed distribution days will be combined with offering new flexible delivery alternatives to meet the customers' need for freedom of choice. Consumers and enterprises shall have the goods delivered in the way they want and are willing to pay for – every day of the week, if they so wish.

Profitability in the logistics business in total is too weak. A new logistics network is being established in Norway in order to make logistics operations more efficient and to meet the growth within e-commerce trade, as one example. The number of terminals is reduced from more than 40 to 18 joint terminals for parcels and freight, of which 13 are operative at the end of 2017. Co-localisation provides co-production and co-operation. With new IT systems, a foundation has been created for increased standardisation of processes and harmonisation of services. Cost-effectiveness and continuous improvement, together with developing services in cooperation with the customer, shall improve profitability.

Addressed mail will continue to decline over time due to digitalisation of our customers, and will put pressure on profitability in the Mail segment. Going forward, it will be crucial that the Government pays for commercially non-viable postal services, or that they allow adaptation of service offerings in line with declining demand. Among the comments to the Ministry of Transport and Communication's consultation paper about changing the Postal Act, Posten supported the proposal about mail distribution every other day from 2020. The documents included a report from Copenhagen Economics about the future need for government procurements of commercially non-viable postal services ordered by the government and delivered by Posten. According to the report, the proposed change will imply annual cost savings over the government budget (government procurements) of approximately MNOK 500 in 2020. Without any changes, the government procurements will increase to approximately 1 billion kroner in 2025. The introduction of postal distribution every other day throughout the country will be the greatest personal change in Posten's history. In order to be able to implement the restructuring by 2020 with sufficient time to implement a neat and good conversion process, all political and regulatory issues must be resolved by 2018.

Executive Vice President / CFO Eli Giske have resigned her position in Posten to return to self-employment. Until new Executive Vice President / CFO are employed, Group Treasurer Ulf Aass is constituted in the position.

Oslo, 29 May 2018

The Board of Directors in Posten Norge AS

FINANCIAL REPORT




1st QUARTER 2018

Condensed income statement

Q1 2018	Q1 2017		Note	Year 2017
5 869	**6 094**	**Revenue**	1	**24 678**
2 494	2 486	Cost of goods and services		10 317
2 355	2 389	Payroll expenses		9 451
164	161	Depreciation and amortisation	2	683
3	(1)	Impairment	2	59
911	865	Other operating expenses		3 524
5 927	**5 901**	**Operating expenses**		**24 034**
34	10	Other income and (expenses)	5	57
3	1	Share of profit from investments in associated companies and joint ventures		(9)
(21)	**203**	**Operating profit / (loss)**	1	**692**
(7)	1	Net financial items		(71)
(28)	**204**	**Profit / (loss) before tax**		**621**
(12)	48	Tax expense		233
(16)	**156**	**Profit / (loss) for the period / year**		**388**
(15)	155	Profit/(loss) attributable to controlling interests	1	382
(1)	1	Profit/(loss) attributable to non-controlling interests		6

(The information in this document has no been audited. All amounts are in MNOK

Condensed statement of comprehensive income

Q1 2018	Q1 2017		Year 2017
(16)	**156**	**Profit / (loss) for the period**	**388**
		Items not to be reclassified to income statement:	
		Pension	(26)
		Total items not be reclassified to income statement	**(26)**
		Items that may be reclassified to income statement:	
		Translation differences	
40	(9)	Hedging of foreign entities	2
(89)	8	Translation differences from foreign entities	130
(49)	**(1)**	**Total translation differences**	**131**
4	2	Cash flow hedging	(3)
(46)	**1**	**Total items that may be reclassified to income statement**	**128**
		Changes in tax rate	(6)
(46)	**1**	**Other comprehensive income (loss)**	**96**
(62)	**157**	**Total comprehensive income (loss)**	**483**
		Total comprehensive income is distributed as follows:	
(61)	156	Controlling interests	477
(1)	1	Non-controlling interests	6

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

Condensed balance sheet

	Note	31.03 2018	31.12 2017
Assets			
Intangible assets	2	2 109	2 118
Deferred tax asset		278	281
Tangible fixed assets	2	5 728	5 794
Other financial assets		605	657
Total non-current assets		**8 720**	**8 850**
Inventories		13	14
Interest-free current receivables		3 670	4 054
Interest-bearing current receivables		91	107
Liquid assets		3 429	3 937
Current assets		**7 202**	**8 112**
Total assets		**15 922**	**16 962**
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity		3 172	3 233
Non-controlling interests		21	22
Equity	3	**6 313**	**6 375**
Provisions for liabilities		**1 491**	**1 505**
Interest-bearing non-current liabilities	4	3 024	3 072
Interest-free non-current liabilities		20	24
Non-current liabilities		**3 044**	**3 096**
Interest-bearing current liabilities	4	724	689
Interest-free current liabilities		4 295	5 158
Tax payable		55	138
Short-term liabilities		**5 074**	**5 986**
Total equity and liabilities		**15 922**	**16 962**

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

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					(15)	**(15)**	(1)	(16)
Other comprehensive income/(loss) for the period			4	(49)		**(46)**		(46)
Total comprehensive income			**4**	**(49)**	**(15)**	**(61)**	**(1)**	**(62)**
Other equity transactions					(1)	**(1)**		**(1)**
Equity 31.03.2018	**3 120**	**992**	**1**	**265**	**1 915**	**3 172**	**21**	**6 313**

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

Condensed statement of cash flows

Q1 2018	Q1 2017		Year 2017
(28)	204	Profit before tax	621
(72)	(97)	Tax paid in the period	(251)
(1)	(14)	(Gain)/loss from sales of non-current assets and subsidiaries	(271)
167	160	Ordinary depreciation and write-downs	743
(3)	(1)	Share of net income from associated companies and joint ventures	9
5	30	Financial items without cash flow effect	54
68	68	Changes in accounts receivable, inventories and accounts payable	(267)
(256)	(129)	Changes in other working capital	(114)
(91)	(95)	Changes in other accruals	73
17	16	Interests received	56
(21)	(16)	Interests paid	(62)
(214)	**127**	**Cash flow from / (used in) operating activities**	**592**
(201)	(237)	Investments non-current assets	(959)
		Investments in subsidiaries	(40)
		Investments in associated companies and joint ventures	(7)
14	39	Proceeds from sales of non-current assets	232
(102)	85	Proceed from sale of subsidiaries	824
		Proceed from sale of associated companies	21
		Dividend received from associated companies	2
8	(6)	Changes in other financial non-current assets	16
(281)	**(120)**	**Cash flow from / (used in) investing activities**	**88**
		Proceeds from borrowings	1 500
(150)	(50)	Repayment of borrowings	(100)
138	3	Decrease/increase bank overdraft	
		Group contribution/dividend paid	(19)
(13)	**(47)**	**Cash flow from / (used in) financing activities**	**1 382**
(508)	**(40)**	**Change in cash and cash equivalents during the period**	**2 062**
3 937	1 875	Cash and cash equivalents at the start of the period	1 875
3 429	**1 836**	**Cash and cash equivalents at end of period**	**3 937**

(The information in this document has not been audited. All amounts are in MNOK) 18

SELECTED ADDITIONAL INFORMATION

General

Posten Norge AS was established as a company on 1 December 1996 and is today a Norwegian-registered limited liability company with the Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, as its sole shareholder. Posten Norge AS' address is Biskop Gunnerus gate 14, 0001 Oslo, Norway.

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

Accounting principles

The interim financial statements have been prepared in accordance with the same accounting principles as stated in the 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 Group has implemented the standard by applying the modified method not implying restatement of comparable figures. 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, 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 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, Mail and Logistics. Group administration and shared function are allocated to Other.

The Group's segments are reported by areas whose operating profits 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

Q1 2018	Q1 2017	Total revenue	Year 2017
3 890	3 786	External revenue	15 726
165	199	Internal revenue	807
4 055	**3 985**	**Logistics**	**16 533**
1 979	2 309	External revenue	8 952
202	185	Internal revenue	742
2 180	**2 494**	**Mail**	**9 694**
	(2)	External revenue	
332	339	Internal revenue	1 295
332	**338**	**Other**	**1 295**
(699)	(722)	Eliminations	(2 844)
5 869	**6 094**	**Posten Norge**	**24 678**

Revenue categories (external revenue)

Deliveries over time*	Q1 2018
Parcels and Cargo	1 794
Other Logistics business	2 096
Total Segment Logistics	**3 890**
Letter products and Banking services	1 874
Government procurement	41
Other	63
Total Segment Mail	**1 979**
Other	
Total Revenue	**5 869**

*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

Q1 2018	Q1 2017	EBITDA	Year 2017
1	73	Logistics	497
174	326	Mail	1 152
(66)	(46)	Other	(263)
109	**353**	**Posten Norge**	**1 386**

Q1 2018	Q1 2017	Adjusted operating profit / (loss)	Year 2017
(93)	(11)	Logistics	129
105	250	Mail	843
(67)	(48)	Other	(269)
(55)	**191**	**Posten Norge**	**703**

Q1 2018	Q1 2017	Operating profit / (loss) (EBIT)	Year 2017
(96)	(2)	Logistics	162
142	253	Mail	819
(67)	(48)	Other	(290)
(21)	**203**	**Posten Norge**	**692**

Assets and liabilities per segment

31.03.2018	Logistics	Mail	Other	Elim.	Group
Associates and joint ventures	398				398
Other non-current assets	5 680	2 166	186		8 032
Current assets	2 709	931	93	(51)	3 682
Total allocated assets	**8 787**	**3 097**	**279**	**(51)**	**12 112**
Deferred tax asset					278
Interest-bearing receivables					103
Liquid assets					3 429
Total non-allocated assets					**3 810**
Total assets					**15 922**
Provisions for liabilities	886	605			1 491
Total interest-free liabilities	2 483	1 793	145	(51)	4 370
Total allocated liabilities	**3 369**	**2 398**	**145**	**(51)**	**5 861**
Deferred tax					
Total interest-bearing liabilities					3 748
Total non-allocated liabilities					**3 748**
Total liabilities					**9 609**

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

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

Cash flows for the segments

Q1 2018	Logistics	Mail	Other	Group
Profit/(loss) before tax	(107)	135	(56)	(28)
(Gain)/loss from sales of non-current assets and subsidiaries	(1)			(1)
Depreciation and write-downs	96	70	1	167
Share of net income from associated companies and joint venture		(3)		(3)
Changes in other working capital and accruals	(93)	(122)	(64)	(279)
Tax paid in period				(72)
Financial items without cash flow effect				5
Net interests				(4)
Cash flow from / (used in) operating activities	**(105)**	**79**	**(119)**	**(214)**
Cash flow effect from investments	(121)	(35)	(46)	(201)
Cash flow effect from sales	13	(102)		(88)
Changes in other financial non-current assets				8
Cash flow from / (used in) investing activities	**(107)**	**(136)**	**(46)**	**(281)**
Repayment of non-current and current debt				(150)
Decrease/increase bank overdraft				138
Cash flow from / (used in) financing activities				**(13)**
Net change in cash and cash equivalents during the year				**(508)**
Total change in cash and cash equivalents during the year				3 937
Cash and cash equivalents at end of period				**3 429**

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

Note 2 Intangible assets and tangible fixed assets

	Intangible assets	Tangible assets
Total at 01.01.18	**2 118**	**5 794**
Additions	57	144
Disposals	1	(16)
Disposals from sales of subsidiaries	(10)	(30)
Depreciation	(33)	(131)
Impairments		(3)
Translation differences	(24)	(30)
Total at 31.03.18	**2 109**	**5 728**

Investments exclusive of acquisitions in the first quarter of 2018 amounted to MNOK 201, of which investments in IT related solutions constituted MNOK 57. MNOK 47 of the MNOK 144 invested in tangible fixed assets concerned buildings and property, of which the new logistics centres in Vestfold and Stavanger were the largest projects. Investments in other fixed assets included terminal furnishings, vehicles and other operating equipment.

Disposals of non-current assets primarily relate to current sales of other tangible fixed assets. The disposal from sale of companies concerns the sale of Bring Citymail Sweden

Note 7 has details on acquisitions and disposals of companies.

Note 3 Equity

As at 31 December 2017, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000. All the company's shares are owned by the Norwegian State, represented by the Ministry of Trade, Industry and Fisheries.

The Board proposed that dividends of MNOK 194 of the 2017 profit be distributed. The final dividend will be determined at the Annual General Meeting in June 2018

Note 4 Interest-bearing non-current and current liabilities

The Group’s non-current interest-bearing liabilities was reduced by MNOK 48 from 31 December 2017 to 31 March 2018, mainly due to repayments of loans.

Current interest-bearing liabilities as at 31 March 2018 increased by MNOK 35 compared by 31 December 2017, primarily a result of an increased bank overdraft of MNOK 138 reduced by a repayment of a certificate loan of MNOK 100.

As at 31 March 2018, none of the Group’s other credit facilities had been used. The average interest rate on Posten’s outstanding interest-bearing liabilities was 2,0 percent as at 31 March 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.

Q1 2018	Q1 2017		Year 2017
33		Other income and (expenses)	(229)
1	14	Gain/(loss) from sale of fixed assets etc.	270
	(4)	Restructuring costs	15
34	**10**	**Total other income and (expenses)**	**57**

In the first quarter of 2018, the Group sold Bring Citymail Sweden to the German company Allegra Capital GmbH (note 7 has details). Provisions from previous years amounting to MNOK 34 were reversed, as the agreement resulted in lower commitments for the Group than estimated at the end of 2017 and a reclassification of currency effects from the sale.

Other income and expenses in 2017 primarily comprised provisions for losses of MNOK 216, due to an implicit obligation to implement measures in connection with the sale of Bring Citymail Sweden. Gain/loss from the sale of fixed assets in the first quarter of 2017 mainly concerned the sale of the wholly owned subsidiary Bring Cargo Fastighets AB.

In 2017, Posten received a claim for compensation from a supplier concerning 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 at the end of the first quarter of 2018:

		At fair value (FV)			At amortised cost		
	Valua-tion level	FVO – FV Profit or loss	Deriva-tives at FV Profit or loss	Deriva-tives at FV OCI / equity	Receiv-ables	Other financial liabilities	31.03 2018
Assets							
Interest-bearing non-current receivables					12		12
Other financial non-current assets	2		165	6	25		195
Interest-free current receivables	2		3	35	3 631		3 670
Interest-bearing current receivables					91		91
Liquid assets							3 429
Total financial assets							**7 397**
Liabilities							
Interest-bearing non-current liabilities	2	610				2 414	3 024
Interest-free non-current liabilities	2		15	3		2	20
Interest-bearing current liabilities						724	724
Interest-free current liabilities, incl. tax payable	2					4 350	4 350
Total financial liabilities							**8 118**
Total value hierarchy level 1 (net)							
Total value hierarchy level 2 (net)		(610)	153	37			(420)
Total value hierarchy level 3 (net)							

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

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) 27

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



1st QUARTER **2018**

Alternative Performance Measures

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

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

Organic growth

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

		31.03 2018	31.03 2017
+	Revenue (current year)	5 869	6 094
-	Revenue (last year)	6 094	6 199
=	**Nominal change in revenue**	**(225)**	**(105)**

		31.03 2018	31.03 2017
+	Nominal change in revenue	(225)	(105)
+/-	Impact exchange rates	(78)	176
+/-	Acquisitions of companies		(24)
+/-	Sale of companies*	209	
+/-	Change in government procurement	1	49
=	**Organic change in revenue**	**(94)**	**96**

*Adjustment of last year's revenue for proceeds from current year's sale of subsidiaries

		31.03 2018	31.03 2017
	Organic change in revenue/	(94)	96
	Adjusted revenue*	5 791	6 294
=	**Organic growth**	**(1,6 %)**	**1,5 %**

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

(The infomationin this document has not been audited All amounts are in MNOK.) 30

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

The target figures are valuable for the users of Posten's financial information, also including management, the Board and external parties. They give the users of the financial information the opportunity to assess the operating result on the basis of variable current items, as depreciation and amortisation costs, non-recurring items and other gain and loss related to investment are excluded. It is also assumed that the target figures contribute to a more comparable evaluation of operating results of the Group's competitors.

Operating profit/loss (EBIT) and adjusted operating margins are presented defined as operating profit/loss (EBIT) and adjusted profit/loss, respectively, divided by total income.

		YTD 2018	YTD 2017
+	Revenue	5 869	6 094
-	Costs of goods and services	2 494	2 486
-	Payroll and social expenses	2 355	2 389
-	Other operating expenses	911	866
=	**EBITDA**	**109**	**353**

		YTD 2018	YTD 2017
+	EBITDA	109	353
-	Depreciation	164	161
=	**Adjusted profit / (loss)**	**(55)**	**191**

		YTD 2018	YTD 2017
	Adjusted profit/	(55)	191
	Total revenues	5 869	6 094
=	**Adjusted profit margin**	**(0,9 %)**	**3,1 %**

		YTD 2018	YTD 2017
+	Adjusted profit	(55)	191
-	Write-downs	3	(1)
+/-	Total other income and expenses	34	10
+	Share of profit or loss from associates and joint ventures	3	1
=	**Operating profit / (loss) (EBIT)**	**(21)**	**203**

		YTD 2018	YTD 2017
	Operating profit/loss (EBIT)/	(21)	203
	Total revenues	5 869	6 094
=	**Operating profit / (loss) (EBIT) margin**	**(0,4 %)**	**3,3 %**

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

Net interest-bearing debt (NIBD) and liquidity reserve

A primary objective in the Group's guidelines for finance is to secure financial freedom of action for the Group. Such freedom makes it possible to operationalise strategies and reach the business' goals. The Group shall at all times have adequate access to capital to cover normal fluctuations in the Group's liquidity needs, refinancing risk and normal expansion rate without the need for special financing measures set off by individual projects. This implies adequate resources to realise the Group's approved strategies.

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

Net interest-bearing debt comprises both short-term and long-term interest-bearing debt, excluding financial instruments like debt instruments and derivatives, financial market placements in addition to cash and cash equivalents.

The Group's liquidity reserve includes all funds available to finance operations and investments. It is allocated to amounts available according to agreements in the short and longer term and as such a useful target figure to consider whether the Group has adequate liquidity to achieve the Group's approved strategy.

		31.03 2018	31.03 2017
+	Interest-bearing non-current liabilities	3 024	1 945
+	Interest-bearing current liabilities	724	421
-	Market-based financial investments	3 251	1 649
-	Cash	59	62
-	Bank deposits - Group account system		
-	Bank deposits - other	120	125
=	**Net interest-bearing debt (NIBD)**	**319**	**530**

		31.03 2018	31.03 2017
+	Market-based investments	3 251	1 649
+	Syndicate facility	3 375	3 209
+	Bilateral credit facilities	750	750
-	Certificate loans	200	300
=	**Long-term liquidity reserve**	**7 175**	**5 308**

		31.03 2018	31.03 2017
+	Long-term liquidity reserve	7 175	5 308
+/-	Deposits on group account		
+/-	Deposits outside group account	120	125
+	Bank overdraft not utilised	412	547
=	**Short-term liquidity reserve**	**7 707**	**5 980**

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

Invested capital and return on invested capital (ROIC)

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

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

		2018	2017
+	Total intangible assets	2 154	2 300
+	Total tangible fixed assets	5 807	5 835
+	Total current assets	7 011	6 507
-	Total liquid assets	2 947	2 022
-	Interest-bearing current assets	98	96
-	Interest-free current liabilities	4 894	5 380
+	Tax payable	94	150
+	Dividend and group contributions	3	1
=	**Invested capital***	**7 128**	**7 294**

*Rolling twelve months

		2018	2017
	Last 12 months' accumulated adjusted profit/	456	818
	Invested capital	7 128	7 294
=	**Return on invested capital (ROIC)**	**6,4 %**	**11,2 %**

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

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:

		2018	2017
+	Total investments	201	237
-	Investment due to acquisitions		
=	**Investment before acquisitions***	**201**	**237**

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

		2018	2017
	Profit after tax total	216	175
	Average equity on balance sheet date*	6 192	6 329
=	**Return on equity after tax**	**3,5 %**	**2,9 %**

*(Opening + closing balance)/2

		31.03 2018	31.03 2017
	Total equity on balance sheet date/	6 313	6 071
	Total equity and liabilities (total capital)	15 922	15 347
=	**Equity ratio**	**39,6 %**	**39,6 %**

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