Posten Norge

QUARTERLY REPORT




2nd QUARTER **2018**

Message from the CEO

Smart and flexible solutions and services that make everyday life easier for our customers

In the first half-year, the Group has been characterised by large adjustment processes within both segments. We co-located operations several places in 2017, and with more new logistics terminals, work has been targeted to stabilise the production after the reorganisation. At the same time, we have transitioned to one addressed mail flow, the largest change in Posten's history.

As announced, the result in the second quarter was somewhat better than in the first. There are, however, still challenges within both segments. The investment in industrial development and efforts to make the Norwegian logistics network more efficient involve short-term additional costs, with the consequence that we have not managed to realise the good turnover growth to improved results within the Logistics segment. In the Mail segment, the fall in mail volumes is higher than anticipated at the start of 2018. As a result, the measures implemented are no longer adequate to maintain a satisfactory profitability. It is, however, gratifying that the Norwegian Parliament has granted additional funds for government procurements of commercially non-viable postal services, ensuring that the Government now in full pays for the additional costs related to maintaining mail distribution five days a week.

The additional grant has a positive influence on this year's result. Quick clarifications of political and regulatory matters are nevertheless required to make it possible for us to continue adjusting operations to the market development. Alternatively, the government's payment for the services they procure will significantly increase in the time to come.

Parcels and freight from e-commerce is an important growth area for the Group. The competition is strong, and a key factor is to make everyday life easier for people purchasing on the net. We therefore appreciate the considerable customer growth in this area.

Posten Norge is meeting increased demand by investing in extended capacity and efficiency in the Logistics network. We also enhance the service and are coming closer to our customers with new services and a larger freedom of choice. The supply of home deliveries of parcels is now extended to cover all of Norway. In Sweden and Denmark we have important market positions and are cooperating with partners to give the web shops a Nordic assortment. We see that the customers respond positively and that large web shops choose us.

We have high ambitions to engage in innovation and use new technology to create smart and flexible solutions and services that make our customers' everyday life easier.

In the second quarter we were elected one of Norway's most innovative companies with a fifth place on the trade magasine Innovasjonsmagasinet InnoMag's list for 2018. This concerns both launching new services to the customers and the Group's environmental efforts, including an order for a Tesla van. I am proud that our efforts on new and smart solutions have been noticed. It gives us inspiration to continue developing new services and digital solutions.

The high speed in the development and launching of new services continues, and during the "Arendal week" Posten demonstrated the world's first self-driving mail and parcels robot to be tested in Kongsberg in the fourth quarter. The development of self-driving vehicles is fast, and Posten Norge wish to be a learning area for actors willing to try new solutions. We already cooperate well with several actors in order to establish secure, customer-friendly and profitable autonomous solutions. Norway is well qualified to be world-leading on self-driving technology. If it works in Norwegian conditions, it will work all over the world. The journey has started, and Posten is on board.

Main features from the second quarter and first half-year of 2018

The Group's turnover in the second quarter was MNOK 5 975, a reduction of 1,4 percent compared with the second quarter in 2017. The adjusted operating profit in the second quarter was MNOK 214. The increase of MNOK 158 compared with the same quarter in 2017 is due to result improvements in both the Logistics and Mail segment

For the Logistics segment, more working days in the second quarter as a result of Easter coming in the first quarter contributed to the improved result.

In the Mail segment, the result in the second quarter was positively affected by the income recognition of the additional grant for the government procurements of commercially non-viable postal services regarding the first half-year of 2018.

Turnover in the first half-year was MNOK 11 844, a decline of 2,6 percent compared with the same period in 2017. Organic growth *) in the first half-year was positive by 0,9 percent. Adjusted operating profit was MNOK 159, a reduction of MNOK 88 compared with the first half-year 2017. Results declined in both the Logistics and Mail segment in the first half-year of 2018.

The reduced result in the Logistics segment was a consequence of additional costs in connection with the change to a new terminal structure and the introduction of new production processes for parcels and freight in Norway. In addition, weather problems in winter caused increased transport costs for alternative deliveries of parcels and freight.

In the Mail segment, the Government as expected granted full coverage of the additional costs in maintaining five days distribution of mail services required to be delivered. The mail volume continued to fall with unabated strength and contributed to a result reduction in the first half-year in spite of cost adjustments.

Profit before tax was MNOK 185, a decline of MNOK 57 compared with the same period in 2017. The return on equity (ROE) was 5,6 percent in the first half-year, an improvement of 5,4 percentage points compared with the first half-year of 2017. The return on invested capital (ROIC) in the first half-year was 8,6 percent, a reduction of 0,5 percentage points compared with the first half-year of 2017.

*) See alternative performance measures

Profit development (unaudited)

Q2 2018	Q2 2017		YTD 2018	YTD 2017	Year 2017
5 975	6 059	Revenue	11 844	12 153	24 678
383	223	Operating profit before depr.(EBITDA)	492	576	1 386
214	56	Adjusted operating profit	159	247	703
233	54	Operating profit (EBIT)	212	257	692
(20)	(16)	Net finance items	(27)	(15)	(71)
213	38	Profit before tax	185	242	621
161	**32**	**Profit after tax**	**145**	**187**	**388**

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

Key financial figures (unaudited)

		30.06 2018	30.06 2017	Year 2017
Adjusted operating profit-margin	%	1,3	2,0	2,8
Operating profit (EBIT) margin	%	1,8	2,1	2,8
Equity ratio	%	38,1	38,2	37,6
Return on invested capital/ROIC*	%	8,6	9,1	9,8
Return on equity (after tax)*	%	5,6	0,2	6,3
Net interest-bearing debt (receivable)		616	378	(176)
Investments, excluding acquisitions		454	454	959

Alternative performance measures applied in the quarter 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.) 5

Balance sheet (unaudited)

	30.06 2018	31.12 2017
ASSETS		
Non-current assets	8 742	8 850
Current assets	7 683	8 112
Assets	**16 425**	**16 962**
EQUITY AND LIABILITIES		
Equity	6 263	6 375
Provisions for liabilities	1 493	1 505
Non-current liabilities	3 042	3 096
Current liabilities	5 627	5 986
Equity and liabilities	**16 425**	**16 962**

Balance sheet

The decline in assets is mainly due to the sale of Bring Citymail Sweden and a reduction in liquid assets.

As at 30 June 2018, the Group had current liabilities of MNOK 5 627, a reduction of MNOK 359 compared with 31 December 2017. The decline is mainly due to a reduction in liabilities related to accounts payables, operations and a reversal of provisions for losses. As at 30 June there were an bank overdraft (approximately MNOK 400) and made provision for dividend.

Cash flows (unaudited)

Q2 2018	Q2 2017		YTD 2018	YTD 2017	Year 2017
(67)	(181)	Cash flows used in operating activities	(281)	(54)	592
(231)	313	Cash flows from/(used in) investing activities	(512)	193	88
264	997	Cash flows from financing activities	251	950	1 382
(34)	**1 129**	**Total change in liquid assets**	**(542)**	**1 089**	**2 062**
3 429	1 836	Cash and cash equivalents at the beginning of the period	3 937	1 875	1 875
3 395	**2 964**	**Cash and cash equivalents at the end of the period**	**3 395**	**2 964**	**3 937**

Cash flows

Cash flows from operating activities so far this year were negative by MNOK 281. The reduction from the same period in 2017 was mainly due to reduced other operating liabilities and the fact that the additional grant for the government procurements of socially non-viable postal services was taken to income in June, although not yet received. Lower paid taxes and more payments of trade receivables offset the negative effects mentioned above.

Net cash flows from investing activities so far in 2018 were negative by MNOK 512, 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 so far this year amounted to MNOK 251, caused by increased utilisation of bank overdrafts and reduced by payment of certificate loan and non-current debt.

Market and development per segment (unaudited)

LOGISTICS

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

Q2 2018	Q2 2017		YTD 2018	YTD 2017	Year 2017
4 307	4 131	Revenue	8 362	8 115	16 533
151	88	Operating profit before depr. (EBITDA)	152	161	497
51	(2)	Adjusted operating profit/(loss)	(42)	(12)	129

The Logistics segment had an organic growth of 4,3 percent in the first half-year of 2018. The Norwegian logistics operations expanded substantially within parcels, contract parcels and e-commerce to private consumers. Both national and international forwarding/transport had good growth. In the logistics business outside Norway, e-commerce and home deliveries developed satisfactorily, and turnover for express in the entire Nordics increased as a consequence of the good supply of new customers. Turnover in the offshore business was still characterised by low project activities in the oil sector.

Adjusted operating profit in the first half-year for the Logistics segment was a loss of MNOK 42, a reduction of MNOK 30 from the same period in 2017. The second quarter showed significant improvement. The result for the first half-year was, however, influenced by the weak start of the year, mainly as a consequence of resource use at the implementation of a new terminal structure.

The last few months have showed a positive trend with increased productivity and improved customer quality. The reorganisation process of the Norwegian parcels and freight network is extensive and will continue until 2020. It is not satisfactory that the solid growth in the market so far has not impacted the result more significantly. Comprehensive improvement measures in the Norwegian terminal network are carried out in order to reduce the cost level and increase the profit margin.

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.

Q2 2018	Q2 2017		YTD 2018	YTD 2017	Year 2017
2 035	2 314	Revenue	4 215	4 808	9 694
275	182	Operating profit before depr. (EBITDA)	449	508	1 152
206	106	Adjusted operating profit	311	356	843

In the first half-year, the addressed mail volume in Norway fell by 11,2 percent compared with the same period in 2017. The large customers had the most significant reduction in volume, and the least resource-demanding volume experienced the strongest fall. The decline in addressed mail volume was larger than expected, and the development so far in 2018 indicates that the fall in volume increases. Unaddressed mail fell by 12,0 percent in the first half-year compared with the same period in 2017 due to changes in the customer mix. The share of import volume from China is estimated to approximately 30 percent of letters and small packages from abroad, and the e-commerce from China showed a decrease of approximately 9 percent in the first half compared to the same period in 2017.

Turnover declined by MNOK 593 in the first half-year compared with 2017. The main reasons were fall 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.

In the first half-year, adjusted operating profit was MNOK 311, a reduction of MNOK 45 compared with 2017. In spite of cost adjustments, the decline in addressed mail volume caused reduced results. In June, the Norwegian Parliament, approved an additional grant of MNOK 342 to the government procurements of commercially non-viable postal services, half of which was recoqnised as income in the first half-year. The Government is now paying in full for the additional costs by maintaining five days mail distribution in the entire country.

The introduction of one addressed mail flow from year-end is carried out according to plan, and the income and cost development so far is as expected. New production plans are implemented in several phases and finalised before the end of 2018, implying that the full result effect of this change will not be achieved until the fourth quarter of 2018.

Addressed mail will continue to fall heavily in the years to come as a consequence of digitalisation at Posten’s customers, and the development will relatively fast weaken profitability in the Mail segment. Additional cost effectiveness is therefore required such as adapting the service level to the demand by introducing mail distribution every other day from 2020 as proposed by the Ministry of Transport and Communication earlier this year.

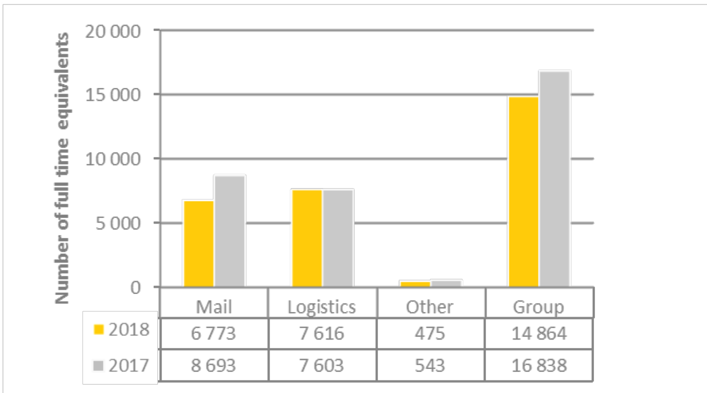
In the first half-year of 2018, 89,1 percent of addressed mail was delivered within 2 days, well above the requirement of 85 percent.

Other conditions

HSE

Workforce

The Group's workforce in the first half-year of 2018 constituted 14 864 full-time equivalents, a reduction of 1 974 full-time equivalents compared with the corresponding period in 2017. In the Mail segment, the workforce decreased by 1 919 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.



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 second quarter of 2018, absence due to sickness in the Group was 5,6 percent, an increase of 0,1 percentage points compared with the second quarter of 2017. Absence due to sickness in the last 12 months was 5,9 percent, a reduction of 0,2 percentage points compared with the absence one year ago.

The total number of personal injuries per million worked hours (H2) in the last 12 months increased from 8,5 per June last year to 9,1 per June this year. A winter with much snow and slippery roads was a significant reason for the development in the last 12 months. A considerable part of the personal injuries in the Group in recent years happened in Bring Citymail Sweden. 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 has set goals for diversity efforts up to 2020, where the basis is that the Group shall reflect society. One of the initiatives is the internal trainee programme "You make a difference" designed for employees working in production and have higher education or relevant leader experience. Posten also has a mentor programme for unemployed women with an immigrant background, where the participants each are assigned a mentor from the Group. The participants are given insight into the corporate structure, socialisation and a network helping them to employment.

Posten is continuing the efforts with further ambitions within gender equality and diversity. The ambition is to have a gender balance among leaders reflecting the total diversion in the Group.

The external environment

Posten is continuing the efforts to use zero or low emission solutions in order to reach the ambition to use only renewable energy in all vehicles and buildings before 2025.

There is a focus on the electrification of vans and “last mile delivery”. Following a successful testing of an electric van, several more are now ordered. For home deliveries of smaller extent, Bring is launching “cargo cycles” in Sweden and Denmark.

Bring’s suppliers are also contributing. In Stockholm more than 20 suppliers have transitioned to gas vehicles, and in Oslo the first Express supplier has started to use a Bring-profiled Tesla. In Sweden, a cooperation has been established between Stockholm city, Ragn-Sells, Wasakronan and Bring under the name “Beloved city”. An electric vehicle distributes parcels and freight from Bring’s distribution centre to customer in the centre of Stockholm and takes household waste with them on their way back. In Oslo, there is a dialogue with Ragn-Sells, KLP and Entra about a corresponding initiative.

Most vehicle suppliers have plans to electrify large parts of their fleets, and Posten intends to take part in pilot initiatives. An important factor is that the vehicles are commercially competitive with fossil alternatives.

Future prospects

The growth prospects in Norwegian, Swedish and international economy are positive. The growth in Norway (mainland) is expected to be about 2,5 percent in both 2018 and 2019. In Sweden, the economic growth is expected to be high in 2018, whereas the estimate for 2019 is somewhat lower (2,3 percent). The demand for logistics services normally increases in correlation with the growth in the economy, and favourable trading conditions contribute to better market prospects for the logistics business.

The turnover development in the Group's logistics operations showed solid growth in the first half-year. The profitability is, however, not satisfactory, but the second quarter improved compared with the start of the year. The profitability development must be considered in view of the fact that the Group is carrying out considerable changes and modernisations of the logistics network in Norway. In the short term, the result is also charged with additional costs to a temporary strengthening of operations and securing customer quality when new terminals are in the start-up phase. The investment in an additional industrialisation of the Norwegian logistics network, in combination with an ambitious development programme to meet the customers' need in a digital time, will gradually improve profitability.

The increasing fall in addressed mail volumes confirms that the changes in the mail market are happening at an accelerating speed, a development necessitating a continued adaptation of the service level to the customers' need for physical mail. The Postal Act's requirement of daily distribution of mail entails considerable structural costs. The potential for further cost adjustments within today's general conditions is almost exhausted. In the future, it is of vital importance that the Government continues to pay for socially non-viable postal services or that room is left to continue adjustments of the service level in line with declining demand.

The reduction of the distribution frequency to every other day is a necessary next step in adjusting the costs to the society's use of mail services. In the comment 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 proposal has not yet been presented to the Norwegian Parliament. The introduction of mail distribution every other day in the whole country will be the largest personnel change in Posten's history. To enable a transition in 2020 with adequate time to carry out a good reorganisation process, all political and regulatory matters must be clarified in 2018.

A transition to fewer fixed distribution days will be combined with offers of new flexible delivery methods to meet the customers' need for a freedom of choice – and make their everyday life easier. People and businesses shall have their goods delivered in the way they wish and are willing to pay for, all days of the week, if they so wish.

Half-year declaration

We confirm that, to the best of our knowledge, the condensed half-year financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with IAS 34 Interim Reporting, that the information provides a true and fair view of the Group's assets, liabilities, financial position and results as a whole, and that the half-year report gives a fair view of the information in section 5-6 (4) of the Norwegian Securities Trading Act.

Oslo, 23 August 2018

The Board of Directors in Posten Norge AS

Posten Norge

FINANCIAL REPORT

2nd QUARTER 2018

Condensed income statement

Q2 2018	Q2 2017		Note	YTD 2018	YTD 2017	Year 2017
5 975	**6 059**	**Revenue**	1	**11 844**	**12 153**	**24 678**
2 430	2 588	Cost of goods and services		4 923	5 074	10 317
2 263	2 419	Payroll expenses		4 618	4 807	9 451
169	167	Depreciation	2	333	328	683
2	1	Impairment of intangible and tangible non-current assets	2	4	(1)	59
900	830	Other operating expenses		1 811	1 696	3 524
5 763	**6 004**	**Operating expenses**		**11 690**	**11 905**	**24 034**
16	5	Other income and (expenses)	5	50	14	57
4	(6)	Profit share from associated companies and joint ventures		8	(5)	(9)
233	**54**	**Operating profit**	1	**212**	**257**	**692**
(20)	(16)	Net finance income and (expenses)		(27)	(15)	(71)
213	**38**	**Profit before tax**		**185**	**242**	**621**
53	6	Tax expense		41	54	233
161	**32**	**Profit after tax**		**145**	**187**	**388**
159	31	Controlling interests profit share	1	144	186	382
2	1	Non-controlling interests profit share		1	2	6

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

Condensed statement of comprehensive income

Q2 2018	Q2 2017		YTD 2018	YTD 2017	Year 2017
161	**32**	**Profit for the period**	**145**	**187**	**388**
		Items not to be reclassified to income statement:			
		Pension			(26)
		Total items not to be reclassified to income statement			**(26)**
		Items that may be reclassified to income statement:			
		Translation differences			
20	(6)	Hedging of foreign entities	60	(14)	2
(43)	25	Translation differences from foreign entities	(133)	34	130
(24)	**20**	**Total translation differences**	**(73)**	**19**	**131**
1	(10)	Cash flow hedging	4	(8)	(3)
(23)	**10**	**Total items that may be reclassified to income statement**	**(69)**	**12**	**128**
		Changes in tax rate			(6)
(23)	**10**	**Other comprehensive income / (loss)**	**(69)**	**12**	**96**
138	**42**	**Total comprehensive income**	**76**	**199**	**483**
		Total comprehensive income is distributed as follows:			
136	41	Controlling interests	75	197	477
2	1	Non-controlling interests	1	2	6

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

Condensed balance sheet

	Note	30.06 2018	31.12 2017
ASSETS			
Intangible assets	2	2 131	2 118
Deferred tax assets		264	281
Tangible fixed assets	2	5 768	5 794
Other financial assets		580	657
Non-current assets		**8 742**	**8 850**
Inventories		12	14
Interest-free current receivables		4 220	4 054
Interest-bearing current receivables		55	107
Liquid assets		3 395	3 937
Current assets		**7 683**	**8 112**
Assets		**16 425**	**16 962**
EQUITY AND LIABILIIES			
Share capital		3 120	3 120
Other equity		3 114	3 233
Minority interests		29	22
Equity	3	**6 263**	**6 375**
Provisions for liabilities		**1 493**	**1 505**
Interest-bearing non-current liabilities	4	3 025	3 072
Interest-free non-current liabilities		17	24
Non-current liabilities		**3 042**	**3 096**
Interest-bearing current liabilities	4	986	689
Interest-free current liabilities		4 558	5 158
Tax payable		83	138
Current liabilities		**5 627**	**5 986**
Equity and liabilities		**16 425**	**16 962**

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

Condensed statement of changes in equity

	Controlling interests							
	Share capital	Share premium reserves	Hedging reserve	Transl. differences	Retained earnings	Other equity	Non-contr. interests	Total equity
Equity at 01.01.2017	**3 120**	992		183	1 602	**2 777**	**14**	**5 912**
Profit for the year					382	**382**	6	**388**
Other comprehensive income/(loss)			(3)	131	(32)	**96**		**96**
Total comprehensive income			**(3)**	**131**	**350**	**477**	**6**	**483**
Dividend					(19)	**(19)**	(2)	**(21)**
Addition non-controlling interests							15	**15**
Other changes in equity					(3)	**(3)**	(11)	**(14)**
Equity at 31.12.2017	**3 120**	992	(3)	314	1 930	**3 233**	**22**	**6 375**
Equity at 01.01.2018	**3 120**	992	(3)	314	1 930	**3 233**	**22**	**6 375**
Result for the period					144	**144**	1	**145**
Other comprehensive income/(loss) for the period			4	(73)		**(69)**		**(69)**
Total comprehensive income / (loss)			**4**	**(73)**	**144**	**75**	**1**	**76**
Dividend					(194)	**(194)**	(4)	**(198)**
Addition non-controlling interests							10	**10**
Other changes in equity					(1)	**(1)**		**(1)**
Equity at 30.06.2018	**3 120**	992	1	242	1 880	**3 114**	**29**	**6 263**

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

Condensed statement of cash flows

Q2 2018	Q2 2017		01.01 - 30.06 2018	01.01 - 30.06 2017	Year 2017
213	38	Profit before tax	185	242	621
(40)	(153)	Tax paid in the period	(112)	(250)	(251)
(19)	(17)	Gain from sales of non-current assets and subsidiaries	(20)	(31)	(271)
171	168	Ordinary depreciation and impairment	338	328	743
(4)	6	Profit share from investments by the equity method	(8)	5	9
67	18	Financial items without cash flow effect	73	49	54
(78)	(156)	Changes in accounts receivable, inventories and accounts payable	(9)	(88)	(267)
(223)	(156)	Changes in other working capital	(479)	(284)	(114)
(149)	74	Changes in other accruals	(240)	(21)	73
12	9	Interest received	29	25	56
(17)	(12)	Interest paid	(38)	(28)	(62)
(67)	**(181)**	**Cash flows used in operating activities**	**(281)**	**(54)**	**592**
(253)	(217)	Investments in non-current assets	(454)	(454)	(959)
13	(19)	Cash effect from acquisition of business		(19)	(40)
	(7)	Cash effect from purchase of associated company and joint venture		(7)	(7)
23	27	Proceeds from sales of non-current assets	37	66	232
	512	Cash effect from sale of business	(102)	597	824
		Cash effect from sale of associated company			21
	2	Dividend received from associated companies		2	2
	15	Changes in non-current receivables and financial assets	8	9	16
(231)	**313**	**Cash flows from / (used in) investing activities**	**(512)**	**193**	**88**
	1 000	Proceeds from borrowings		1 000	1 500
		Repayment of borrowings	(150)	(50)	(100)
264	(3)	Decrease/increase in bank overdraft	401		
		Dividend paid			(19)
264	**997**	**Cash flows from financing activities**	**251**	**950**	**1 382**
(34)	**1 129**	**Change in cash and cash equivalents during the period**	**(542)**	**1 089**	**2 062**
3 429	1 836	Cash and cash equivalent at the start of the period	3 937	1 875	1 875
3 395	**2 964**	**Cash and cash equivalents at the end of the period**	**3 395**	**2 964**	**3 937**

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

SELECTED ADDITIONAL INFORMATION

General

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

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

Accounting principles

The interim financial statements have been prepared in accordance with IFRS, with the same accounting principles as stated in the 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 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 between segments is based on normal commercial terms and conditions as if the segments were independent parties.
The segments are described in more detail in the 2017 annual report.

Revenue per segment

Q2 2018	Q2 2017	Total revenue	YTD 2018	YTD 2017	Year 2017
4 146	3 923	External revenue	8 036	7 710	15 726
161	207	Internal revenue	326	406	807
4 307	**4 131**	**Logistics**	**8 362**	**8 115**	**16 533**
1 829	2 135	External revenue	3 808	4 444	8 952
206	179	Internal revenue	407	364	742
2 035	**2 314**	**Mail**	**4 215**	**4 808**	**9 694**
		External revenue	1	(2)	
347	340	Internal revenue	679	680	1 295
347	**341**	**Other**	**680**	**678**	**1 295**
(714)	(727)	Eliminations	(1 413)	(1 449)	(2 844)
5 975	**6 059**	**Group**	**11 844**	**12 153**	**24 678**

Revenue categories (external revenue)

Deliveries over time*	YTD 2018
Parcels and fright	3 731
Other logistics business	4 304
Total Logistics segment	**8 036**
Letter products and banking services	3 418
Government procurement	254
Other	136
Total Mail segment	**3 808**
Other	**1**
Total revenue	**11 844**

*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 is not audited. All amounts are in MNOK) 22

Operating result (EBIT) per segment

Q2 2018	Q2 2017	Operating profit / (loss) before depreciation (EBITDA)	YTD 2018	YTD 2017	Year 2017
151	88	Logistics	152	161	497
275	182	Mail	449	508	1 152
(42)	(47)	Other	(108)	(93)	(263)
383	**223**	**Group**	**492**	**576**	**1 386**

Q2 2018	Q2 2017	Adjusted operating profit / (loss)	YTD 2018	YTD 2017	Year 2017
51	(2)	Logistics	(42)	(12)	129
206	106	Mail	311	356	843
(43)	(48)	Other	(110)	(97)	(269)
214	**56**	**Group**	**159**	**247**	**703**

Q2 2018	Q2 2017	Operating profit / (loss) (EBIT)	YTD 2018	YTD 2017	Year 2017
56	20	Logistics	(40)	18	162
222	99	Mail	364	352	819
(45)	(65)	Other	(112)	(113)	(290)
233	**54**	**Group**	**212**	**257**	**692**

Assets and liabilities per segment

30.06.2018	Logistics	Mail	Other	Elim.	Group
Associates and joint ventures	385				385
Other non-current assets	5 752	2 148	180		8 080
Current assets	3 090	1 197	87	(143)	4 232
Total allocated assets	**9 227**	**3 346**	**268**	**(143)**	**12 698**
Deferred tax assets					264
Interest-bearing receivables					68
Liquid assets					3 395
Total non-allocated assets					**3 727**
Total assets					**16 425**
Provisions and liabilities	875	620			1 493
Total interest-free liabilities	2 587	1 852	362	(143)	4 658
Total allocated liabilities	**3 462**	**2 472**	**361**	**(143)**	**6 151**
Deferred tax					
Total interest-bearing liabilities					4 011
Total non-allocated liabilities					**4 011**
Total liabilities					**10 162**

(The information in this document is not 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 assets					281
Interest-bearing receivables					127
Liquid assets					3 937
Total non-allocated assets					**4 345**
Total assets					**16 962**
Provisions and 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

YTD 2018	Logistics	Mail	Other	Group
Profit/(loss) before tax	(68)	353	(99)	185
Gain from sales of non-current assets and subsidiaries	(3)	(17)		(20)
Ordinary depreciation and impairment	196	138	3	338
Share of result from investments by the equity method	(4)	(4)		(8)
Changes in working capital and other accruals	(252)	(405)	(84)	(741)
Tax paid in the period				(112)
Financial items without cash flow effect				73
Net interest paid				(10)
Cash flows from / (used in) operating activities	**(131)**	**65**	**(180)**	**(294)**
Cash flow effect from investments	(286)	(59)	(96)	(441)
Cash flow effect from sales	19	(84)		(65)
Changes in non-current receivables and financial assets	7			8
Cash flows used in investing activities	**(260)**	**(143)**	**(96)**	**(499)**
Repayment of debt				(150)
Decrease/increase bank overdraft				401
Cash flows from financing activities				**251**
Net change in cash and cash equivalents during the period				**(542)**
Cash and cash equivalents at the beginning of the period				3 937
Cash and cash equivalents at the end of the period				**3 395**

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

Note 2 Intangible and tangible fixed assets

	Intangible assets	Tangible assets
Balance at 01.01.18	**2 118**	**5 794**
Additions	113	342
Addition from purchase of subsidiary	13	1
Disposals		(26)
Disposal from sale of subsidiary	(10)	(30)
Depreciation	(67)	(266)
Impairment	(2)	(3)
Translation differences	(35)	(44)
Balance at 30.06.18	**2 131**	**5 768**

Investments exclusive of acquisitions in the first quarter of 2018 amounted to MNOK 454, of which investments in IT related solutions constituted MNOK 113. MNOK 142 of the MNOK 342 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 assets mainly concerned ordinary operating disposals. 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 June 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 is disclosed as a liability in the half-year financial statements.

Note 4 Interest-bearing non-current and current liabilities

The Group's non-current interest-bearing liabilities was reduced by MNOK 47 from 31 December 2017 to 30 June 2018, mainly due to repayments of loans.

Current interest-bearing liabilities as at 30 June 2018 increased by MNOK 297 compared with 31 December 2017, primarily a result of an increased bank overdraft of MNOK 401 reduced by a repayment of a certificate loan of MNOK 100.

As at 30 June 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 30 June 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.

Q2 2018	Q2 2017		YTD 2018	YTD 2017	Year 2017
19	17	Gain from sales of fixed assets etc.	20	31	270
1	(13)	Restructuring costs	1	(16)	15
(4)		Other income and expenses	29		(229)
16	**5**	**Total other income and expenses**	**50**	**14**	**57**

Gain from the sale of fixed assets in the second quarter of 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.

Other income and expenses so far in 2018 concerns the fact that the Group sold Bring Citymail Sweden to the German company Allegra Capital GmbH in the first quarter (additional information in note 7). A total of MNOK 34 in provisions from previous years was 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 mainly concerned provisions for losses of MNOK 216, due to an implicit obligation to implement measures in connection with the sale of Bring Citymail Sweden.

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 June 2018

		At fair value			At amortised cost		
	Valua-tion level	**FVO-FV profit and loss**	**Deriva-tives at FV over profit and loss**	**Deriva-tives at FV over OCI / equity**	**Receiv-ables**	**Other financial liabilities**	**Total 30.06 2018**
Assets							
Interest-bearing current receivables					12		12
Other financial non-current assets	2		166	3	13		182
Interest-free current receivables	2		2	10	4 208		4 220
Interest-bearing current receivables					55		55
Liquid assets							3 395
Total financial assets							**7 865**
Liabilities							
Interest-bearing non-current liabilities	2	612				2 413	3 025
Interest-free non-current liabilities	2		13	2		2	17
Interest-bearing current liabilities						986	986
Interest-free current liabilities, incl. tax payable	2					4 641	4 641
Total financial liabilities							**8 669**
Total value hierarchy level 1 (net)							
Total value hierarchy level 2 (net)		(612)	155	11			(447)
Total value hierarchy level 3 (net9							

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

(The information in this document is not audited. All amounts are in MNOK) 27

		At fair value			At amortised cost		
	Valuation level	**FVO-FV profit and loss**	**Derivatives at FV over profit and loss**	**Derivatives at FV over OCI / equity**	**Receivables**	**Other financial liabilities**	**Total 30.06 2018**
Assets							
Interest-bearing current receivables					20		20
Other financial non-current assets	2		163		25		188
Interest-free current receivables	2				4 053		4 054
Interest-bearing current receivables					107		107
Liquid assets							3 937
Total financial assets							**8 306**
Liabilities							
Interest-bearing non-current liabilities	2	607				2 465	3 072
Interest-free non-current liabilities	2		19	3		2	24
Interest-bearing current liabilities						689	689
Interest-free current liabilities, incl. tax payable	2		3	13		5 280	5 296
Total financial liabilities							**9 082**
Total value hierarchy level 1 (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 is not 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

2nd 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.

		30.06 2018	30.06 2017
+	Revenue (current year)	11 844	12 153
-	Revenue (last year)	12 153	12 406
=	**Nominal change in revenue**	**(308)**	**(254)**

		30.06 2018	30.06 2017
+	Nominal change in revenue	(308)	(254)
+/-	Impact exchange rates	(32)	257
+/-	Acquisition of companies	0	(41)
+/-	Sale of companies	613	0
+/-	Change in government procurements of social non-viable postal services	(172)	85
=	**Organic change in revenue**	**101**	**47**

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

		30.06 2018	30.06 2017
	Organic change in revenue/	101	47
	adjusted revenue*	11 641	12 454
=	**Organic growth**	**0,9 %**	**0,4 %**

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

(The information in this document has not been audited. All amounts are in MNOK.) 31

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	11 844	12 153
-	Costs of goods and services	4 923	5 074
-	Payroll and social expenses	4 618	4 807
-	Other operating expenses	1 811	1 696
=	**Operating profit before depreciation (EBITDA)**	**492**	**576**

		YTD 2018	YTD 2017
+	Operating profit/(loss) before depreciation (EBITDA)	492	576
-	Depreciation	333	328
=	**Adjusted operating profit (EBITE)**	**159**	**247**

		YTD 2018	YTD 2017
	Adjusted operating profit (EBITE)/	159	247
	total revenue	11 844	12 153
=	**Adjusted operating profit (EBITE) margin**	**1,3 %**	**2,0 %**

		YTD 2018	YTD 2017
+	Adjusted operating profit	159	247
-	Impairment	4	(1)
+/-	Other income and (expenses)	50	14
+	Share of profit/(loss) from associates and joint ventures	8	(5)
=	**Operating profit (EBIT)**	**212**	**257**

		YTD 2018	YTD 2017
	Operating profit (EBIT)/	212	257
	total revenue	11 844	12 153
=	**Operating profit (EBIT) margin**	**1,8 %**	**2,1 %**

(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.

		30.06 2018	30.06 2017
+	Interest-bearing non-current liabilities	3 025	2 923
+	Interest-bearing current liabilities	986	420
-	Market-based financial investments	3 264	2 608
-	Cash	94	65
-	Bank deposits – Group cash pool		99
-	Bank deposits	38	191
=	**Net interest-bearing debt (receivable)**	**616**	**378**

		30.06 2018	30.06 2017
+	Market-based investments	3 264	2 608
+	Syndicate facility	3 329	3 350
+	Overdraft facilities		750
-	Certificate loans	200	300
=	**Long-term liquidity reserve**	**6 393**	**6 408**

		30.06 2018	30.06 2017
+	Long-term liquidity reserve	6 393	6 408
+/-	Deposit on Group account		91
+/-	Deposits on other accounts	38	200
+	Bank overdraft not utilised	149	550
=	**Short-term liquidity reserve**	**6 579**	**7 249**

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

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	2 128	2 268
+	Total tangible fixed assets	5 787	5 874
+	Total current assets	7 264	6 406
-	Total liquid assets	3 308	1 952
-	Interest-bearing current assets	93	89
-	Interest-free current liabilities	4 729	5 291
+	Tax payable	84	139
+	Dividend and group contributions	18	2
=	**Invested capital***	**7 150**	**7 357**

*Rolling twelve months

		2018	2017
	Last 12 months' accumulated adjusted profit/	614	671
	Invested capital	7 150	7 357
=	**Return on invested capital (ROIC)**	**8,6 %**	**9,1 %**

*Rolling twelve months

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

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	469	474
-	Investment due to acquisitions	14	19
=	**Investment before acquisitions***	**454**	**454**

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

		2018	2017
	Profit after tax last 12 months/	345	11
	average equity on balance sheet date*	6 184	6 121
=	**Return on equity after tax**	**5,6 %**	**0,2 %**

*(Opening + closing balance)/2

		30.06 2018	30.06 2017
	Total equity on balance sheet date/	6 263	6 105
	total equity and liabilities (total capital)	16 425	16 029
=	**Equity ratio**	**38,1 %**	**38,2 %**

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