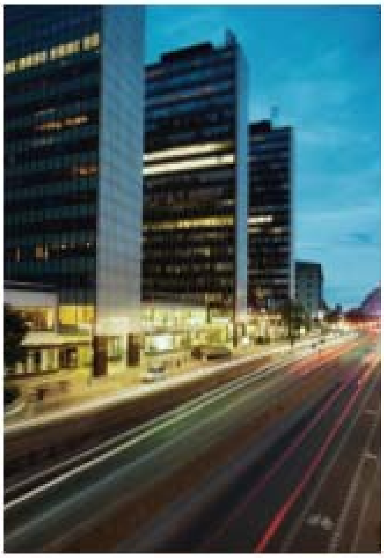
Posten Norge

Quarterly Report



3RD QUARTER 2019 POSTEN NORGE

Message from the CEO

Good growth and profitability improvements characterise the development in the Logistics segment in the third quarter. We are growing with existing customers and gain new, and the mail services are adjusted to a digital time. In that way, we contribute to a sustainable development and realise the Group's strategy.

While the mail volumes and thereby the results in the Mail segment continue to decline, e-commerce and the logistics market are growing. High activity in the Norwegian market is an important driver for growth. In Sweden, the general business trend indicators are weakening.

The Group's turnover as per the third quarter amounted to MNOK 17 721 and adjusted operating profit MNOK 530. This constitutes a growth compared with the same period in 2018. The operating result was negatively influenced by considerable provisions for required restructuring of operations as a consequence of the fall in mail volumes.

Sustainability, and climate in particular, has not only characterised the electoral campaign in Norway, but also been a topic at the UN's general assembly. The transport sector constitutes 15 percent of global emissions and 30 percent of the emissions in Norway. Posten, as a significant transport actor, is both part of the problem and part of the solution. The Group's strategy for renewable transport includes a change to more small and large electric vans. One third of the mail vehicles are electric. The Group's goal is to use only renewable energy sources in vehicles and buildings by 2025. This is an ambitious goal. If we are to use renewable energy sources in a large scale, they must be financially competitive with fossil solutions. The largest challenge is that we have no competitive solutions for heavy transport, but the technology is moving fast forward. We will continue to contribute with our part, be one step ahead and test new technology.

In Sweden, we strengthen our parcel distribution via a separate network of delivery points to meet increased e-commerce, provide better customer experiences and realise our growth ambitions.

In Norway, we have continued to develop the future mail network with optional delivery points. During Arendal week in August, people could see and test new services for parcel delivery to pick-up points or home – outside or inside the door. This autumn we have opened up for the service delivery «inside» with digital doorlock, all over the country.

The magazine InnoMag elected Posten as Norway's most innovative company in 2019. The jury emphasised that we have made determined efforts and, among other things, developed new solutions with effects that the Norwegian users already benefit from.

Posten's high confidence in the population is decisive to succeed with new services to the home. In a survey (June 2019), one out of three Norwegians say that they are wiling to let the mail carrier into an empty home. Ipson's annual opinion survey (October 2019) shows that Posten maintains a good reputation – in a time with significant restructurings and uncertainty about the transition to mail distribution every other day from July 2020. Among the young, a large majority (84 percent), has a positive impression of Posten.

At the end of the third quarter, we can also be pleased with the fact that the Group has lower absence due to sickness and fewer work-related injuries than the same time last year.

Tone Wille
Group CEO

Main features

The Group's turnover in the third quarter was MNOK 5 878, an increase of 4,2 percent compared with the third quarter in 2018. Adjusted operating profit in the third quarter was MNOK 291. Compared with the same quarter in 2018, the result was improved by MNOK 165. Both the Logistics and Mail segment showed result improvement. The implementation of IFRS 16 *Leases* had a positive effect of MNOK 20 on the adjusted operating profit in the quarter.

The Group's turnover so far in 2019 was MNOK 17 721, an increase of 1,3 percent compared with the corresponding period in 2018. Organic growth was positive by 2,7 percent. The adjusted operating profit so far was MNOK 530, an improvement of MNOK 246 compared with the same period in 2018. The improvement included a positive result effect of MNOK 50 caused by the implementation of IFRS 16 *Leases.*

In the third quarter as well as so far in 2019, the Logistics segment had a solid result improvement compared with 2018. High growth combined with increasingly more cost-effective operations enhanced the profit margin by two percentage points compared with the same period in 2018. The Mail segment improved the result in the third quarter as a consequence of the distribution of material concerning the municipal and church election in September. So far in 2019, the result was reduced by MNOK 18

The operating result (EBIT) so far in 2019 was a loss of MNOK 14, MNOK 341 weaker than in the same period in 2018. The operating result was negatively affected by provisions of appr. MNOK 530 for required restructuring of the mail business, of which MNOK 119 concerned moving the route preparation, MNOK 354 the transition to mail distribution every other day from 1 July 2020 and MNOK 28 restructuring of staff and support functions in connection with a new group structure.

The Group's result before tax was a loss of MNOK 107 so far in 2019, MNOK 393 below the same period in 2018. The introduction of IFRS 16 *Leases* gave a negative result effect of MNOK 68. The result after tax was a loss of MNOK 195, a reduction of MNOK 416 compared with the same period in 2018.

Return on equity (ROE) so far in 2019 was negative by 1,6 percent (without IFRS 16 effects), a decline of 6,9 percentage points compared with 2018. The return on invested capital (ROIC) so far in 2019 was 10,1 percent (without IFRS 16 effects) , an improvement of 1,7 percentage points compared with 2018.

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

Profit development (unaudited)

Q3 2019	Q3 2018		YTD 2019	YTD 2018	Year 2018
5 878	5 643	Revenue	17 721	17 487	23 894
680	285	EBITDA	1 687	777	1 185
291	126	Adjusted profit	530	284	531
250	116	Operating profit (EBIT)	(14)	328	415
(40)	(16)	Net financial items	(92)	(43)	(49)
210	100	Profit before taxes	(107)	286	366
147	**76**	**Profit / (loss) for the period / year**	**(195)**	**221**	**248**

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

Key financial figures (unaudited)

		Q3 2019	Q3* 2019	Q3 2018	Year 2018
Adjusted profit-margin	%	3,0	2,7	1,6	2,2
Operating profit/(loss) (EBIT)-margin	%	(0,1)	(0,2)	1,9	1,7
Equity ratio	%	31,3	38,9	39,5	40,3
Return on invested capital**	%	7,6	10,1	8,4	7,3
Return on equity (after tax)**	%	(2,7)	(1,6)	5,3	3,9
Net interest-bearing debt		4 214	140	575	312
Investments, excluding acquisitions		513	513	652	962

Alternative performance measures applied in the quarterly report are described in appendix to the report
*Without effects of IFRS16
** Last twelve months

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

Balance sheet (unaudited)

	30.09 2019	31.12 2018
ASSETS		
Non-current assets	12 168	8 730
Current assets	7 430	7 341
Assets	**19 597**	**16 071**
EQUITY AND LIABILITIES		
Equity and liabilities	6 140	6 481
Provisions for liabilities	1 459	1 201
Non-current liabilities	5 590	3 030
Current liabilities	6 409	5 359
Equity and liabilities	**19 597**	**16 071**

The implementation of IFRS 16 from 1 January 2019 has resulted in significant increases of assets and liabilities. The Group's accounting principles on page 18 have more information.

The increase of non-current assets was mainly a result of the implementation of IFRS 16 constituting appr. 3,8 billion kroner (net after depreciation and write-offs) so far this year. Current operating investments exclusive of IFRS 16 amounted to appr. MNOK 510 so far in 2019. Non-current assets of appr. MNOK 110 were sold in the period, and ordinary depreciation constituted appr. MNOK 480.

The increase in provisions for liabilities is primarily due to restructuring related to the move of route preparation, reduced distribution frequency and provisions for restructuring of staff and support functions in connection with a new group structure. The implementation of IFRS 16 also resulted in reduced provisions, as the reversal of onerous contracts was reclassified to accumulated write-offs of the right-of-use assets (no result effect).

Non-current liabilities as a consequence of IFRS 16 increased by appr. 3,3 billion kroner. The first year's instalment of bond loans has been reclassified to current liabilities by MNOK 375. In addition, other instalments on loans amounting to MNOK 150 have been reclassified to current liabilities.

Current liabilities increased by MNOK 1 050 compared with 31 December 2018. The increase is mainly due to the implementation of IFRS 16 constituting appr. MNOK 810. In addition, bond loans and other instalments of loans were reclassified from non-current liabilities. So far in 2019, net certificate loans of MNOK 100 were repaid.

Cash flows (unaudited)

Q3 2019	Q3 2018		YTD 2019	YTD 2018	Year 2018
781	388	Cash flows from/(used in) operating activities	1 281	107	598
(52)	(173)	Cash flows from/(used in) investing activities	(298)	(685)	(853)
(598)	(189)	Cash flows from/(used in) financing activities	(986)	62	(69)
131	**26**	**Total change in liquid assets**	**(3)**	**(516)**	**(324)**
3 480	3 395	Cash and cash equivalents at the beginning of the period	3 613	3 937	3 937
3 611	**3 421**	**Cash and cash equivalents at the end of the period**	**3 611**	**3 421**	**3 613**

Net cash flows generated by operating activities so far in 2019 amounted to MNOK 1 281, an increase of MNOK 1 174 from the same period in 2018. This is mainly due to effects from IFRS 16 by MNOK 662, as lease costs were reclassified to financing activities (instalments). In addition, reduced trade receivables and increased trade payables had positive effects. In 2018, other working capital was negatively influenced by additional grants for government procurements, of which only parts of the the amount taken to income had been received.

Net cash flows used in investing activities so far this year constituted MNOK 298, primarily related to ongoing operating investments of appr. MNOK 500. Most of the operating investments concerned the building of logistics centres in Stavanger and Tromsø. The disbursements were to some extent compensated by proceeds from sales, including a sold property in Bring Frigo Sverige AB of appr. MSEK 90 and the cash effect from sales of shares in the associated company Danske Fragtmænd A/S of appr. MNOK 70.

Net cash flows used in financing activities so far this year amounted to MNOK 986, mainly as a consequence of the effects of IFRS 16 in addition to repayment of ordinary debt and the payment of dividends.

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 manufacturing and offshore customers. Division Express has the Nordic responsibility for the service areas express and home deliveries. Note 1 in the 2018 financial statements has further descriptions.

Q3 2019	Q3 2018		YTD 2018	YTD 2017	Year 2018
4 493	4 242	Revenue	13 318	12 604	17 320
471	182	Segment profit (EBITDA)	1 086	334	525
213	87	Adjusted profit	321	45	135
203	**78**	**Segment operating profit / (loss) (EBIT)**	**294**	**38**	**(76)**

The Logistics segment increased turnover by MNOK 714 so far in 2019. The organic growth was 5,7 percent. E-commerce to private consumers, contract parcels and home deliveries showed significant growth, in Norway as well as abroad. Industrial direct freight, forwarding and offshore also developed favourably. During the last 12 months, the e-commerce volume increased by 19 percent.

Adjusted operating profit for the Logistics segment was MNOK 321 so far in 2019, an improvement of MNOK 276 compared with the same period last year. The positive development continued for the Norwegian parcels and freight network, where operating measures and growth increased productivity and improved profitability. Other areas also experienced a positive improvement, for parcels and freight operations outside Norway as one example. Parts of the business still had profitability challenges, and the efforts to improve profitability will continue in the time to come. The implementation of IFRS 16 *Leases* implied a positive result effect of MNOK 24 so far in 2019.

Operating profit (EBIT) so far this year was MNOK 294. This includes a write-down of leased assets of totally MNOK 24, a consequence of a move from premises and early termination of a lease agreement. The operating profit was MNOK 256 better than in the corresponding period last year, a consequence of the improved adjusted operating profit.

MAIL

The segment comprises the division Mail. Division Mail is responsible for the traditional postal services in Norway (including those requiring a license). Note 1 in the 2018 financial statements has further descriptions.

Q3 2019	Q3 2018		YTD 2018	YTD 2017	Year 2018
1 773	1 770	Revenue	5 530	5 986	8 088
254	139	Segment profit (EBITDA)	736	587	919
132	76	Adjusted profit	369	387	657
105	**76**	**Segment operating profit / (loss) (EBIT)**	**(143)**	**439**	**748**

Addressed mail so far in 2019 was reduced by 9,6 percent. The last quarter was positively influenced by distributions in connection with the municipal and church election in September. In the last 12 months, the decline in volume was 10,8 percent. Unaddressed mail reduced the volume so far in 2019 by 0,7 percent.

Turnover so far in 2019 was reduced by MNOK 456 due to the volume fall in addressed mail and the sale of Bring Citymail Sweden on 1 March 2018.

Adjusted operating profit so far in 2019 was MNOK 369, reduction of MNOK 18 compared with 2018. Comprehensive cost-adjustments to operations were realised, which to a large extent compensated for the large fall in addressed mail volumes. The implementation of IFRS 16 *Leases* had a positive result effect of MNOK 17 so far in 2019.

The operating result (EBIT) so far this year was a loss of MNOK 143. This included a provision for restructuring related to the mail distribution every other day of MNOK 354, the move of route preparation and parts of Posten's Advertising Centres of MNOK 119 and for restructuring staff and support functions of MNOK 16.

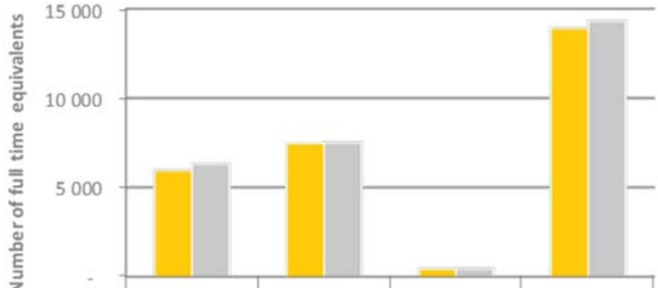
In the third quarter, 92 percent of addressed mail was delivered within 2 days. This was well above the license requirement of 85 percent. So far this year, the share of letter post delivered within two days was 91,4 percent.

Other matters

HSE

Workforce

The Group's workforce per the third quarter of 2019 constituted 13 916 full-time equivalents, a reduction of 416 full-time equivalents compared with the same period in 2018. In the Mail segment, the workforce decreased by 368 full-time equivalents, mainly related to reductions within mail distribution and production. In the Logistics segment, the workforce was reduced by 36 full-time equivalents.



	Mail	Logistics	Other	Group
Q3 2019	5 964	7 492	461	13 916
Q3 2018	6 332	7 528	472	14 332

Absence due to sickness and personal injuries

Posten's ambition is to maintain a working environment focusing on health where nobody gets injured or sick as a consequence of their work. The Group's focus on systematic HSE initiatives has had positive results. Both the number of personal injuries and absences due to sickness have declined significantly in recent years. After a period of increased injury frequency and an increase in the absence due to sickness throughout 2018, the development is now positive for both absence due to sickness and injury frequency.

In the third quarter of 2019, absence due to sickness in the Group was 5,5 percent, a reduction of 0,2 percentage points compared with the third quarter of 2018. Absence due to sickness in the last 12 months was 5,9 percent and 0,1 percentage points lower than the level a year ago.

The total number of personal injuries per million worked hours (H2) was 6,5 percent in the third quarter of 2019, a reduction of 3,3 from the same period in 2018. The injury frequency in the last 12 months was reduced from 9,0 per September in 2018 to 7,2 per September this year. The number of personal injuries was reduced from 221 in the last 12 months per September last year to 173 injuries per September this year. Efforts to improve the development both for the absence due to sickness and for personal injuries continue by goal-oriented measures.

Gender equality and diversity

Diversity contributes to increased well-being, innovation and performance. Gender balance and ethnic diversity have for several years been areas of focus for Posten. It is important to have the greatest possible pool of resources to recruit from, and to attract talent regardless of background, age or gender. Goals have been set for work on these areas. The Group's ambition for gender balance among female executives shall reflect the balance of the Group as a whole. By the turn of the year 2018/2019 the share of women executives was 28 percent against 31 percent among all employees. The proportion of female top executives has increased from 21 percent in 2013 to 33 percent today. For ethnical diversity the goal is that the total share of employees with a multicultural background in Posten shall reflect society and be 17 percent before 2020 (in 2018 the share was 16,9 percent), and 9 percent in positions within management, staff and administration (in 2018 the share was 7,8 percent). A number of measures are systematically being worked on to promote diversity and equality.

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The external environment

Posten and Bring have fulfilled the environmental ambition of 40 percent reduction of CO2 emissions before time and decided in 2017 to set up a new and ambitious environmental ambition to only use renewable energy sources in vehicles and buildings by 2025.

The Group has Norway's largest electric vehicle park with zero-emission technology, comprising more than 1 200 electric vehicles. Enova launched a zero-emission fund in the third quarter to stimulate to increased speed in phasing out fossil utility vehicles and vessels. Posten and Bring have received funds from this fund in order to pilot test 2 biogas lorries and have ordered 22 large vans.

Regulatory issues

In the proposed government budget for 2020, the Government proposes to grant MNOK 449 to government procurements of commercially non-viable postal services. The amount is in line with Posten's precalculations and based on mail distribution every other day from 1 July 2020, as approved by the Norwegian Parliament at the amendment of the Postal Act during the spring session. The Ministry of Transport and Communication has also announced that the costs for non-viable postal services are expected to increase significantly in the years to come, and the Ministry will during 2020 carry out reviews related to the future service level, in order to have the best possible knowledge for required future restructurings of the mail services.

The transition to mail distribution every other day entails that the standard delivery time for mail is changed from two to three working days. A part of the distributions will nevertheless be delivered within two days. In connection with the transition, the Ministry of Transport and Communication has announced a tender competition about the distribution of newspapers from 1 July 2020 to areas with no alternative newspaper distribution.

The Universal Postal Union (UPU) had an extraordinary congress in Geneva on 24 – 25 September to solve the crisis arisen after the USA's notification to withdraw from the organisation if the rules were not changed to the effect that the USA could demand cost coverage and competition neutral payment of deliveries of e-commerce goods by mail from abroad. The congress approved a special solution for the USA combined with an escalation of the payment rates in the period 2020-2025. Posten appreciates that the USA remain in the Universal Postal Union and to have achieved a plan for considerable escalation of the payment Posten receives for distributing e-commerce sendings from abroad.

In the state budget for 2020, the Government proposes to introduce VAT on all e-commerce import of goods from 1 April 2020. A simplified registration and reporting solution for calculating and paying VAT shall be established, whereby the responsibility lies with the foreign sales organisation or e-commerce platform offering goods to Norwegian consumers. With certain exceptions, the arrangement shall apply for goods with a value up to NOK 3 000. We expect that the VAT duty will have a negative effect on the import volume of postal items distributed by Posten.

Future prospects

The growth in the logistics market depends on the activity level in the economy. From 2020, the activity level is expected to be somewhat reduced and the growth to decline further in 2021. The Norwegian economy is experiencing its third consecutive year of strong economic expansion, but in Sweden, the boom is considered to be over. The downward adjustment of the growth estimates in the Swedish economy can result in lower demand for logistics services.

The Group has over time carried out considerable modernisation and efficiency improvements of the logistics business. Operational and structural changes together with improved services and larger freedom of choice have been necessary to secure satisfactory profitability and return. The significant changes have resulted in a solid increase in profitability this year. Profitability is not yet at the desired level, and the efforts for improvement, both structurally and operationally, will continue with unabated strength.

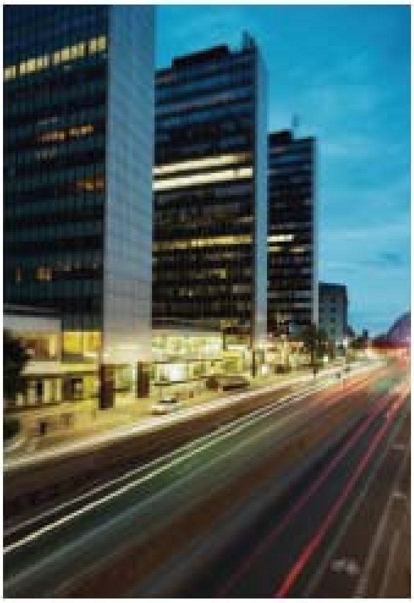
E-commerce is increasing strongly and is changing the Norwegian people's shopping practices. More and more customers want home deliveries, and the Group has therefore initiated delivery inside the door to those with digital doorlock or a key cabinet with a code. The Group will also establish a separate competitive distribution network for parcels in Sweden. This shall contribute to further growth and improved profitability in addition to strengthening the market position within e-commerce.

The market prospects for addressed mail are unchanged. The decline is expected to continue at the same high speed as in the last years. The digitalisation and new customer needs require a comprehensive adjustment of the distribution network. The mail distribution every other day is carried out from 1 July 2020. The change is the first step in the work to secure future profitability, but is not adequate to compensate for the fall in the market. The mail services must be even more adjusted in line with changed market conditions and customer needs.

As part of strengthening profitability, a major restructuring is in progress that will contribute to cost cuts in operating as well as administrative functions.

The Government's proposal to remove the VAT exemption at the import of goods with a value below NOK 350 will further accentuate the challenges in the mail market. The consequence is a loss of turnover for the Group.

Financial Report



3RD QUARTER 2019 POSTEN NORGE

Condensed income statement

Q3 2019	Q3 2018		Note	YTD 2019	YTD 2018	Year 2018
5 878	**5 643**	**Revenue**	1	**17 721**	**17 487**	**23 894**
2 583	2 494	Cost of goods and services		7 728	7 418	10 270
2 034	2 019	Payroll expenses		6 550	6 637	8 853
389	159	Depreciation and amortisation	2	1 157	492	654
8		Write-downs	2	31	5	158
581	845	Other operating expenses		1 757	2 656	3 586
5 595	**5 517**	**Operating expenses**		**17 223**	**17 207**	**23 522**
(39)	(10)	Other income and (expenses)	4	(524)	40	35
5		Share of profit from associates and joint ventures		11	8	8
250	**116**	**Operating profit / (loss)**	1	**(14)**	**328**	**415**
(40)	(16)	Net financial items		(92)	(42)	(49)
210	**100**	**Profit / (loss) before tax**		**(107)**	**286**	**366**
62	24	Tax expense		89	65	118
147	**76**	**Profit / (loss) for the period / year**		**(195)**	**221**	**248**
153	74	Controlling interests		(191)	217	246
(6)	2	Non-controlling interests		(4)	3	2

The 2018 figures have not been restated in accordance with the new IFRS 16 *Leases*

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

Condensed statement of comprehensive income

Q3 2019	Q3 2018		YTD 2019	YTD 2018	Year 2018
147	**76**	**Profit / (loss) for the period**	**(195)**	**221**	**248**
		Pension			63
		Items that will not be reclassified to income statement			**63**
(1)	(3)	Hedging of foreign entities	28	57	32
15	11	Translation differences	(65)	(122)	(44)
13	**8**	**Translation differences**	**(36)**	**(65)**	**(12)**
		Cash flow hedging	2	4	
13	**8**	**Items that later will be reclassified to income statement**	**(35)**	**(61)**	**(11)**
		Changes in tax rate			(2)
13	**8**	**Other comprehensive income (loss)**	**(35)**	**(61)**	**50**
160	**84**	**Total comprehensive income (loss)**	**(230)**	**160**	**298**
		Total comprehensive income is distributed as follows:			
165	82	Controlling interests	(226)	157	296
(6)	3	Non-controlling interests	(4)	3	2

The 2018 figures have not been restated in accordance with the new IFRS 16 *Leases*

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Condensed balance sheet

	Note	30.09 2019	31.12 2018
ASSETS			
Intangible assets	2	2 020	2 049
Deferred tax asset		214	224
Tangible fixed assets	2	9 443	5 812
Other financial assets	5	491	645
Total non-current assets		**12 168**	**8 730**
Inventories		12	15
Interest-free current receivables	5	3 760	3 671
Interest-bearing current receivables	5	47	42
Liquid assets	5	3 611	3 613
Current assets		**7 430**	**7 341**
Total assets		**19 597**	**16 071**
EQUITY AND LIABILITIES			
Share capital		3 120	3 120
Other equity		2 980	3 330
Non-controlling interests		40	31
Equity		**6 140**	**6 481**
Provisions for liabilities		**1 459**	**1 201**
Interest-bearing non-current liabilities	3,5	5 584	3 015
Interest-free non-current liabilities	5	6	14
Non-current liabilities		**5 590**	**3 030**
Interest-bearing current liabilities	3,5	2 241	910
Interest-free current liabilities	5	4 067	4 342
Tax payable		101	107
Short-term liabilities		**6 409**	**5 359**
Total equity and liabilities		**19 597**	**16 071**

The 2018 figures have not been restated in accordance with the new IFRS 16 *Leases*

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Condensed statement of changes in equity

	Controlling interests							
	Share capital	Share premium reserves	Hedging reserves	Transl. differ-ences	Retained earnings	Other equity	Non-contr. interests	Total equity
Equity 01.01.2018	**3 120**	992	(3)	314	1 930	**3 233**	**22**	**6 375**
Profit for the period					246	**246**	2	**248**
Other comprehensive income/(loss) for the period			(1)	(12)	62	**50**		**50**
Total comprehensive income / (loss)			**(1)**	**(12)**	**308**	**296**	**2**	**298**
Dividend					(194)	**(194)**	(4)	**(198)**
Addition non-controlling interest							10	**10**
Other equity transactions					(5)	**(5)**		**(5)**
Equity 31.12.2018	**3 120**	992	(3)	302	2 039	**3 330**	**31**	**6 481**
Equity 31.12.2018	3 120	992	(3)	302	2 039	**3 330**	**31**	**6 481**
Effect of change of principle (IFRS 16)					38	**38**		**38**
Equity 01.01.2019	3 120	992	(3)	302	2 077	**3 369**	**31**	**6 519**
Loss for the period					(191)	**(191)**	(4)	**(195)**
Other comprehensive income/(loss) for the period			2	(36)		**(35)**		**(35)**
Total comprehensive income / (loss)			**2**	**(36)**	**(191)**	**(226)**	**(4)**	**(230)**
Dividend					(124)	**(124)**		**(124)**
Other equity transactions					(39)	**(39)**	14	**(24)**
Equity 30.09.2019	**3 120**	992	(2)	266	1 723	**2 980**	**40**	**6 140**

As at 30 June 2019, 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 Shareholders' Meeting in June, it was decided to distribute MNOK 124 in dividends which is in accordance with the Board's proposal for the 2018 financial statements. Dividends were paid in the third quarter of 2019.

Condensed statement of cash flows

Q3 2019	Q3 2018		YTD	YTD	Year 2018
210	100	Income before tax	(107)	286	366
(3)	2	Tax paid in period	(130)	(109)	(130)
(9)	(1)	(Gain)/loss from sales of non-current assets, subsidiaries and associated company	(16)	(21)	(64)
397	159	Depreciation and write-downs	1 188	497	813
(5)		Share of net income from associated companies and joint venture	(11)	(8)	(8)
46	10	Financial items without cash flow effect	97	83	111
204	82	Changes in receivables, inventory and payables	165	73	(147)
(110)	(13)	Changes in other working capital	(211)	(491)	(99)
81	48	Changes in other accruals	411	(192)	(218)
26	20	Interests received	92	49	51
(54)	(20)	Interests paid	(198)	(59)	(76)
781	**388**	**Cash flow from / (used in) operating activities**	**1 281**	**107**	**598**
(117)	(197)	Investments in tangible non-current assets and intangible assets	(513)	(652)	(962)
		Proceeds from refunds on previous years investment			28
	(1)	Investments in businesses	(5)	(1)	(3)
35	27	Proceeds from sales of tangible non-current assets and intangible assets	140	64	81
		Proceed from sale of subsidiaries		(102)	1
33		Proceed from sale of associated companies	73		7
(3)	(2)	Changes in other financial non-current assets	7	6	(4)
(52)	**(173)**	**Cash flow from / (used in) investing activities**	**(298)**	**(685)**	**(853)**
(225)		Payment on repayment of rental obligations	(662)		
	100	Proceeds from non-current and current debt raised		100	500
150	(225)	Repayment of non-current and current debt	(200)	(375)	(375)
(399)	130	Decrease/increase bank overdraft		531	
(124)	(194)	Group contributions/dividends paid	(124)	(194)	(194)
(598)	**(189)**	**Cash flow from / (used in) financing activities**	**(986)**	**62**	**(69)**
131	**26**	**Total change in cash and cash equivalents during the year**	**(3)**	**(516)**	**(324)**
3 480	3 395	Cash and cash equivalents at the start of the period	3 613	3 937	3 937
3 611	**3 421**	**Cash and cash equivalents at end of period**	**3 611**	**3 421**	**3 613**

The 2018 figures have not been restated in accordance with the new IFRS 16 *Leases*

In the 2019 figures, effect from lease payments have been reclassified from operating activities to financing activities as a result of the new accouting standard IFRS 16 Leases.

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

SELECTED ADDITIONAL INFORMATION

General

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

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

Accounting principles

The interim financial statements have been prepared in accordance with IFRS, with the same accounting principles as stated in the 2018 annual report, with the following exceptions:

New or amended standards that have been applied from 1 January 2019:

IFRS 16 *Leases* was implemented from 1 January 2019. 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. The lease liability is measured at the present value of the lease payments, and the “right-of-use” asset is derived from this calculation. At subsequent measurements, the “right-of-use” asset shall be depreciated, and the leasing liability reduced by lease payments. The lessee may elect to apply recognition exceptions for lease contracts concerning “low value” assets and short-term leases, and if so, the lease payments are directly recognised as an expense.

The Group’s choice of implementation method

The Group decided to apply the modified retrospective approach without restating comparable information when implementing IFRS 16. Leased assets and liabilities will basically be measured at the same amounts.

The following practical solutions for lease agreements previously classified as operating leases have been applied at the implementation date:

- A single discount interest has been applied for portfolios of lease agreements with similar characteristics.
- For lease agreements, where provisions for onerous contracts were made pursuant to IAS 37, right of use assets have been adjusted for the value of the onerous contracts at the implementation date
- The Group has excluded initial costs for establishing an agreement from the measurement of the right-of-use asset at the implementation date. The exclusion had no significant effect.
- In determining the lease period, the Group has taken known information on options into account.

The Group’s choice of accounting principles

The Group has applied the exceptions in the standard. Lease contracts in the category of “assets of low value” are not recognised in the balance sheet. “Low value assets” are assessed pursuant to the materiality considerations in IAS 1. For short-term leases, where the non-cancellable lease term is less than 12 months, the lease costs will also be directly expensed. The Group has decided not to apply IFRS 16 for intangible assets.

Several of the Group’s lease agreements include other services and components, like overhead costs, fuel and dues. Non-lease components are separated from the lease agreement and recognised as operating expenses in the consolidated accounts.

The Group’s interpretation of the standard and discussion of key accounting considerations

Consideration of agreements in the Group complying with the standard’s definition and recognition requirements
In order to be within the scope of IFRS 16, the contract must satisfy the definition of a lease. The assets must be identifiable, and the lessee must have the right to control the use of the assets in a given period.

Significant agreements in the Group mainly concern rental contracts for buildings and terminals, in addition to the Group’s car fleet.

Leasing of real estate and means of transport will as a main rule be comprised by the definition in the standard and classified as leases.

The Group has performed a review of various lease agreements and in particular assessed the treatment of them, in addition to agreements with transporters (transport agreements). Most of the transport agreements in the Group are of such a character that no specific asset can be identified, or are short-term, and these agreements are therefore outside the definition of a lease according to the standard.

Assessment of lease period
Several of the Group’s significant lease agreements, especially within real estate, include options for extending the lease agreements. According to IFRS 16, it is the non-cancellable lease period (including the period of notice) and any options reasonably certain to be exercised that is recognised in the lease liability. The Group assumes that “reasonably certain” is a probability level significantly higher than 50 percent/”probable”.

Assessment of lease payments
«Right-of-use» assets and liabilities shall be measured at the present value of the lease payments.

Lease payments include fixed payments and any payments varying by an index or interest rate, but not variable lease payments depending on the use of the asset.

In addition, lease payments include residual value guarantees, purchase options and any termination expenses. For a large part of the Group’s leased means of transport, the car importer has provided the lessor with a residual value guarantee. Wear and tear and any damage caused by an ordinary use of the leased asset is therefore expensed as incurred.

Discount rate

The present value of the lease payments shall be discounted at the lessee's incremental borrowing rate when the interest rate implicit in the lease cannot be easily determined. The method to determine the Group's incremental borrowing rate is consistently applied and reflects (1) the loan interest for the asset class in question and (2) the length of the lease period.

Assessment on sublease agreements

Sublease agreements shall be classified as either financial or operating lease agreements and are considered to be financial if they basically transfer all risk and reward connected with the «right-of-use» asset. The Group assumes that this is the case if the asset, or parts of it, is subleased for most of the remaining lease period in the main agreement.

Consequences for the financial reporting

IFRS 16 effect in the balance sheet:

The implementation of IFRS 16 has implied an increase in total capital and a reduction in equity ratio of the Group. The implementation effect as of 1 January 2019 was as follows:

	31.12 2018	IFRS 16 effects	01.01 2019
ASSETS			
Non-current assets	8 730	4 034	12 764
Current assets	7 341	27	7 367
Assets	**16 071**	**4 060**	**20 131**
EQUITY AND LIABILITIES			
Equity and liabilities	6 481	38	6 519
Provisions for liabilities	1 201	(268)	933
Non-current liabilities	3 030	3 515	6 545
Current liabilities	5 359	775	6 134
Equity and liabilities	**16 071**	**4 060**	**20 131**

On the implementation date, the Group's weighted average marginal loan interest rate was 3,4 percent.

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

IFRS 16 effect on the income statement:

Lease payments that according to IAS 17 are included in other operating expenses will pursuant to IFRS 16 be classified as depreciation and finance costs. The Group's operating result before depreciation will be improved, depreciation costs increase, and finance result be reduced.

	Excl. IFRS 16*	IFRS 16 effects	YTD 2019
Revenue	**17 744**	**(22)**	**17 721**
Cost of goods and services	7 728		7 728
Payroll expenses	6 550		6 550
Depreciation and amortisation	480	677	1 157
Write-downs	7	24	31
Other operating expenses	2 506	(750)	1 757
Operating expenses	**17 271**	**(49)**	**17 223**
Other income and (expenses)	(523)	(1)	(524)
Share of profit from associates and joint ventures	11		11
Operating profit / (loss)	**(39)**	**25**	**(14)**
Net financial items	1	(93)	(92)
Profit / (loss) before tax	**(38)**	**(68)**	**(107)**
Tax expense	89		89
Loss for the period / year	**(127)**	**(68)**	**(195)**

IFRS 16 effect on cash flows

The accounting change implies that the lease payments are shown as cash flows from financing activities on the line "Payment of repayment of rental obligations". Before the implementation of IFRS 16, they were part of cash flows from operating activities.

	Excl. IFRS 16*	IFRS 16 effects	YTD 2019
Cash flows from operating activities	619	662	1 281
Cash flows used in investing activities	(298)		(298)
Cash flows used in financing activities	(324)	(662)	(986)
Total change in liquid assets	**(3)**		**(3)**
Cash and cash equivalents at the beginning of the period	3 613		3 613
Cash and cash equivalents at the end of the period	**3 611**		**3 611**

*Cash flow is shown without the adoption of the new standard IFRS 16

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

Standards issued, but not yet effective

There are no approved standards not yet effective with significant effect on the consolidated financial statements.

Estimates and assessments

In the preparation of the interim financial statements, management has used estimates and assumptions affecting revenues, expenses, assets and liabilities. Areas in which such estimates and assessments can have an impact include goodwill, other intangible assets, tangible fixed assets, pensions, provisions and tax.

The sources of uncertainty concerning estimates are the same as for the 2018 financial statements with the exception of right-of-use assets and liabilities. 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 2018 is available at www.postennorge.no

NOTES TO THE ACCOUNTS

Note 1 Segments

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

The Group's segments are reported by areas whose operating results are regularly reviewed by the Board of Posten Norge AS. The objectives are to enable the Board to decide which resources should be allocated to the segment and to assess its earnings. Internal revenues are turnover between segments in the Group. The pricing of transactions with other segments is based on normal commercial terms and conditions as if the segments were independent parties.

The segments are described in more detail in the 2018 annual report.

Revenue per segment

Q3 2019	Q3 2018	Total revenue	YTD 2019	YTD 2018	Year 2018
4 323	4 081	External revenue	12 831	12 117	16 666
170	161	Internal revenue	488	487	654
4 493	**4 242**	**Logistics**	**13 318**	**12 604**	**17 320**
1 554	1 561	External revenue	4 886	5 368	7 239
219	210	Internal revenue	645	617	849
1 773	**1 770**	**Mail**	**5 530**	**5 986**	**8 088**
	1	External revenue		1	
330	325	Internal revenue	1 013	1 004	1 301
330	**325**	**Other**	**1 013**	**1 005**	**1 301**
(718)	(695)	Eliminations	(2 141)	(2 108)	(2 817)
5 878	**5 643**	**Posten Norge**	**17 721**	**17 487**	**23 894**

Revenue categories (external revenue)

Q3 2019	Q3 2018	Deliveries over time*	YTD 2019	YTD 2018	Year 2018
2 080	1 936	Parcels and cargo	6 127	5 666	7 888
2 244	2 145	Other Logistics business	6 704	6 451	8 777
4 323	**4 081**	**Total Segment Logistics**	**12 831**	**12 117**	**16 666**
1 359	1 375	Letter products and banking services	4 272	4 793	6 425
134	127	Government procurement	401	380	536
62	59	Other	213	195	278
1 554	**1 561**	**Total Segment Mail**	**4 886**	**5 368**	**7 239**
	1	**Other**		**1**	
5 878	**5 643**	**Total revenue**	**17 721**	**17 487**	**23 894**

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

(The information in this document has not been audited. All amounts are in MNOK.) 23

Operating result (EBIT) per segment*)

Q3 2019	Q3 2018	EBITDA	YTD 2019	YTD 2018	Year 2018
471	182	Logistics	1 086	334	525
254	139	Mail	736	587	919
(44)	(36)	Other	(133)	(145)	(258)
680	**285**	**Posten Norge**	**1 687**	**777**	**1 185**

Q3 2019	Q3 2018	Adjusted operating profit / (loss)	YTD 2019	YTD 2018	Year 2018
213	87	Logistics	321	45	135
132	76	Mail	369	387	657
(53)	(37)	Other	(160)	(148)	(262)
291	**126**	**Posten Norge**	**530**	**284**	**531**

Q3 2019	Q3 2018	Operating profit / (loss) (EBIT)	YTD 2019	YTD 2018	Year 2018
203	78	Logistics	294	38	(73)
105	76	Mail	(143)	439	748
(59)	(37)	Other	(165)	(149)	(260)
250	**116**	**Posten Norge**	**(14)**	**328**	**415**

*In the figures for 2019, IFRS 16 Leases are implemented. This was done on January 1, 2019 and comparative figures have not been restated accordingly

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

Assets and liabilities per segment*)

30.09.2019	Logistics	Mail	Other	Elim.	Group
Associates and joint ventures	324	3			327
Other non-current assets	8 339	2 616	667	(4)	11 618
Current assets	3 081	604	145	(57)	3 772
Total allocated assets	**11 744**	**3 223**	**812**	**(61)**	**15 717**
Deferred tax asset					214
Interest-bearing receivables					55
Liquid assets					3 611
Total non-allocated assets					**3 880**
Total assets					**19 597**
Provisions for liabilities	535	862	62		1 459
Total interest-free liabilities	2 283	1 552	400	(61)	4 174
Total allocated liabilities	**2 819**	**2 414**	**461**	**(61)**	**5 633**
Deferred tax					
Total interest-bearing liabilities					7 824
Total non-allocated liabilities					**7 824**
Total liabilities					**13 457**

31.12.2018	Logistics	Mail	Other	Elim.	Group
Associates and joint ventures	402	2			404
Other non-current assets	5 842	2 025	217		8 085
Current assets	2 988	725	31	(58)	3 686
Total allocated assets	**9 232**	**2 752**	**248**	**(58)**	**12 175**
Deferred tax asset					224
Interest-bearing receivables					59
Liquid assets					3 613
Total non-allocated assets					**3 896**
Total assets					**16 071**
Provisions for liabilities	787	428	(14)		1 201
Total interest-free liabilities	2 579	1 686	255	(58)	4 463
Total allocated liabilities	**3 367**	**2 114**	**241**	**(58)**	**5 664**
Total interest-bearing liabilities					3 926
Total non-allocated liabilities					**3 926**
Total liabilities					**9 590**

*In the figures for 2019, IFRS 16 Leases has been implemented. This was done on January 1, 2019, and comparative figures have not been restated accordingly.

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

Cash flows for the segments*

YTD 2019	Logistics	Mail	Other	Group
Income/(loss) before tax	179	(181)	(105)	(107)
Gain from sales of non-current assets and subsidiaries	(13)	(2)		(16)
Depreciation and write-downs	796	368	25	1 188
Share of net income from associated companies and joint venture	(11)			(11)
Changes in working capital and other accruals	(250)	405	209	364
Tax paid in period				(130)
Financial items without cash flow effect				97
Net interests				(106)
Cash flow from operating activities	**701**	**589**	**130**	**1 281**
Cash flow effect from investments	(402)	(106)	(5)	(513)
Cash flow effect from sales	210	3		213
Changes in non-current receivables and financial assets	(2)		5	2
Cash flows used in investing activities	**(195)**	**(103)**		**(298)**
Proceeds from rental obligations				(662)
Repayment of debt				(200)
Dividend paid				
Cash flows used in financing activities				**(986)**
Change in cash and cash equivalents during the period				**(3)**
Cash and cash equivalents at the beginning of the period				3 613
Cash and cash equivalents at the end of the period				**3 611**

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

* In the figures for 2019, IFRS 16 Leases has been implemented. This was done on January 1, 2019, and comparative figures have not been restated accordingly.

(The information in this document has not been audited. All amounts are in MNOK.) 26

Note 2 Intangible assets and tangible fixed assets

	Intangible assets	Tangible assets			
		Owned	Right-of-use	Total	Total
Total at 31.12.18	**2 049**	**5 812**	**3 952**	**9 763**	**11 813**
Adjustment of OB		(22)		(22)	(22)
Additions	99	414	573	987	1 086
Change in leases					
Disposals		(131)		(131)	(131)
Disposals from sales of subsidiaries					
Depreciation	(101)	(376)	(680)	(1 056)	(1 157)
Write-downs	(8)		(24)	(24)	(31)
Translation differences	(18)	(16)	(58)	(74)	(92)
Total at 30.09.19	**2 020**	**5 680**	**3 763**	**9 443**	**11 463**

Investments in owned assets so far this year amounted to MNOK 513, of which investments in IT related solutions constituted MNOK 99. MNOK 132 of the MNOK 414 invested in tangible fixed assets concerned buildings and property, primarily to the development of the terminals in Stavanger, Tromsø and Narvik. Investments in other fixed assets included terminal furnishings, vehicles and other operating equipment. MNOK 351 of total investments concerned the Logistics segment.

There were additions to right-of-use assets of MNOK 573 (a separate section in accounting principles about the implementation of IFRS 16 has details of right-of-use assets).

Note 3 Interest-bearing non-current and current liabilities

The Group's non-current interest-bearing liabilities increased by MNOK 4 260 from 31 December 2018 to 30 September 2019 , mainly due to the implementation of IFRS 16 on 1 January 2019. Please refer to additional information for details on the implementation.

The Group's interest-bearing liabilities include:

	30.09 2019	31.12 2018
Bond loans	1 350	1 725
Liabilities to credit institutions	935	1 257
Lease obligations	3 288	
Other non-current liabilities	11	34
Total interest-bearing non-current liabilities	**5 584**	**3 015**
First year's instalment on non-current liabilities	623	100
Certificate loan	109	10
Liabilities to credit institution	700	800
Lease obligations	808	
Total interest-bearing current liabilities	**2 241**	**910**

As at 30 September 2019, none of the Group's credit facilities had been used. The average interest rate on Posten's outstanding interest-bearing liabilities was 2,4 percent as at 30 September 2019.

Note 4 Other income and expenses

Other income and expenses include restructuring costs together with gain and loss on sales of tangible assets. The purpose of this line in the accounts is to show significant irregular items separately, thereby making the development in the operating items presented in the adjusted profit comparable.

Q3 2019	Q3 2018		YTD 2018	YTD 2017	Year 2018
(38)	(10)	Restructuring costs	(530)	(9)	(22)
8	1	Other income and (expenses)	16	21	68
(10)		Gain/(loss) from sale of fixed assets etc.	(10)	29	(11)
(39)	**(10)**	**Total other income and (expenses)**	**(524)**	**40**	**35**

Changes in the Postal Act were approved by the Norwegian Parliament in June, and the Group has decided to reduce the number of distribution days from five days a week to every other day from 1 July 2020. The workforce will be reduced by appr. 1 500 full-time equivalents, and appr. 2 600 employees at the post terminals and other mail carriers can be given other tasks. Restructuring costs so far in 2019 mainly concerned this restructuring in the Mail segment. In the first quarter this year, a provision was also made for restructuring the route preparation in the Mail segment.

Gain from the sale of fixed assets so far in 2019 primarily concerned the sale of property in the Logistics segment, whereas the same period in 2018 included sale of land belonging to Posten Eiendom Svanholmen.

Other income and expenses so far 2018 mainly concerned a reversed provision of MNOK 34 following the sale of the subsidiary Bring Citymail Sweden to the German company Allegra Capital GmbH, and the result of the agreement was a smaller loss than expected.

In 2017, Posten received a claim for compensation from a supplier regarding changes in purchase volumes. The claim was settled in the first quarter of 2019 without any significant accounting effect.

Note 5 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 2018 annual report.

The Group had the following financial assets and liabilities measured at fair value as at 30 September 2019:

	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**	**30.09 2019**
Assets							
Interest-bearing current receivables					9		9
Other financial non-current assets	2		140	4	12		155
Interest-free current receivables	2		109	2	3 649		3 760
Interest-bearing current receivables					47		47
Liquid assets							3 611
Total financial assets							**7 582**
Liabilities							
Interest-bearing non-current liabilities	2	438				5 146	5 584
Interest-free non-current liabilities	2			4		2	6
Interest-bearing current liabilities		258				1 983	2 241
Interest-free current liabilities, incl. tax payable	2		7	4		4 156	4 168
Total financial liabilities							**11 998**
Total value hierarchy level 1							
Total value hierarchy level 2		(696)	242	(3)			(457)
Total value hierarchy level 3							

*Derivatives included in accounting hedging relations

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

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

	At fair value (FV)				At amortised cost		
	Valuation level	**FVO – FV Profit or loss**	**Derivatives at FV Profit or loss**	**Derivatives at FV OCI / equity***	**Receivables**	**Other financial liabilities**	**31.12 2018**
Assets							
Interest-bearing current receivables					17		17
Other financial non-current assets	2		210	3	10		223
Interest-free current receivables	2				3 671		3 671
Interest-bearing current receivables					42		42
Liquid assets							3 613
Total financial assets							**7 566**
Liabilities							
Interest-bearing non-current liabilities	2	657				2 359	3 015
Interest-free non-current liabilities	2		10	2		2	14
Interest-bearing current liabilities						910	910
Interest-free current liabilities, incl. tax payable	2		5	27		4 416	4 449
Total financial liabilities							**8 389**
Total value hierarchy level 1							
Total value hierarchy level 2		(657)	194	(27)			(489)
Total value hierarchy level 3							

*Derivatives included in accounting hedging relations

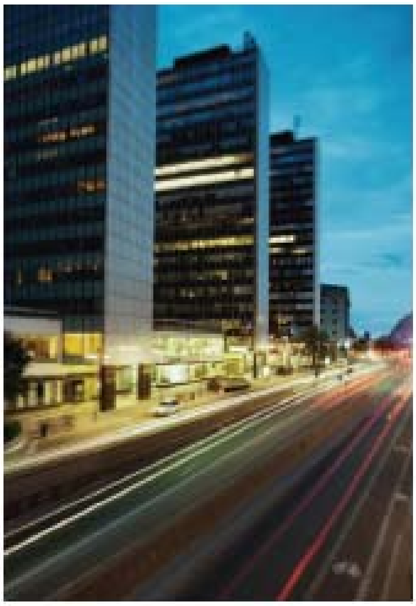
Level 1: Listed prices.
Level 2: Other observable input, directly or indirectly
Level 3: Non-observable input

The table above shows the classification in categories pursuant to IFRS 39. Details can be found in the 2018 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.) 30

Posten Norge

Alternative Performance Measures



3RD QUARTER 2019 POSTEN NORGE

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.

Following the guidelines for «Alternative performance measures in financial reporting», the Group has clarified the definition of performance measures and other key figures applied in the annual report and not being part of the statements in the accounts.

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

At the implementation of IFRS 16, the alternative performance measure for 2018 have not been restated.

Organic growth

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

		30.09 2019	30.09 2018
+	Revenue (current year)	17 721	17 487
-	Revenue (last year)	17 487	(472)
=	**Nominal change in revenue**	**234**	**(472)**

		30.09 2019	30.09 2018
	Nominal change in revenue	234	(472)
+/-	Impact exchange rates	15	4
+/-	Acquisitions of companies	(31)	
+/-	Sale of companies*	251	921
+/-	Change in government procurement	(20)	(258)
+/-	IFRS 16 effect	22	
=	**Organic change in revenue**	**471**	**195**

* Adjustment of revenue for proceeds from sale of subsidiaries previous year

		30.09 2019	30.09 2018
	Organic change in revenue	471	195
/	Adjusted revenue*	17 707	17 233
=	**Organic growth**	**2,7 %**	**1,1 %**

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

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

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

Group management is monitoring 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 operating profit. The adjusted operating 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 restructuring 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 2019	YTD 2018
+	Operating revenues	17 721	17 487
-	Costs of goods and services	7 728	7 418
-	Payroll and social expenses	6 550	6 637
-	Other operating expenses	1 757	2 656
=	**EBITDA**	**1 687**	**777**

		YTD 2019	YTD 2018
+	EBITDA	1 687	777
-	Depreciation	1 157	492
=	**Adjusted profit**	**530**	**284**

		YTD 2019	YTD 2018
	Adjusted profit/	530	284
-	Total operating revenues	17 721	17 487
=	**Adjusted profit margin**	**3,0 %**	**1,6 %**

		YTD 2019	YTD 2018
+	Adjusted profit	530	284
-	Write-downs	31	5
+/-	Total other income and expenses	(524)	40
+	Share of profit or loss from associates and joint ventures	11	8
=	**EBIT**	**(14)**	**328**

		YTD 2019	YTD 2018
	EBIT/	(14)	328
	Total revenues	17 721	17 487
=	**EBIT margin**	**(0,1 %)**	**1,9 %**

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

Net interest-bearing debt (NIBD) and liquidity reserve

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

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

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

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

	30.09 2019	**30.09 2018**
Interest-bearing non-current liabilities	5 584	2 954
Interest-bearing current liabilities	2 241	1 042
Market-based financial investments	3 355	3 276
Cash	58	50
Bank deposits - other	198	95
Net interest-bearing dept (NIBD)	**4 214**	**575**

	30.09 2019	**30.09 2018**
Market-based investments	3 355	3 276
Syndicate facility	3 463	3 313
Certificate loans	700	400
Long-term liquidity reserve	**6 118**	**6 189**

	30.09 2019	**30.09 2018**
Long-term liquidity reserve	6 118	6 189
Deposits on group account	111	(0)
Deposits outside group account	87	96
Bank overdraft not utilised	550	19
Short-term liquidity reserve	**6 866**	**6 303**

(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:

		30.09 2019	30.09 2018
+	Total intangible assets	2 062	2 135
+	Total tangible fixed assets	8 685	5 776
+	Total current assets	7 471	7 364
-	Total liquid assets	3 571	3 424
-	Interest-bearing current assets	59	81
-	Interest-free current liabilities	4 487	4 648
+	Tax payable	76	92
+	Dividend and group contributions	9	30
=	**Invested capital***	**10 185**	**7 245**

*Rolling twelve months

		2019	2018
	Last 12 months' accumulated adjusted profit	776	610
/	Invested capital	10 185	7 245
=	**Return on invested capital (ROIC)***	**7,6 %**	**8,4 %**

*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:

		YTD 2019	YTD 2018
+	Total investments (owned)	513	665
-	Investment due to acquisitions		14
=	**Investment before acquisitions**	**513**	**652**

*Differ from investments in tangible non-current assets and intangible assets in the cashflow due to IFRS 16 (Leases)

		30.09 2019	30.09 2018
	Profit after tax total	(169)	330
/	Total equity on balance sheet date*	6 242	6 270
=	**Return on equity after tax (ROE)**	**(2,7 %)**	**5,3 %**

*(Opening + closing bal./2

		30.09 2019	30.09 2018
	Total equity on balance sheet date/	6 140	6 344
/	Total equity and liabilities (total capital)	19 597	16 048
=	**Equity ratio**	**31,3 %**	**39,5 %**

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