It´s about innovative and sustainable development

Annual and sustainability report 2019
Posten Norway

In this report you can read about Posten and Bring's value creation in 2019. We want to show how a company which is over 370 years old is capable of remaining at the forefront and creating value at a time of major change.

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About us

It´s about making everyday life simpler and the world smaller

posten

The Posten brand
for the entire Norwegian people. Through freedom of choice and flexible services, we make everyday life easier.

No one knows Norway better

bring

The Bring brand
for all companies in the Nordic region and private customers outside Norway. We create sustainable green solutions through innovation.

Finding new ways

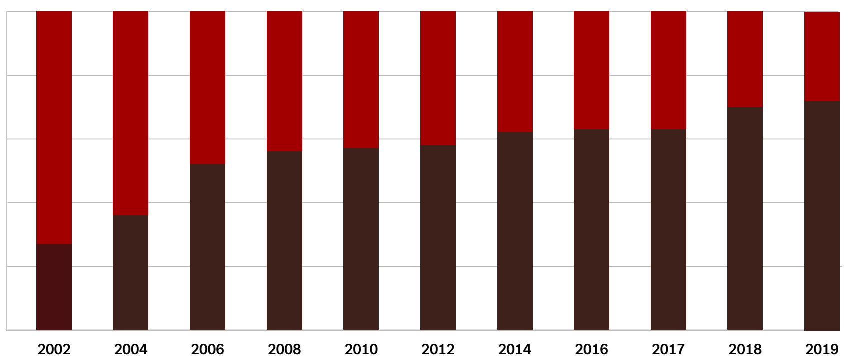
The Nordic region is our home market

Head office: Oslo, Norway

We operate in:
Norway, Sweden, Denmark, Finland. We are also present in a number of countries outside the Nordic region to offer a comprehensive value proposition to our customers.

The proportion of turnover outside Norway is
37%

Share of turnover by segments in per cent



Mail 28% Logistics 72%

Finland: 39
Denmark: 273
Sweden: 1,582
Norway: 11,787

We make everyday life simpler and the world smaller

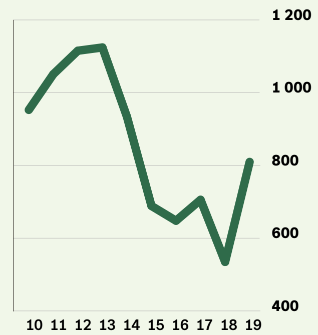
We have a vision that will take us into the future. This vision is our lodestar, and that will be with us in everything we do. Like most stars, it hangs high, and represents what we should strive for.

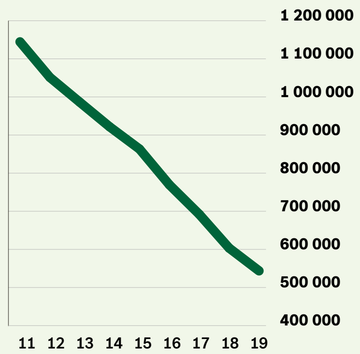
The people who work in Posten and Bring are our most important resource. We depend on everyone in the Group taking part and contributing, every single day. We have delivered for 373 years, which is the best proof that deliveries will always be relevant - they just happen in new ways. We will continue to deliver to mailboxes, at the door, in outdoor storage boxes and other places our customers want to receive what they ordered. We will continue to test new technology that we can use to make everyday life easier for both our customers and ourselves.

The Group develops and delivers comprehensive solutions within mail, communications and logistics. Our purpose is to simplify and increase trade and communication for people and businesses in the Nordic region.

We were named
Norway's most innovative company
in 2019 by the technical jury of the innovation magazine "Innomag"

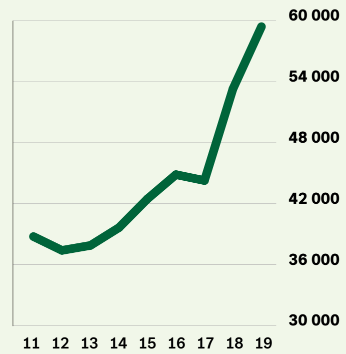
Adjusted operating profit
MNOK 808





Since 2011, the letter volume* **has decreased** by
52.6%

... while parcel volume has **increased** by
54.9%



*Total letter volume, addressed mail. Figures in thousands.

Figures in thousands.

Our vision encompasses an idea that we have the opportunity to make a difference in everyday life and in peoples' lives. Here you can read about some of our highlights from 2019. They are all examples of how we make everyday life simpler and the world smaller.

Reducing our climate footprint

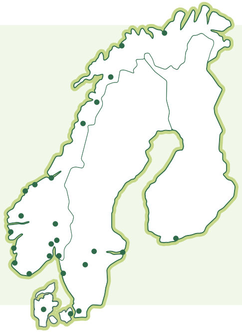
Beloved cities in Norway
Environmentally-friendly vehicles carry parcels and goods to customers in the city centre, and carry waste back with them. The goal of the collaboration project is reduced emissions, noise and traffic - and a better environment. This has already been successfully tested in Stockholm. In April 2019 we rolled it out in Norway.

Emission-free business parcel delivery
As of November, 1,200 corporate customers within Ring 1 in Oslo could have their parcels delivered completely emission-free. We have replaced 22 fossil-fuelled vehicles in the area with electric vans, Paxsters and goods bikes. We are now working to establish emission-free parcel delivery in other cities as well.

Investing in the logistics network

In 2019, we have invested in the logistics networks to meet the strong growth in e-commerce and to provide our customers with a better range of services.

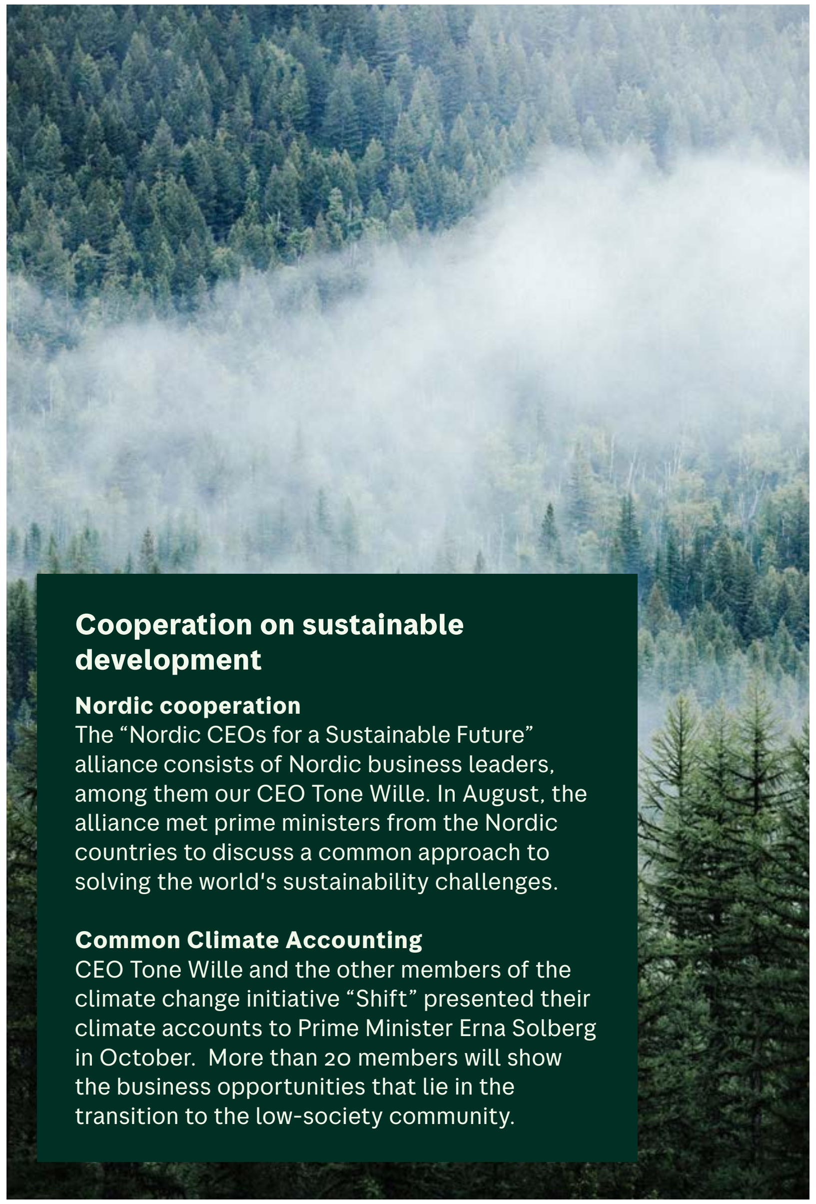
- We have opened two new terminals in Norway; Stokke and Stavanger.
- The decision has been made to invest in two new and larger terminals in Denmark, in Greve (Copenhagen) and Taulov (Kolding).



Great ability to innovate

Norway's most innovative company: We climbed to the top in the ranking of Norway's most innovative companies in 2019. A professional jury headed by the magazine "InnoMag" is behind the award.

Opened an innovation hub: In May, the Innovation Hub opened; an arena for exploring and testing new services. It stimulates interdisciplinary work and creates new and user-friendly solutions.



Cooperation on sustainable development

Nordic cooperation
The "Nordic CEOs for a Sustainable Future" alliance consists of Nordic business leaders, among them our CEO Tone Wille. In August, the alliance met prime ministers from the Nordic countries to discuss a common approach to solving the world's sustainability challenges.

Common Climate Accounting
CEO Tone Wille and the other members of the climate change initiative "Shift" presented their climate accounts to Prime Minister Erna Solberg in October. More than 20 members will show the business opportunities that lie in the transition to the low-society community.

Testing and launch of new services

Optional place of delivery: Now our customers can choose how they want the shipment delivered. In 2019, we launched these possibilities:

- **Fixed place of delivery**: Parcels that are too large for the mailbox can be delivered in a safe, agreed location at home - such as in the garage, on the stairs or in an outdoor cushion box.
- **Indoors**: If the customer has a digital lock, parcels can be delivered inside the front door when they are not home.

Common notice of change of address: The Norwegian Tax Administration and Norway Post make it easier to report a change of address. From November, customers were able to report a change of address to the Norwegian National Population Register and Posten simultaneously at posten.no.

Parcel to neighbour: In Denmark you can pick up your parcel from your neighbour. We have tested a nationwide network of parcel stores with private individuals.

"Post in Shops" in Sweden: We have now established our own distribution network in Sweden. With this, we have laid the foundation for further growth and to be able to offer even more seamless delivery for our customers in Sweden.

Rigging up for the future

New Postal Act: A majority in the Norwegian parliament voted to allow mail delivery every other day. The amendments to the Postal Act come into force on 1 July 2020.

Changed Group structure: During the year we also made major changes to set up the organisation for the future, and to continue to be relevant and profitable.

Key figures

	2019	2018	2017	2016	2015	2014
Revenues MNOK	**24,212**	23,894	24,678	24,772	25,074	24,404
Adjusted operating profit MNOK	**808**	531	703	645	686	933
Adjusted profit margin percentage	**3.3%**	2.2%	2.8%	2.6%	2.7%	3.8%
Operating profit/loss (EBIT) MNOK	**162**	415	692	178	239	844
Profit before tax MNOK	**21**	366	621	230	151	720
Return on invested capital (ROIC) [1] in per cent	**7.4%**	7.3%	9.8%	9.0%	9.9%	13.9%
Cash flows from operating activities MNOK	**2,151**	598	592	945	1,213	1,175
Equity [2] MNOK	**6,363**	6,481	6,375	5,912	5,926	6,205
Total assets [2] MNOK	**19,867**	16,071	16,962	15,299	16,097	16,377
Return on equity after tax (ROE), in per cent	**0.2%**	3.9%	6.3%	0.7%	-1.0%	7.3%
Equity to assets ratio in per cent	**32.0%**	40.3%	37.6%	38.6%	36.8%	37.9%
Debt ratio	**0.6**	0.0	0.0	0.1	0.0	0.2
Sickness absence in per cent	**5.9%**	6.0%	5.9%	6.2%	6.1%	6.4%
Electric vehicles	**1,139**	1,197	511	493	361	146
H2 injuries rate	**7.8**	8.7	6.5	7.7	9.6	11.6
Near accidents	**33,273**	33,126	38,552	42,879	41,756	35,482
CO_2e-reduction tonnes	**396,779**	398,530	411,894	441,730	530,127	556,660
Packages quantity in thousands [3]	**59,945**	48,318	50,586	51,198	48,194	44,825
Letters quantity addressed in thousands	**542,793**	602,764	685,454	763,103	857,743	916,805

In line with IFRS 16 Leases, the accounting figures for 2018 and previous years have not been restated
[1] Calculated based on adjusted operating profit .
[2] The figures have been taken from published financial statements. The figures have not been restated in relation to changes to policies or other changes that have been made.
[3] Parcels incl. parcels in the mailbox.

Andreas Enger
Born: 1962

Chair of the Board since 2019

CFO Höegh Autoliners/ Deloitte consultancy assignments.

Education: Civil engineer in technical cybernetics and MBA.

Offices held: Observer on the Board of Solstad Offshore.

Previous experience: Nordic Head of Strategy and Innovation at Deloitte, CEO and Executive Chair of Peterson AS. Chair-/chair member experience Jordan, Storebrand Life Insurance

Anne Carine Tanum
Born: 1954

Deputy-chair since 2019

Education: Cand. Jur.

Offices held: Chair of the Board of Avinor AS, The Norwegian National Opera & Ballet. Board member of Cappelen Damm, Oslo University Hospital and Try AS.

Previous experience: Long-time CEO and owner of Tanum AS. Broad board experience, including long-standing board member and Chair of the Board of DNB ASA.

Tina Stiegler
Born: 1976

Board member since 2019

EVP Umoe

Education: Master of Economics and Business Administration.

Offices held: Board member of companies in the UMOE Group and Khrono.

Previous experience: EVP Next Media at Schibsted Media, advisor to start-up companies in StartupLab. Board experience from, among others, Finn.no, Stavanger Aftenblad, Bergens Tidende, Mediehuset Fædrelands-vennen and E24.no.

Henrik Höjsgaard
Born: 1965

Board member since 2018

CEO Aleris Sjukvård AB

Education: Higher Commercial Examination.

Offices held: Chair of the Board LGT Logistics AB. Board member Green Cargo AB.

Previous experience: CEO PostNord Logistics.

Finn Kinserdal
Born: 1960

Board member since 2018

Associate professor and head of department for Accounting, Auditing and Law (IRRR).

Education: MBA, CPA and PhD from NHH

Offices held: Board member: North Murray AS. Member NHH Executive Strategic Board.

Previous experience: Head of EY auditing activities in Norway and the Nordic region. Head of Assurance. Various consultancy assignments in the transport and logistics sector.

Liv Fiksdahl
Born: 1965

Board member since 2018

Vice President Capgemini Norway AS, engagement.

Education: Trondheim Business School

Offices held: Board member: Scandinavian Airline Systems (SAS), Intrum AB and Arion Banki.

Previous experience: Executive Vice President for IT and Operations at DNB. Board member Nille AS.

Odd Christian Øverland
Born: 1957

Employee representative since 2000

Employee of Posten Norge since 1979.

General Secretary of the Norwegian Postal and Communications Workers' Union (Postkom)

Lars Nilsen
Born: 1961

Employee representative since 2016

Divisional employee representative in Posten Norge.

Board member in the Norwegian Postal and Communications Workers' Union (Postkom)

Employee of Posten Norge since 1978

Ann Elisabeth Wirgeness
Born: 1961

Employee representative since 2012

Deputy employee representative for the Logistics Division

Board member in the Norwegian Postal and Communications Workers' Union (Postkom)

District leader the Union, district Eastern Norway.

Employee of Posten Norge since 1985

Tove Gravdal Rundtom
Born: 1965

Employee representative since 2020

First deputy works council for Norwegian Postal and Communications Workers' Union.

Deputy Norwegian Postal and Communications Workers' Union Oslo division.

Employee of Posten Norge since 1987

Board of Directors' Report

2019 can be summarised with satisfied customers, a decrease in sickness absence and the injury rate, an innovation award, growth and improved earnings, demonstrating that the Group's strategic initiatives have produced the desired effect.

Revenue for 2019 was NOK 24,212 million, an increase of 1.3 per cent from 2018. Organic growth was 1.8 per cent. Operating profit (EBIT) ended at NOK 162 million, a reduction of NOK 253 million from 2018, mainly as a result of restructuring costs of approximately NOK 430 million for the necessary restructuring of the mail business, and impairment of goodwill of NOK 102 million.

The Group's profit before tax was NOK 21 million in 2019, NOK 345 million lower than in 2018. The introduction of IFRS 16 Leases had a negative effect on profits of NOK 100 million.Return on invested capital (ROIC) was 7.4 per cent, which is 0.1 percentage point better than for 2018 (the improvement would have been 3.2 percentage points without effects from IFRS 16).

The growth in profit is mainly driven by the growth in the logistics segment and our long-term commitment to exploit the opportunities that increased e-commerce provides. Demand for logistics services and profitability in the industry is largely influenced by the general level of activity in the economy. Norway has experienced a cyclical upturn in recent years, while growth in the Swedish market has been sluggish. The decline in mail volumes continues as expected. New framework conditions for the postal business were adopted by the Norwegian parliament in 2019, so that Norway Post can continue necessary restructuring adapted to new user needs.

The most important trends affecting our industry create challenges, but also new opportunities in the short and long term. Digitalisation is accelerating the pace of change and helping to develop new business models and new, better services. This leads to changes in purchasing patterns where the end customer chooses more customised solutions. Urbanisation involves an increased focus on urban logistics and increased environmental requirements that stimulate the development of new delivery solutions.

The Group has accelerated its innovation work and in 2019 was voted Norway's most innovative company by a professional jury. We are in the process of shaping the delivery network of the future in Norway and the Nordic region. New services are being tested and launched to give the customer greater freedom of choice and an simpler everyday life. Goods that people shop for online, can be delivered to their home - outside or inside the door, or picked up at an increasing number of parcel delivery locations. In 2019, the Group's distribution network expanded significantly and the target is full geographical coverage in the Nordic countries in 2020. In addition, new concepts such as "Parcel Box" are being tested where people can retrieve parcels from a vending machine even closer to where they live and travel.

As a labour-intensive business, a health-promoting work environment is one of the Group's priority areas for sustainable development. Long-term and systematic work in health, safety and the environment (HSE) is a foundation for this. Employee satisfaction is high and 2019 showed that sickness absence was down to 5.9 per cent and the number of injuries per million worked hours was reduced to 7.8.

The Norwegian people have a high level of confidence in Posten. According to Ipsos reputation survey (Large Norwegian Enterprises 2019)62 per cent said they have a good impression of Posten, the same level as the year before. People under the age of 25 are significantly more positive to Posten than other age groups; some 84 per cent have a good impression. Customer satisfaction and loyalty are high and ended in 2019 at 69 (on a scale of 1-100 according to Ipsos), the same as the year before. The Group conducts continuous surveys of customers who have been in contact with various parts of the business. This is done to systemise customer insights and implement improvements, and thereby improve the customer experience and create growth for the Group. NPS Customer satisfaction (Net Promoter Score[1] was 38.6 in 2019, compared to 35.8 in 2018.

Market development

Posten's operations consist of two segments: Logistics and Mail. The Logistics segment is largest and accounted for about 70 per cent of the Group's revenues in 2019, while the Mail segment accounted for about 30 per cent.

[1] NPS score is calculated as: Proportion of loyal customers minus proportion of dissatisfied customers.

The Logistics segment is growing
In 2019, the logistics segment showed solid revenue growth within and outside of Norway. Revenue in 2019 was NOK 18,127 million, an increase of NOK 807 million from the previous year. Organic growth was 4.3 per cent. There was solid growth in e-commerce for consumers and e-commerce volume increased by 18 per cent from 2018.

There was also good growth in home delivery, freight forwarding, industrial direct goods and offshore. There was reduced growth in temperature-controlled goods, both within and outside of Norway.

An agreement has been entered into for the sale of the temperature-controlled goods business in Norway with implementation in the first quarter of 2020.

Restructuring and development in the mail segment
In 2019, the mail segment had revenue of NOK 7,634 million. 5.6 per cent or NOK 454 million lower than the previous year. The main reasons were a decrease in addressed letter volume and the sale of Bring Citymail Sweden on 1 March 2018.

Addressed mail fell by 9.9 per cent in 2019. Since the peak year of 1999, addressed mail has fallen by 73 per cent and the decline continues. The volume of unaddressed mail decreased by 1.1 per cent in 2019. New customer contracts largely compensated for a continued negative trend in the market.

Falling letter volumes lead to an increasing need for the adaptation of the distribution network. The challenges are reinforced by the expiry of the tax exemption on imports of goods with a value below NOK 350 in 2020. The transition to mail delivery every other day from July 2020 is a significant and absolutely necessary change and will entail a reduction in staffing of around 1,500 full-time equivalents.

Posten won the Ministry of Transport and Communication's tender competition to deliver newspapers in rural Norway from July 2020. This means that about 150 additional full-time equivalents can be transferred after switching to mail distribution every other day.

DNB's agreement with Posten for banking services in Posten's distribution network will be wound up on July 1, 2020. By 2020, banking services will be offered in the rural postal service through DNB's systems. Through dialogue with the authorities, work continues on whether and how Posten's statutory banking obligation in the rural postal service can be resolved in the future.

Profitability
Strong growth in the logistics segment and falling letter volumes in the mail segment affect the Group's results.

Adjusted operating profit (EBITE) was NOK 808 million in 2019, NOK 278 million more than in 2018.

Improved earnings in Logistics
Adjusted operating profit for the Logistics segment was NOK 462 million for 2019, an improvement of NOK 327 million compared to 2018. Operational measures and growth increased productivity and improved profitability for several areas. The Norwegian parcel and freight network continued its positive development. In addition, there was good profitability development in temperature-controlled goods, direct transport, home delivery and warehousing. The introduction of IFRS 16 Leases resulted in a positive effect on profit of NOK 38 million in 2019 for the segment.

Operating profit (EBIT) in 2019 was NOK 364 million. This includes impairment of goodwill, provisions in connection with structural changes in the segment and gains on the sale of property. Operating profit was NOK 437 million more than in 2018, mainly as a result of the improvement in adjusted operating profit.

Profits decline in Mail
The Mail segment had an adjusted operating profit of NOK 635 million in 2019, a reduction of NOK 22 million compared with 2018. The decline is mainly due to a fall in addressed and unaddressed letter volumes.

Posten has made significant cost adjustments in operations that have largely compensated for the large decline in addressed letter volume. The result for 2019 included repayment for the Norwegian State's purchase of unprofitable statutory postal services of NOK 85 million related to 2018. The introduction of IFRS 16 Leases resulted in a positive result on profit of NOK 11 million for the segment.

Operating profit (EBIT) in 2019 was NOK 120 million. This included a provision for restructuring related to the distribution of mail every other day of NOK 267 million, relocation of route preparation and parts of Posten's Advertising Centres of NOK 119 million and impairment of goodwill of NOK 60 million.

In 2019, 93.7 per cent of addressed mail arrived within two days. This is well above the 85 per cent license requirement.

Automation and robotization of processes have positive effects and are being considered in new areas. Among other things, Chatbot, an artificial intelligence conversation robot, has been used to answer customer enquiries online. This is a supplement to and a relief of manual customer service.

The scheme for the Norwegian State's purchase of unprofitable statutory postal and banking services shall cover net additional costs related to statutory postal services which Norway Post would not offer based on business assessments. The Norwegian State's purchase of unprofitable statutory postal and banking services was recognised in revenue with NOK 619 million in 2019, of which NOK 85 million was repayment for 2018.

Investments and cash flow
Cash flow from operating activities in 2019 was positive with NOK 2,151 million, an increase of NOK 1,553 million from 2018. Of this, NOK 890 million was due to effects from IFRS 16 where lease payments were reclassified to financing activities. There were also positive effects from improved operating profit, as well as reduced accounts receivable and increased accounts payable compared with the previous year.

Net cash flow from investing activities in 2019 was negative by NOK 339 million. This was mainly related to ongoing operating investments of NOK 646 million. The bulk of the operating investments were related to the construction of logistics centres in Stavanger and Tromsø. Disbursements were somewhat offset by payments received, including from the sale of property and other fixed assets.

Net cash flow from financing activities in 2019 was negative by NOK 1,514 million, mainly as a result of the effects of IFRS 16, repayment of ordinary debt and payment of dividends.

Financial freedom
In 2019, the Group had net financial expenses of NOK 142 million, compared to net financial expenses of NOK 49 million the previous year, of which NOK 127 million was due to the introduction of IFRS 16. As at 31 December 2019, the Group had good long-term liquidity reserves of NOK 6,430 million, compared with NOK 5,956 million the year before. These reserves consisted of invested funds and available credit facilities. The Group places importance on financial flexibility, the ability to take advantage of opportunities in the market, and the ability to undertake strategically important investments.

As at 31 December 2019, the Group's equity amounted to NOK 6,363 million and our equity ratio was 32.0 per cent. A high equity ratio underpins the Group's solvency. In order to sustain financial capacity over time it is vital that the Group has the necessary regulatory freedom to adjust our Mail services in line with market developments so that costs can be adjusted in line with falling letter volumes. Alternatively, the Norwegian State will have to pay for the unprofitable statutory postal services that are ordered.

The Group implemented the new accounting standard IFRS 16 Leases in 2019. This had a significant effect on the accounts and the equity ratio was reduced from 40.0 to 32.0 per cent. Throughout 2019 and at the end of the year, the Group complied with clauses in the loan agreements. See note 22 in the consolidated financial statements for an overview of the effects of this accounting standard.

To reduce financial risk and increase financial freedom, the Group has a good liquidity reserve and a focus on cash flow.

Credit and counterparty risk relating to placements of surplus liquidity are deemed to be limited as Posten Norge's counterparties generally have high ratings.

Debt covenants
Some of Posten's loan agreements contain debt covenants that limit net interest-bearing liabilities/EBITDA to a maximum of 3.5 and require a minimum equity ratio of 20 per cent.

As of December 31, 2019, net interest-bearing debt/EBITDA was 1.5 up from 0.3 in 2018, the change would have been a decrease of 0.1 without effects from IFRS 16.

Risk
Risk management and internal control are integrated into the Group's business processes and are central elements of Posten's corporate governance. When developing goals, strategies and business plans, the aim is to create value by balancing growth against profitability targets and risks to the Group's activities.

As part of its corporate governance, the Board emphasizes good risk management and internal control. The Board reviews a risk assessment every six months that evaluates the Group's total risk. The risk assessment is included as an integral part in the Group's business processes. The emphasis is on a quantitative risk approach. Risk-mitigating measures are implemented to ensure that the Group achieves our goals, and these are regularly evaluated to ensure that they are having the desired effect. The Board and management actively follow up the Group's risk exposure within the areas of strategic, operating, financial and reputational risk, as well as information security. Monitoring of risks related to information security and integrity has been reinforced over the last few years.

The Group uses derivatives to manage market risks that arise as a result of the Group's ordinary operations. The derivatives it uses are futures, interest rate swaps and currency swaps. Detailed information about derivatives and hedging is provided in notes 18 and 19 to the annual financial statements. Risk management and internal control processes are described in more detail in the statement concerning the company's principles for corporate governance.

Allocation of the profit for the year
In 2019, the Group's profit after tax amounted to NOK 13 million, which is NOK 248 million higher than the previous year.

The Norwegian State has a dividend policy whereby 50 per cent of the Group's profit after tax can be distributed as dividends. Before the annual dividend is determined, an independent assessment of the Group's financial situation and future prospects must be carried out.

The Board proposes that a dividend of NOK 6.5 million be distributed for 2019. The year's remaining profit will be transferred to other equity. The actual dividend will be determined at the 2020 general meeting. The financial statements have been prepared on the basis of a going concern assumption. The Board confirms the validity of this assumption.

The work of the Board

The Group complies with Norwegian standards and best practice for corporate governance, based on Norwegian law and the government's ownership policy at any given time.

An account of the company's corporate governance is included each year as part of the financial annual report. The rules of procedure for the Board are updated annually. The Board evaluates its work, qualifications, and methods. It also discusses relevant topics that require special follow-up, as well as the Board's own development and skills improvement.

In addition to being a decision-making and control body, the Board wishes to contribute to the development of the Group by serving as a valuable discussion partner for the company's management and owner, with good insights into Posten's strategies, business models and value chain.

At the annual general meeting in 2019, Andreas Enger was elected as the new chair and Tina Stiegler as a new board member. Idar Kreutzer and Tove Andersen left the Board. The proportion of women on the Board is unchanged at 40 per cent. Among the shareholder-appointed board members, the proportion of women is 50 per cent.

The Group's head office is in Oslo and our primary market is Norway. Our largest market outside Norway is Sweden.

Future prospects

2020 is the start of a new decade where the focus on securing a sustainable business will affect everything we do and where Norway as a nation shall reduce greenhouse gas emissions by 50 per cent. Sustainability is about creating viable development for the world - and the Group - in terms of economy, climate/environment and social conditions.

After completing stakeholder and materiality analyses, the Group has chosen to focus its efforts on four of the UN's Sustainable Development Goals. These are: Objective 8 Decent work and economic growth, No 9 Innovation and infrastructure, No 11 Sustainable cities and societies, and No 13 Stop climate change. Refer to Chapter 2: Sustainability.

In March 2020, the World Health Organization (WHO) declared Covid19 (coronavirus) to be a pandemic. The pandemic spread from China to many parts of the world, including Europe and Norway, and has a strong impact on all parts of society. Strict restrictions were imposed on the population of Norway and the other Nordic countries. The situation will result in lower activity and declines in volume for both segments. This will have a negative impact on the Group's revenues and operations. In the Mail segment, both addressed and unaddressed volume may be affected. In the Logistics segment, parcel volumes in particular could be affected, but it could also have a negative impact on other logistics operations.

The Group has good solvency, with a liquidity reserve of more than NOK 5 billion including credit facilities, of which NOK 3 billion is invested in highly liquid money market placements.

The logistics market is Nordic and is characterised by strong competition from both international and local traditional players (groupage companies), and new players with brand new business models.

Demand for logistics services and profitability in the industry is largely influenced by the general level of activity in the economy. It must be expected that it will take some time before the market recovers after the corona pandemic and the long-term effects are uncertain.

The Group is positioning itself for long-term growth in the logistics segment - especially in the e-commerce sector. In order to meet new customer needs and offer attractive solutions to Nordic online stores, both capacities and networks are being expanded. There is considerable investment in new terminals and IT systems that help to improve efficiency and profitability. With a joint network in Norway, we will co-produce and coordinate letters, parcels and goods.

The Group's vision is to make everyday life simpler and the worldsmaller. We have good momentum in our innovation work and are well underway in shaping the future delivery network in Norway and the Nordic region. New services are being tested and launched to give the customer greater freedom of choice and an simpler everyday life. Within two years, the Group's distribution network will be expanded to approximately 8,000 collection points providing full geographical coverage in the Nordic region. With new digital solutions, customers will control and track the parcel from the online store's check-out until delivery.

Posten will continue to deliver small parcels to the mailbox every weekday in large parts of Norway, although the fixed distribution of letters to mailboxes will be reduced to every other day from July 2020.

At the same time as the strategy is being implemented towards 2020, the Board has initiated new strategy work. The Board is looking at how long-term trends and changing customer and user needs can affect the Group's business - the opportunities these offer and how the Group can best prepare for the future.

The Group will continue its work for long-term viability within the selected sustainability areas. The efforts in health, safety and the environment (HSE) aim to ensure that no one should be injured or sick as a result of their work. An extensive management programme for 750 executives will be implemented in 2020. The Board thanks all employees, managers and union representatives for good cooperation and joint responsibility in the development of the Group.

In the extraordinary situation created by the corona pandemic, operations are vulnerable. The Group places great emphasis on keeping operations going so that we safeguard socially critical functions and ensure deliveries to the entire population. The Board is very pleased that the organisation manages to stay focused and we greatly appreciate the efforts of all employees.

26 March 2019

Andreas Enger (chair)

Anne Carine Tanum (deputy chair)

Tina Stiegler | Henrik Höjsgaard | Finn Kinserdal | Liv Fiksdahl

Odd Christian Øverland | Lars Nilsen | Ann Elisabeth Wirgeness | Tove Gravdal Rundtom

Tone Wille (CEO)

Divisions

E-commerce and logistics:
Parcel, cargo and warehousing services for e-commerce and business customers in the Nordic region. Transport and distribution of parcels and cargo in Sweden, Denmark and Finland.

Mail:
Addressed and unaddressed postal services to private customers and the business market in Norway.

Network Norway:
Transport and distribution of letters, parcels and cargo in Norway.

International logistics:
Customer-specific solutions for the offshore segment, industrial customers and international forwarding in the Nordic region.

Entity

Holdings & ventures:
Portfolio management and venture investments in the Nordic region.

Posten Norge is organised as four divisions, a portfolio management unit and four corporate staff units

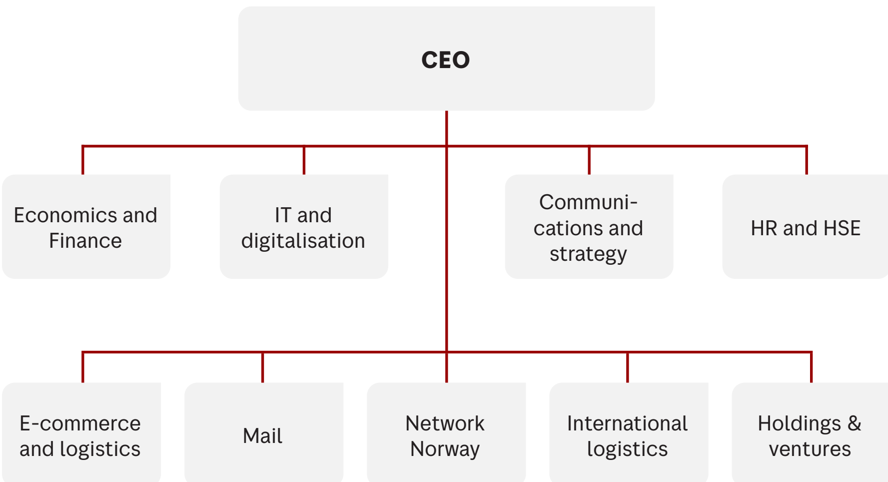
Posten Norge AS is a limited liability company wholly-owned by the Norwegian government and is the parent company of the Group. The responsibility for managing the Government ownership lies with the Norwegian Ministry of Industry and Fisheries, where its ownership is based on business purposes. The Group is measured on return on equity. Delivery of postal services is regulated by the Norwegian Postal Services Act, which lies under the Ministry of Transport and Communications.

The divisions are central to the management of the Group and devise strategies for their respective business areas that support the corporate strategy. The divisions are responsible for developing and delivering services with the associated service and quality.

Corporate staff members are professional driving forces who help support business strategies, and help to develop a professional environment within the Group. The corporate staff units have in particular been tasked with contributing to interaction and cooperation across the Group and with developing policies and best practice. Certain professional functions are centralised at a corporate level and provide services to the divisions and business areas.

For financial reporting purposes, the Group has split operations into two segments, Logistics and Mail. The division is in accordance with the International Financial Reporting Standards (IFRS).

Organisation chart



Tone Wille
Born: 1963

CEO
since October 2016
Previous positions: Director of Economy and Finance (CFO)/IT in Posten Norge AS, Director of Finance and Corporate Governance in the Mail Division of Posten Norge AS, Investment Director at Norfund, Senior VP and CFO at GE Energy (Norway) AS and the former Kværner Energy AS
Education: Master of Economics and Business Administration
Offices held: Board member in Employers' Association Spekter and in Skift

Irene Egset
Born: 1966

Economics and Finance (CFO)
since January 2019
Previous positions: CFO of Statkraft, Executive Vice President Corporate Staff in Statkraft.
Education: Master of Economics and Business Administration
Offices held: Board member TGS NOPEC, GEOPHYSICAL COMPANY ASA

Morten Stødle
Born: 1962

Digitalisation and IT
since October 2016
Previous positions: CIO Dyno Nobel AS, Vice President ABB Offshore Systems, CIO Umoe Oil and Gas, various IT Manager and Project Manager positions in Aker Engineering and Norwegian Petroleum Consultants
Education: Marketer

Alexandra Saab Bjertnæs
Born: 1971

Communications and Strategy
since June 2017
Previous positions: Director of Sales, Marketing and Customer Service in Logistikk Norge in Posten Norge AS, various managerial positions in sales and strategy in Posten Norge AS and in Preco AS and Accenture
Education: Master of Business Administration
Offices held: Member of the directorate in The Polytechnic Society

Nina Christin Yttervik
Born: 1968

HR and HSE
since March 2020
Previous positions: Director People & Organization Snøhetta, Vice President HR in Circle K Europe, Senior Vice President HR in BW Offshore, Head of Human Resources Enitel, HR Consultant Tine, Head of Office Norwegian Defence Materiel Agency
Education: Lawyer

Per Öhagen
Born: 1971

E-commerce and Logistics
since January 2018
Previous positions: Global Director of Hillebrand Group, CEO of Lagena Distribution, CEO of Sona Consulting AB, Supply Chain Manager at Apoteket AB
Education: Master of Industrial Engineering and Business Logistics

Christian Brandt
Born: 1964

Mail
since October 2019
Previous positions: SVP Sales & Business Development, Vice President Buis. Improvement, VP Supplychain develeopment, various managerial positions within logistics and corporate development for 12 years at Prior Norway.
Education: Master of Economics and Business Administration
Offices held: Member advisory board Mobility lab StartupLab

Gro Bakstad
Born: 1966

Network Norway
since October 2019
Previous positions: Executive Vice President Economy and Finance/ CFO at Posten Norge AS, Financial Advisor at Procorp, Director of Finance at Ocean Rig
Education: Master of Economics and Business Administration and CPA
Offices held: Board member Veidekke ASA and DNB ASA

Erik Roth
Born: 1975

International Logistics
since October 2018
Previous positions: Director International Freight Forwarding, Executive vice President HR, Director Organisation Development and Group trainee in Posten Norge AS
Education: MSc in Engineering and MSc in Business Administration

Thomas Tscherning
Born: 1961

Holdings & Ventures
since October 2019
Previous positions: Chief Executive Nordic Logistics at Posten Norge AS, Manager for parcel and express operations at Nordic Logistics Division, Managing Director Box Delivery, founder and Managing Director of several express companies
Education: Degree in economics
Offices held: Chair Mereo Small Cap AB, Board member, Inzile AB and Danske Fragtmænd.

1647: The Norwegian postal service is established

1827: We buy the first two steamships in Norway to improve postal delivery along the coast.

1854: The first railway line in Norway opens and immediately becomes an important part of our postal transportation.

1855: The first Norwegian stamp is issued.

1920: Norway's first official air route opens and we are on board.

1968: Postcodes are introduced to more easily manage the increasing volume of mail.

1973: The Norwegian Postal Service tests the Norwegian-produced electric car from El-bil AS

1996: Posten changes from an administrative agency of the government to a state owned company with 'limited liability': Posten Norge BA.

2000: Transition from Post Office to Post in Shops begins. This is undertaken to meet new consumer habits and the decline in letter volume.

2002: Parliament turns Posten into a limited company on July 1: Posten Norge AS.

2003-2008: We make a number of acquisitions within logistics in the Nordic region.

2008: The Bring brand is launched and the Posten logo is modernised.

Our ability to develop has been the key to success throughout our history. We are changing because our customers are changing.

2008: We started our targeted efforts to reduce our CO_2 footprint.

2010: We introduce the tracking app.

2010: Posten develops an electric scooter for post distribution, Paxster. Today, a number of other postal companies have also begun to use it.

2011: Posten's digital mailbox, Digipost, is launched.

2016: The Norwegian postal market is opened up to full competition. Posten ceases Saturday letter deliveries.

2017: New ambitious goal: use only renewable energy sources in buildings and vehicles by 2025.

2018: A number of new services are launched, including Chatbot for customer service, digital stamps and the opportunity to send from the customer's own mailbox. We also began cooperation on emission-free delivery in city centres - "Elskede by" in Stockholm. A and B mail are merged into a single mail stream.

2019: We develop and launch a number of new services such as delivery "Indoors" and new tasks for delivery staff are tested. The innovation hub opens and becomes central to service development. We are named Norway's most innovative company by a professional jury under the auspices of the magazine "Innomag".

2020: In connection with Covid-19, the Group has a key role in keeping important infrastructure up and running. In addition, we have a role critical to society in ensuring the transport and distribution of medicines, food and other critical goods to the population.

2020: Launch of returns from your own mailbox, won the tender for newspaper distribution in rural areas and the establishment of a nationwide parcel delivery network in Sweden.

We will succeed by:

Innovating and capturing our share of market growth in the logistics market, especially in e-commerce

Establishing a competitive cost level

Developing the necessary expertise and ensuring implementation capacity

Digitalisation shall be Posten's foremost tool for increased customer orientation and simplification

Ensuring the correct framework conditions for Mail and customising operations for the market

The future

In the autumn of 2020 we will launch a new Group strategy.
We are now working to open up perspectives and understand how long-term trends can affect us. We will continue to change in line with the world around us.

Our strategy 2018-2020

We will position ourselves as a leading and preferred logistics operator in the Nordic region, and as number one and the leading postal company in Norway.

Customer-oriented, simplified and profitable
These are clear guides for the entire corporate strategy and their order is not random. The customer always comes first. We must deliver as agreed, we must listen to our customers and develop services they need. Simplification is a critical success factor, both internally and with regard to customers. Profitability is the basis for sustainable development.

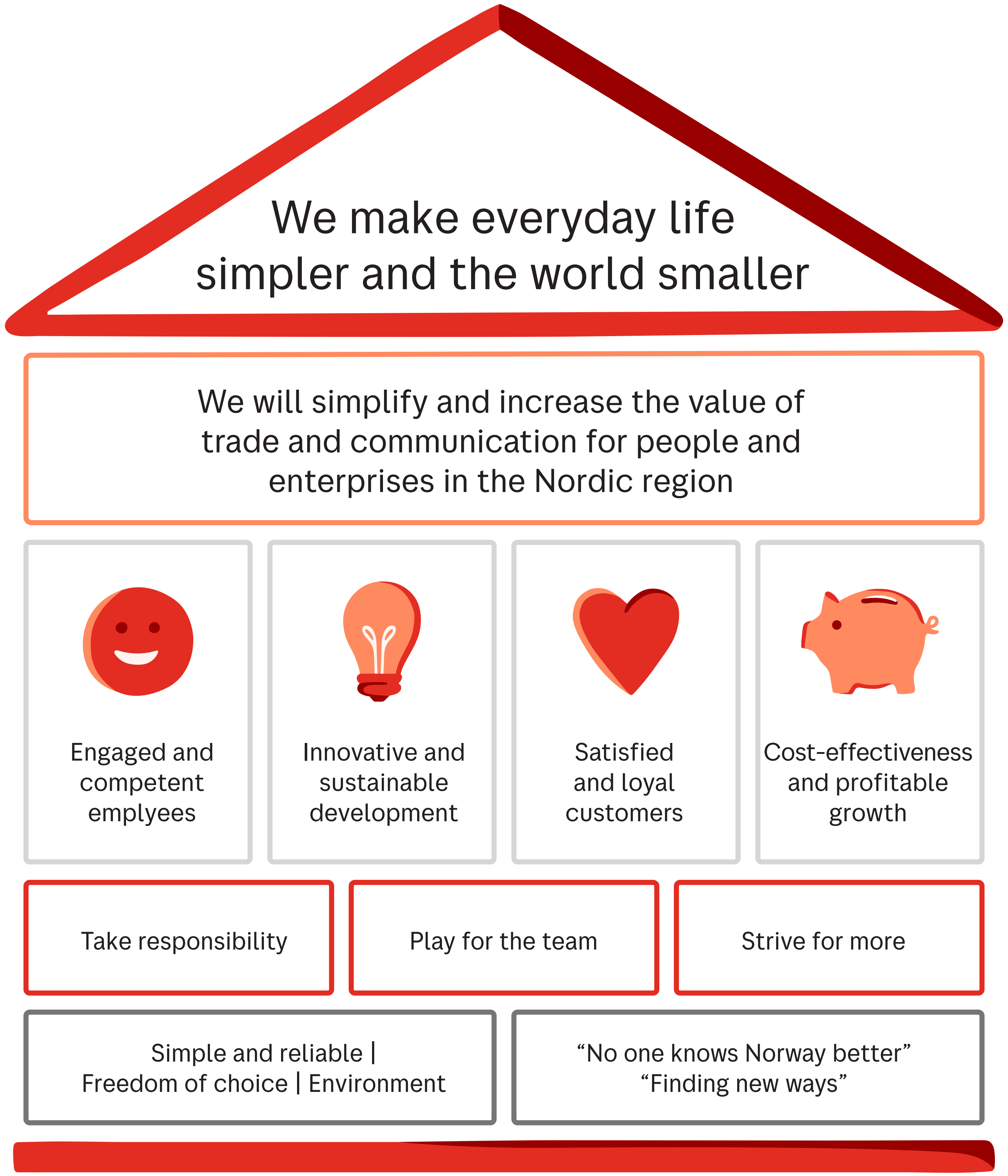
Our values
The values "take responsibility," "be a team player" and "want more" guide our decisions. These three values state what should characterise us in our daily work; who we are and how we behave towards each other, our customers and partners.

Our customer promises
We want our customers to see us as an attractive partner and the preferred choice. Posten and Bring are two sides of the same coin. The strategic foundation is the same in terms of vision, main goals, values and how to meet our customers. Our customer promises are:

Simple and reliable: We are a team player, deliver safely as agreed and make it easy to be a customer.

Freedom of choice: We adapt to the customer's everyday life with new and smart solutions that give the customer freedom of choice.

The environment: We are a leader in our environmental focus and aim to use only renewable energy sources in our vehicles and buildings by 2025



Collaboration is the key to a sustainable future

Collaboration, innovation and pace have made it possible to reach our goals for 2019, and will be the recipe for the future as well.

We are a labour-intensive company that depends on "Committed and competent employees"; it is the employees who are the business.

CEO Tone Wille can look back on a year of good results within all four of the Group's four main strategic goals. She emphasizes that these are well rooted in the Group strategy, which has been important for success.

Collaboration with other players will be necessary to continue to deliver well going forward. This applies not least to the goal of "Innovative and sustainable development".

We have managed to set goals in such a way that the message is delivered within the organisation and triggers specific actions. New services that make everyday life easier for our customers, and at the same time reduce the number of trips driven are a win-win. Some examples are the expansion of the "Elskede By" cooperation initiative to Oslo, delivery inside the door throughout Norway and moving more goods over to trains in Sweden. The reason we have gained so much is that we have many enthusiasts in the business who are really passionate about this and who are driving new solutions. I am very happy about this, says Wille

We have to deliver on all targets
At the same time, the CEO states that much progress has been made on the other main targets in 2019.

We are a labour-intensive company that depends on "Engaged and competent employees"; it is the employees who are the business. We have had a good development in the HSE area, with a decrease in both sickness absence and the injury rate. The basis for a business like ours must be that no one gets sick or injured by going to work.

When it comes to the goal of "Satisfied and loyal customers", various surveys show that Posten and Bring's customers are very satisfied.

We moved up 58 places on BI's customer barometer to 61st place. Our Net Promoter Score, the method we use to measure customer loyalty, was 38.6 in total for the Group, which was an "all time high". The Ipsos reputation survey this autumn shows that we still have a good reputation despite heavy media pressure, partly due to the reorganisation of the postal business. The CEO can also look back on a good financial year in 2019 within the fourth main objective "Cost effectiveness and profitable growth."

We had good growth in parcel volumes in combination with stable and good network operations, so that we were benefit from economies of scale. They have been good at reducing costs in the mal business. This is necessary as the fall in mail volume increases. What we will live on in the future, the logistics business, has enjoyed good organic growth and profitability development.

Last year we also received a prestigious award, which the CEO believes is recognition that the company is on the right track when it comes to innovation and development.

I am particularly proud that we were voted Norway's most innovative company by a professional jury. Their justification was that we have focused in a goal-oriented and strategic manner on innovation and developed a working methodology that attracts attention, including from academic environments such as MIT in the USA.

Collaboration is key
Tone Wille believes that business must be the driver for increased pace in the green shift. Therefore, she has actively joined two alliances with other senior executives in Norway and the Nordic region.

"Shift" is an important mouthpiece to reach Norwegian politicians. Here, the clear goal is to promote the green shift by highlighting business opportunities on the way to the low-emission society. "Nordic CEOs for a Sustainable Future" has a broader perspective, where the starting point is the Nordic model with its high degree of trust and transparency. We use this to create collaboration and have chosen gender equality and climate as topics. It is useful to be part of both alliances for us at Posten. Together, we have more weight with regard to politicians and the authorities and we can exchange experiences and learn from each other.

The world and us
For Posten, sustainability is about making the Group and the world viable in the long term. Everyone must contribute where we can make a difference and not think that we are so small that it does not matter on a global basis. Half of the world's population lives in cities and these produce 75 per cent of the world's carbon emissions. We already have about 50 cities with CO_2-free mail distribution in Norway, we have CO_2-free parcel distribution in Oslo city centre and more cities are on the way, says Wille.

Posten and Bring have an environmental ambition to use only renewable energy sources in our vehicles and buildings by 2025.

"Our main challenge today is that there is no commercially available technology for large, heavy vehicles. We are in dialogue with other actors who need such technology, both to work on framework conditions and to create demand at the truck manufacturers. We must also find intermediate solutions for bio-gas for a transitional period.

Collaboration, innovation and pace
In the current situation with the Covid-19 pandemic, collaboration becomes more important than ever. Together, we stand stronger both in terms of protecting ourselves from the unforeseen and in succeeding with development and innovation. The strict restrictions imposed on the people of Norway and the other Nordic countries will lead to lower activity and declining volume for the Group. We are a solid group with engaged and competent employees who give their all every day to deliver to our customers; this is especially important in this demanding situation.

Although we had a good performance development in 2019, we cannot rest on our laurels. We are embarking on a new strategy process where we open up perspectives and look at how long-term trends can affect us. It is crucial to think in new ways all the time and we should still aim to be at the top of the innovation list. This is also about our culture. It is in our DNA to be at the forefront of development. As the pace of change around us increases, we are also accelerating. The pace will of course be affected by the pandemic situation - it remains to be seen to what extent. But we are ready, both for 2020 and for the future.

02
Sustainability

It´s about long-term viability

Here you can read about the results of our work on sustainability in 2019.

In the fact booklet “Sustainability in Posten” (attachment) you will find detailed information about guidelines, responsibilities and detailed tables.

For us, sustainability is long-term viability

It is about further developing a business that is relevant and profitable in the future, and about taking care of the needs of those living today without destroying the opportunities of future generations.

The UN has given the world a common framework and direction for sustainable development. The Sustainable Development Goals are the world's most important "to do" list and the business community has an important role. We have worked systematically on sustainability since 2010 and this work is an integral part of our business. It's about the footprint we make in the world, our shared responsibility and competitiveness. We must therefore be conscious of how we use and affect resources. Based on our stakeholders and the scope of our business, there are 4 of the UN's 17 Sustainable Development Goals that stands out.

4 of the UN's 17 sustainable development goals stand out as being particularly relevant to our business:

United Nations Sustainable Development Goals	How we influence and can make a difference	Our overall sustainability ambitions	Measured in (KPI)	Goals 2020	Goals 2023
8 ANSTENDIG ARBEID OG ØKONOMISK VEKST	We are a large employer and are responsible for employees having decent employment and working conditions and equal opportunities in our entire value chain.	No one should be injured or sick as a result of working in the Group. The gender balance among managers shall reflect the gender balance throughout the Group. Ethnic diversity shall reflect the society in which we operate. Posten's code of conduct shall apply throughout the value chain.	Sickness absence rate H2 injury rate Percentage of female managers	5.8% 6.6 31%	5.7% 5,6 35%
9 INNOVASJON OG INFRASTRUKTUR	Posten constitutes an important part of the infrastructure in the Nordic countries. Innovation is essential to continue to be relevant in the future.	Drive innovation together with customers and be the leader in new value propositions for our markets.	Number of new solutions /services to the market	10	10
11 BÆREKRAFTIGE BYER OG SAMFUNN	Cities account for 75% of global carbon emissions and zero emission transport is an important part of the goal of sustainable cities and societies.	We will have renewable "last mile" transport in selected Nordic cities and towns by 2023.	Percentage of renewable vehicles	24%	43%
13 STOPPE KLIMAENDRINGENE	The transport sector is one of the largest emitters in climate accounting for the Nordic countries. This means that we have a great deal to contribute.	By 2025, we will only use renewable energy sources in our vehicles and buildings.	Reduction in CO2e	10,600	10,200

CO2-emissions have been reduced by

1,750 tonnes

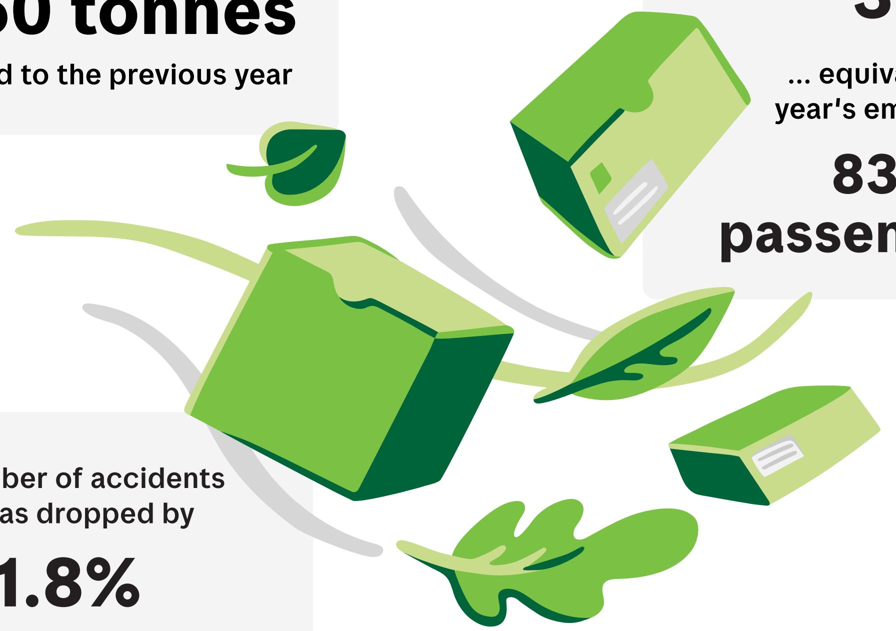
compared to the previous year

Since 2012, we have reduced CO2-emissions by

35%

... equivalent to one year's emissions from

83,875 passenger cars



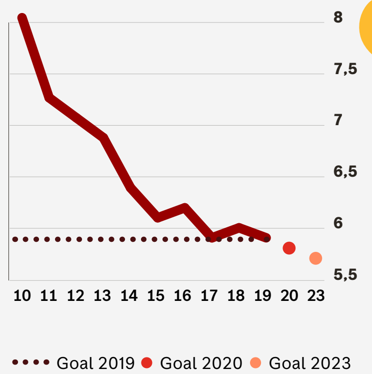
The number of accidents (H2) has dropped by

11.8%

compared to the previous year

Sickness absence rate

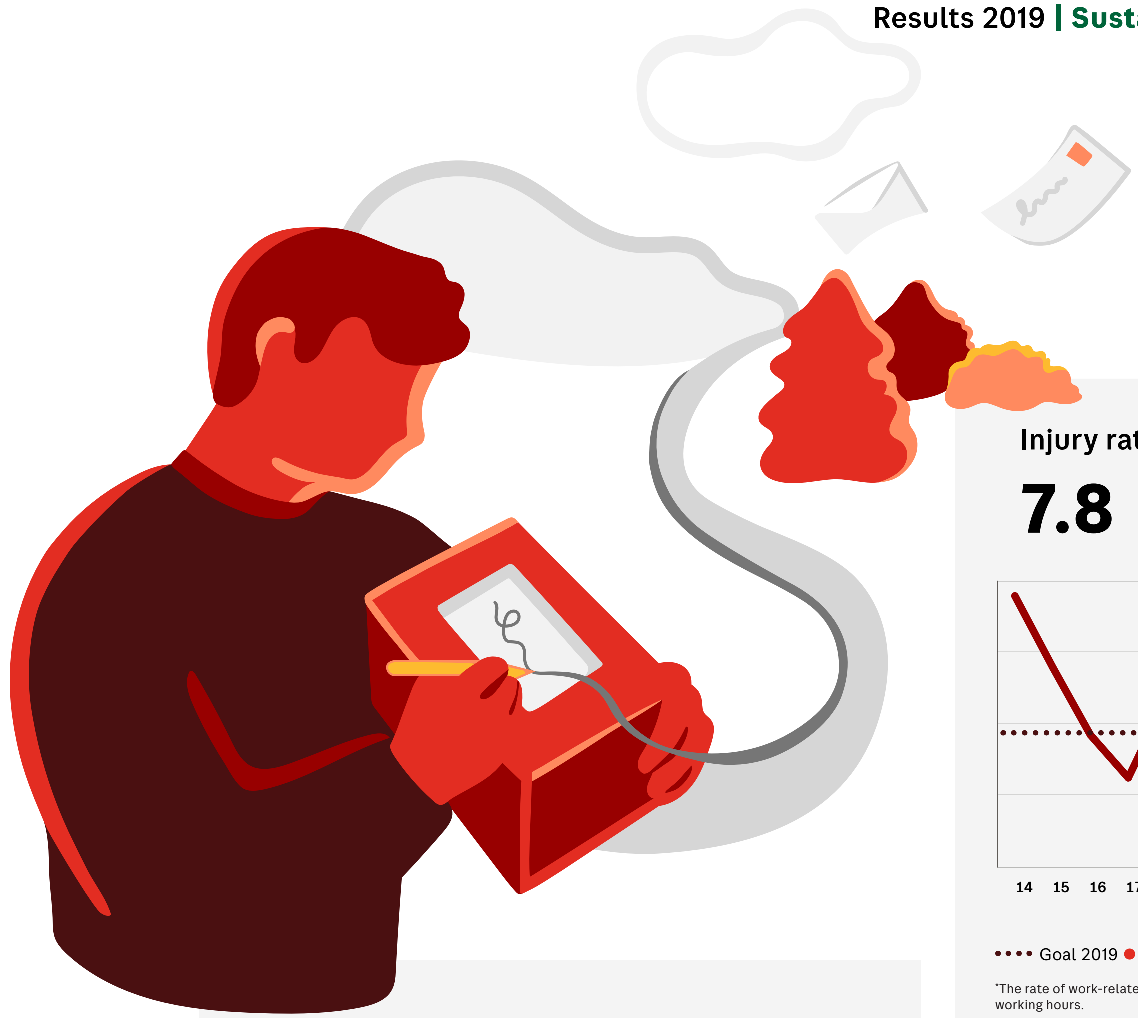
5.9%



The reduction in sickness absence means that approximately

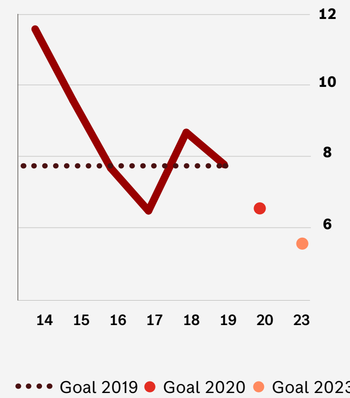
440 more employees are at work every day

compared to the 2006 level of sickness absence



Injury rate

7.8



'The rate of work-related injuries per million working hours.

... this means that the injury rate

has fallen by 33%

since 2014

Emission-free delivery of letters and small parcels in

49 cities and towns

in Norway

The share of female managers in the Group is

27%

Engaged and competent employees

Employees are our most important resource, which is why "committed and competent employees" is one of our main goals. **Engaged** points to employees having ownership of their work tasks and results, and a desire to be involved in and develop the business. Commitment is also an expression of happiness - it should be fun at work. **Competent** underlines that we must have the right competence. This will be achieved by developing existing competence and attracting that which we need today and in the future.

Here you will find the results of our work in 2019. In the fact booklet "Sustainability in Posten" (attachment) you will find detailed information about guidelines, responsibilities and detailed tables.

This goal affects these stakeholders:

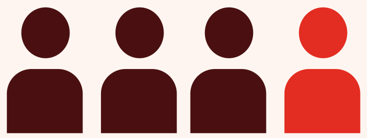
- Employees
- Business customers
- Private customers and local communities
- Owner and public authorities
- Investors and banks

Our stakeholders believe we can influence through these areas:

- Attractive and evolving workplace
- Diversity
- Health, safety and environment
- Working conditions in the supply chain

Posten has a clear focus on competence and well-being. There is great opportunity for self-development. Working as a manager at Posten is a positive challenge.

Nighat Yasmeen Ali



3 out of 4 are happy

at work

We started work on developing a joint development programme for all the Group's

750 managers

called

Manager Talent

Attractive and evolving workplace

Posten and Bring are committed to influencing employees' well-being, development, benefits, salaries and other factors that make the company an attractive place to work. Creating an attractive workplace and maintaining a good work culture is always on the agenda for the Group's managers. Our recruitment and development of our employees can be linked to the UN Sustainable Development goal 8 "Decent work and economic growth", sub-goal 8.8.

Employees are the Group's most important resource, and "engaged and competent employees" is one of the Group's four main objectives.

Every day, all employees and managers in the Group contribute to creating an attractive and evolving workplace. This is created when meeting one another, customers, partners, and through the media's coverage of our business. An attractive and evolving workplace attracts the most engaged and competent people. If we are to succeed in achieving our goals and strategies, we depend on our employees who are the Group's most important resource. We are committed to developing our existing employees and attracting the competence we need today and in the future

The Group regularly implements measures to upgrade its employees' competence and ability to change. This is primarily achieved through dialogue between employees and their manager in daily work, but also through competence measures such as courses, subject-specific competence programs and e-learning.

Here's what we've done:

New competence strategy

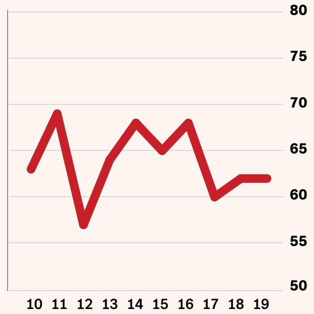
In 2019, we developed a new competency strategy. As a result, several measures were taken to ensure critical competence for various employee groups. Seven areas of competence were identified that are particularly important to work with across the Group:

- Management development
- Access to enough competent professional drivers
- Analysis and problem solving
- Lean and continuous improvement in operations
- Charter and logistics competence
- Service expertise
- Multidisciplinary and digital innovation and concept development

According to Ipsos,

62%

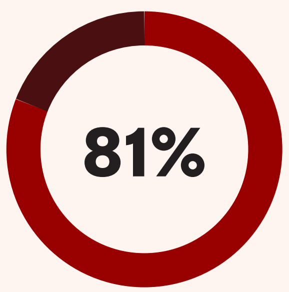
have a good impression of Posten



...while

84% of young people

have a good impression of us



are proud to work for us

Increased innovation competence
We have initiated the implementation of a new project methodology (Helix) in the organisation to drive innovation and development. Helix is tailor made for the Group, and will ensure that we work properly with the right measures. During 2019, 195 key employees attended courses to learn the method. This benefits customers in many ways, including by providing faster and better development - and ensuring that we develop what customers actually demand.

Listening to the voice of employees
Through our annual organisational survey, we map whether the workplace is perceived as attractive. The survey helps to measure well-being and workplace attractiveness. In 2019, 75 per cent answered that they like their job and would like to continue working at the company, while 81 per cent are proud to work for us.

We conduct employee interviews (PLUSS) with all employees every year. Good dialogue with employee representatives is also an important contribution to this work.

Reverse mentoring
In 2019, we tested "reverse mentoring" by Group Management. The purpose is to give experienced managers insight and understanding of the mindset of young customers and employees through sparring and dialogue with a younger employee. Through the program, the young mentors contribute new thoughts and reflections, professional input, and experiences from the organisation. The program's participants, both mentors and mentees, state that the program has been both useful and educational. The pilot period has now ended and it has been decided that the scheme will continue.

High level of trust
The Group is among the companies in Norway that receive the most media coverage. An analysis from Retriever shows a high level of media interest in Posten's business in 2019 and that in total there were more positive than negative media reports.

The Norwegian people have a high level of confidence in Posten. According to Ipso's reputation survey (Large Norwegian enterprises 2019), 62 per cent said they have a good impression of Posten, the same level as the year before. People under the age of 25 are significantly more positive to Posten than other age groups. Some 84 per cent of young people have a good impression.

It is gratifying that people have a good impression of Posten, despite major changes to the business and critical views in the debate on fewer distribution days. This indicates that people understand that reorganisation of the postal business is necessary when each household receives only three letters a week.

Innovation hub
The Group has strengthened its focus on innovation and in April 2019 we opened our own innovation hub. It aims to increase collaboration across countries and business areas, provide a good framework for development and facilitate new forms of work. At the hub, seven teams are working according to the Helix model at all times, working meetings are also arranged with suppliers and customers where we come up with new solutions together. The hub has also become a natural arena for knowledge sharing and exchange of experiences internally and externally. We were also named Norway's most innovative company by the innovation magazine "Innomag".

Learning arenas and trainee programme
We conduct systematic competence development through various courses and programmes for employees, such as e-learning programmes, basic training in the working environment, management training and retraining in connection with restructuring. The Group also offers apprenticeships and trainee programmes.

Management development
The Group is working to develop its managers through management training. In recent years, there has been a focus on developing potential and existing first-line managers to strengthen management capacity at the outermost level. In 2019, work began on developing a joint development program for all the Group's 750 managers called Manager Talent. This will increase individual and collective implementation capacity so that we increase our opportunities to realise strategies and goals. The program will be implemented during 2020 with the main emphasis on training in management skills in their own working day.

Turnover
The Group had an employee turnover rate of 15 per cent in 2019. Turnover among women was 3 percentage points higher than for men. Among employees in Norway, turnover was 14 per cent, while for the rest of the Group it was 21 per cent.

We are conducting continuous restructuring, and we regard this rate of turnover as being necessary to operate staffing management in line with market developments. Turnover is high, but as expected during these times of transition.

Our assessment and the future
Targeted efforts to develop critical competence among different target groups are put at the top of agenda through the competence strategy. We have come a long way in implementing measures within some of the critical areas of expertise. Work is now underway to put action plans in place in all areas. Openness and proactivity in our communication work, both internally and externally, will contribute to positive publicity and to the Group building trust and strengthening its reputation over time.

Diversity

Diversity is relevant throughout the Group and in all job categories. Our goal is for the gender balance among managers to mirror the gender balance in the Group as a whole, and for ethnic diversity within the Group to reflect society's ethnic diversity. We believe that diversity and inclusion pay off, both for increased innovation and better profitability.

We want to ensure good access to qualified employees by assessing all applicants regardless of gender, age or ethnicity. Our recruitment processes must be characterised by all applicants experiencing equal opportunities for employment, regardless of age, gender, sexual orientation or religious, ethnic and cultural background. We strive to have a qualified candidate of each gender in the final interview. Furthermore, gender balance is emphasized in nomination for a management programme, and we focus on making female leaders visible in internal channels.

Through the work on increased diversity and gender equality, the Group contributes to the UN's Ssustainable Development Goals 8 "Decent work and economic growth", sub-goal 8.8, and sustainable development goal 5 "gender equality".

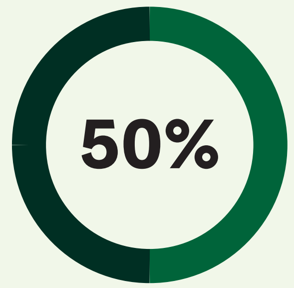
Here's what we've done:
Management focus
The Group conducts the Management Review, which is a process for systematic management evaluation and succession planning. The Management Review challenges the managers to assess diversity in their own management team and carry out succession planning with emphasis on the greatest possible degree of

The proportion of women in the Group is

31%

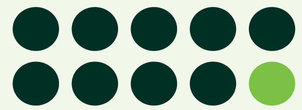
... and we have a proportion of female leaders of

27%



Group Management consists of women, including our CEO

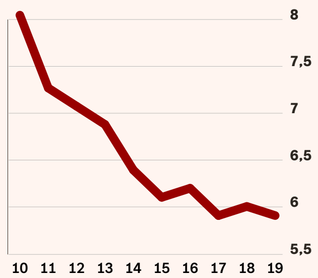
Several of the Group's employees are mentors for unemployed women with immigrant backgrounds



9 out of 10 had a positive experience

Sickness absence was

5.9%



...this means that approximately

440 more

people are at work every day

compared to the 2006 level of sickness absence

gender balance, age distribution and ethnic diversity.

We measure, report and discuss diversity in management every year. At the end of 2019, the proportion of women in the Group was 31 per cent among all permanent employees. In management, the proportion of women was 27 per cent. The share of female senior executives (levels 1-3) is now 33 per cent, and 50 per cent of Group Management are women.

The proportion of employees in the Group in Norway over 50 years is high. During the diversity work, we work to balance the age composition in management groups, and this is challenged in succession planning.

External collaboration and measurement

CEO Tone Wille joined "Nordic CEOs for a sustainable future" in 2019, where equality is one of two priority sustainability areas. In addition, the Group started external measurement through the SHE Index in order to compare the Group's actual gender balance with other companies. We came in 16th place with 79 out of 100 points.

Mentor Programme

The Group conducts a mentoring program for unemployed women with immigrant backgrounds. We want to give the women increased knowledge about Norwegian working life and a network, as well as help and support in the job search process. During the reporting year, group number five completed the programme. There were 15 mentors, all of whom are employees of the Group, and 15 mentees, who were immigrant women who want to enter the labour market. The mentors gave feedback that this was educational and rewarding, and 9 out of 10 would like to be mentors again. The mentees reported that they learned more about the Norwegian language, working life and culture.

No discrimination cases

In collaboration with Norwegian People's Aid, Posten has been a racism-free zone since 2001. The Group's whistleblowing scheme handled no cases relating to discrimination during 2019.

Our assessment and the future

Through our measurements and reports, we see that the measures and our awareness of diversity are producing results. We are satisfied with gender equality in Group Management, but we must continue to work with gender balance at all managerial levels and improve gender balance in operational positions. In addition, we must work to increase the proportion of employees with a multicultural background in both management and corporate staff. We must continue to set clear goals and develop measures to realise our ambitions in this area. Our experience is that a clearly stated intolerance for discrimination has an effect. Therefore, we must continue with measures, defined target figures and reporting on diversity and gender equality.

Health, safety and working environment

We have a goal that no one becomes sick or is injured as a result of the work in the Group. Our work on Health, Safety and Environment (HSE) can be linked to the UN sustainable development goal 8 Decent work and economic growth, sub-goal 8.8. HSE is the first topic on the agenda in all management and Board meetings, which helps to maintain awareness of the topic throughout the Group. The purpose is to ensure a good working environment for our most important resource - our employees - in the best possible way.

We facilitate a health-promoting work environment, which also helps to increase well-being and to reduce the costs associated with absenteeism and turnover. Whether employees become ill or are injured, it is important that we have the best processes to follow up. When more employees are at work we face fewer operational challenges. Productivity and quality increase, employee satisfaction improves, and we achieve major cost savings.

Here's what we've done:

Following up on sickness absence

The work on finding solutions for employees with repeated and/or long-term sick leave is important and is undertaken with close dialogue with cooperative actors such as the occupational health service and NAV. Systematic follow-up of people on sick leave contributes to predictable processes for all parties involved. For several years the Group has prioritised its efforts towards employees with the highest sickness absence and the initiatives to get them back to work. Other important instruments are the occupational health service and risk assessments. This continuous work has resulted in a continued decline in sickness absence.

96 per cent of the Group's permanent and temporary employees work in sections of the business covered by formal health and safety committees (work environment committee, tripartite collaboration etc.). 94 per cent work in the enterprise under a collective agreement.

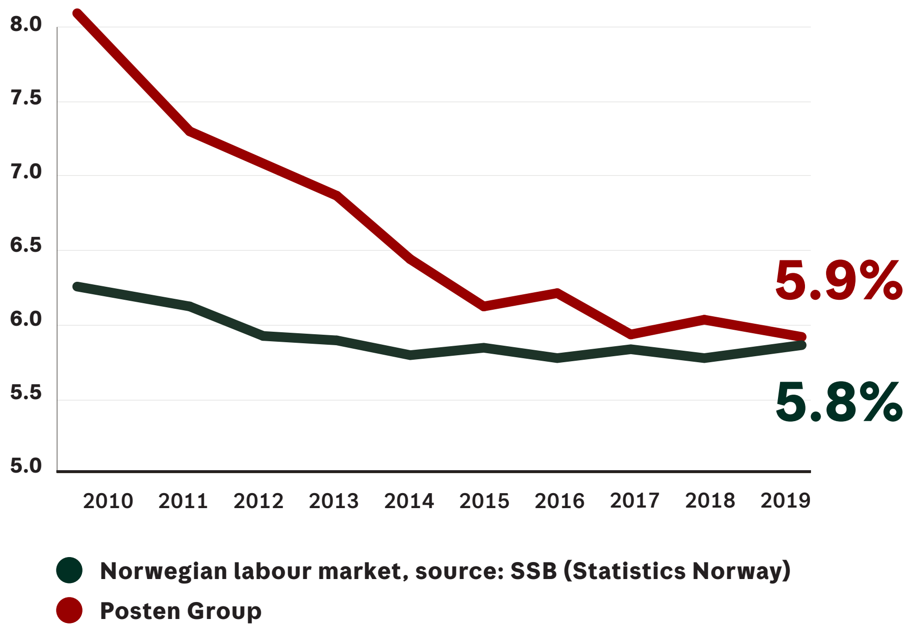
Increased focus on safety

Over time, the Group has established a number of instruments to help build a robust safety culture and prevent injuries:

- A separate common safety standard has been prepared that is used both for audits and self-evaluations.

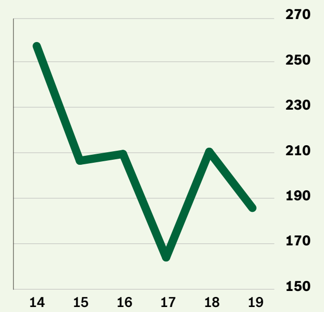
Sickness absence in the Norwegian labour market and the Posten Group

12-month trend as a percentage



Number of accidents (H2 injuries)

186



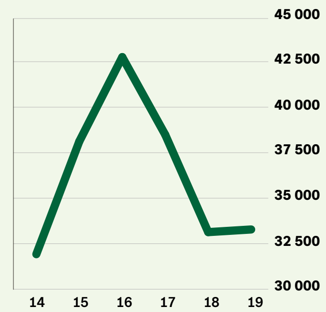
...which means there were

25 fewer

accidents than the year before

Number of near-accidents

33,273



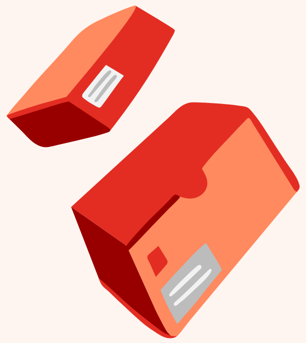
The registration of near accidents and hazardous conditions reveals risk factors while raising awareness of safety work.

We purchase various services from approximately

15,000

suppliers in

40 countries



We have a total of

6,264

suppliers providing transport services

- The employees in the operational departments must have an annual safety interview with their manager each year, with risk factors and attitude to safety rules as the topic.
- The registration of near accidents and hazardous conditions reveals risk factors while raising awareness of safety work. There are additional channels for feedback and processing complaints, both via the immediate superior and through tripartite cooperation with the notification department and the AMU. Personal injuries are recorded based on the Federation of Norwegian Industries' standard.

In 2019, we have implemented several measures to further strengthen this work. The Group carried out a comprehensive campaign to raise awareness of the safety work. In addition, all managers have received HSE training where the main focus has been on training in the use of "Best Practices" in the safety work. This helped to reverse the negative trend we had in the number of injuries in 2018.

We have also increased the number of investigations, audits and self-evaluations. The safety standard for HSE has been maintained to the same extent as before.

Testing new solutions

As part of our safety efforts, we regularly test new solutions. In 2019, digital reporting of near accidents via the app was pilot tested at selected terminals. The app should make it easier to register accidents and increase the quality of the reports submitted. Those involved in the pilot report an increase in the number of reports delivered and that employees who had not previously reported near accidents now do so. Simpler registration increases awareness of the safety work at terminals.

Our assessment and the future

The last few years have been characterised by good HSE results. The trend of sickness absence, injuries and accidents levelled off somewhat. The basic idea remains that systematic use of HSE tools and measures will produce good results. Systematic injury prevention, sickness absence follow-up and zero tolerance for discrimination have proven to be effective approaches.

Sustainable supply chains

Working with suppliers is important for the Group in several areas. We require that they operate according to the same standards that apply to our own business.

We must give our customers confidence that they have a supplier that takes responsibility and ensures that we and our suppliers meet the customer's expectations for sustainable and responsible operations. The Group's requirements for and follow-up of suppliers' working conditions can be linked to the UN Sustainable Development Goal 8 "Decent work and economic growth" and in particular sub-goal 8.8.

The Group's business model is based on a combination of its own employees and the use of suppliers. We purchase various services from approximately 15,000 suppliers in 40 countries. 6,264 of these are external transport suppliers. We work in a structured manner to ensure a responsible and sustainable supply chain.

Here's what we've done:

Screening and prioritisation of suppliers

Each year, the Group conducts an overall analysis of the suppliers to assess which suppliers have significant environmental and social impact. External transport service providers are considered to be the category with potentially significant adverse environmental impact.

Most of our suppliers are assessed in relation to social criteria. This results in a risk-based priority list of suppliers for further inspection/audit and follow-up. We also identify high-risk categories for human rights violations and other social requirements. The transport services category is our direct suppliers that are closely linked to the business and provide services on our behalf. Other categories of suppliers considered to be at high risk are electronics, office furniture and work clothes.

Suppliers' obligations

All new suppliers must accept and sign the Group's Code of Conduct for Suppliers. The code of conduct includes requirements for working conditions, human rights, wages, forced labour, freedom of organisation, etc.

For transport suppliers, which have a significant environmental impact, we require all new suppliers to sign the Group's environmental declaration.

Follow-up of suppliers

We evaluate our suppliers through background checks, self-evaluations, unannounced checks with driver interviews, check of vehicle and system audits

In 2019, 38 audits and inspections were carried out by the Group. 131 new self-evaluations were conducted during the reporting year. In addition, unannounced inspections of drivers and vehicles were carried out, as well as background checks on some suppliers.

If improvements are identified after an inspection or audit, improvement plans are prepared. In some cases, the supplier relationship has also been terminated up. Two agreements with transport service providers have been terminated in 2019 due to breach of our Code of Conduct for suppliers. This was linked to a lack of transparency and lack of documentation regarding working conditions. No agreements with transport service providers have been terminated due to breach of environmental requirements in 2019.

Our assessment and the future

The HSE and Sustainability department continuously evaluates the work, but has a formalised evaluation at year-end. The status of the work is presented to the sustainability supply chain sustainability advisory board, the HR management group and the internal control committee. The Group's management also presents the status of the work to the Board.

The Norwegian Agency for Public Management and e-Government (Difi) conducts an evaluation and benchmarking of procurement practices in state-owned companies. An important part of this is corporate social responsibility in the procurement process. The report compares our practice with similar companies and is an important source of feedback for us. The report will be completed in the first quarter of 2020. Similarly, several of our largest customers carry out audits of us. We use the results of these audits for continuous improvement of our work.

The Group has overall goals for the work on sustainability in the supply chain. In 2019, internal plans were also drawn up with targets for the number of audits and unannounced inspections to be implemented by the Group. These plans were carried out. The evaluation of the activities of 2019 shows that targets at an overall level has been met, but that there is still room for improvement.

Each division creates plans that are tailored to their own needs and based on improvement points we have identified during the review. The Group assists in the implementation of these plans. The overall objectives for the work in 2020 are:

- **Governance and good practice**: Update processes, support tools and obtain and implement enhanced vendor risk management tools.
- **Communication and training**: Reinforce training internally in processes and new tools, and complete and roll out e-learning programs. In addition, we want to create new information material for transport service providers on the Code of Conduct and communicate this.
- **Risk assessments**: Improve risk assessment frameworks.
- **Monitoring and follow-up**: Conduct self-evaluations, audits and inspections according to plan.
- **Review and improvements**: Establish multiple goals and KPIs for supplier follow-up, evaluate activities and results of the work. Make a new plan for next year based on a performance review.

Innovative and sustainable development

We have been innovating in our business for over 370 years, and we will continue to do so. Therefore, one of our main goals is "innovative and sustainable development". **Innovative** indicates that we want to be an organisation that continuously develops our current services and processes, and which uses digitalisation for simplification and increasing efficiency. We will monitor new customer needs and explore new market opportunities. **Sustainable** means that the various parts of the business must have long-term and positive value creation that does not destroy the opportunities of future generations.

Here you will find the results of our work to deliver on this main goal. In the fact booklet "Sustainability in Posten" (attachment) you will find detailed tables, guidelines and responsibilities.

This goal affects these stakeholders:

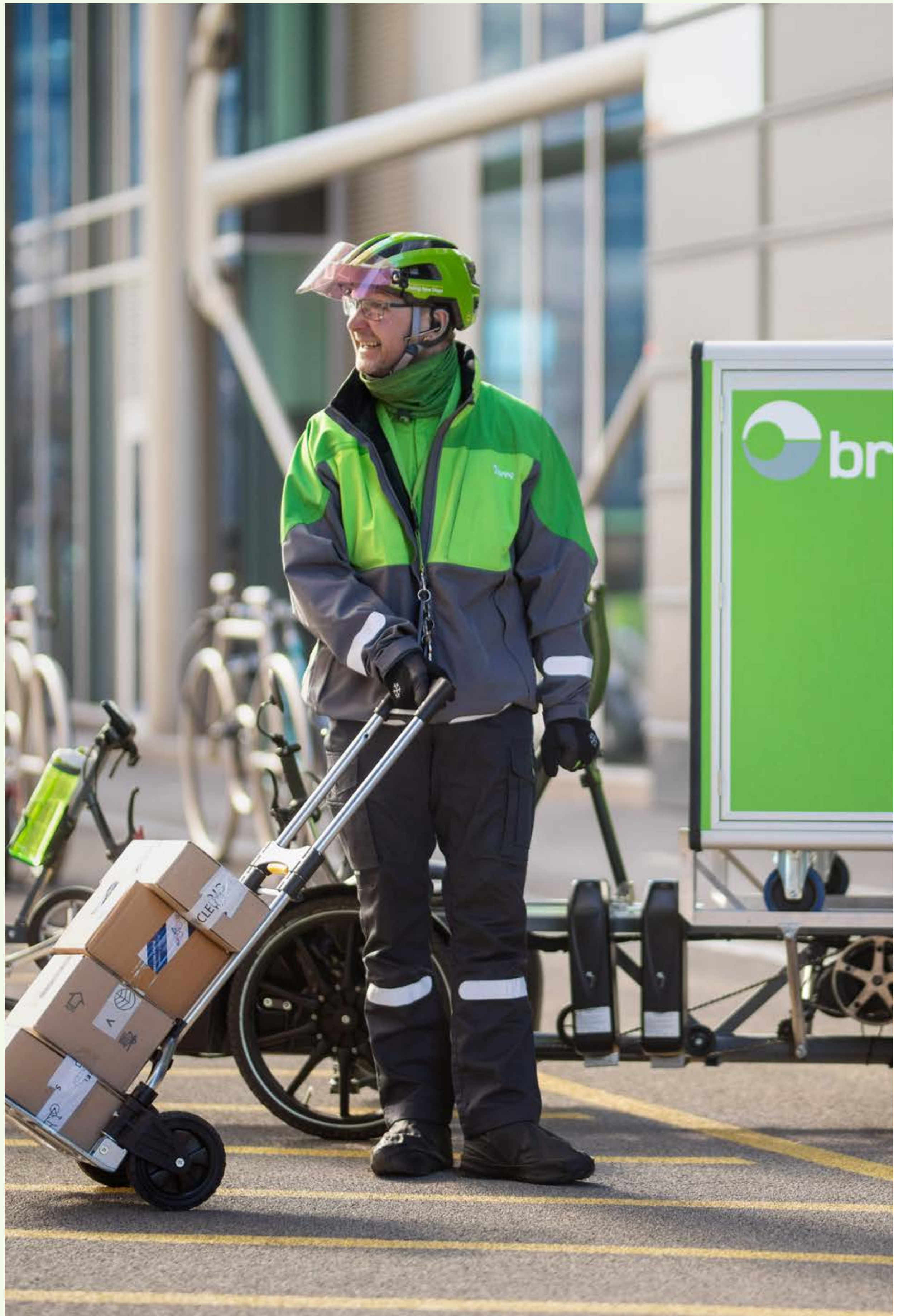
- Private customers and local communities
- Business customers
- Interest organisations
- Owner and public authorities
- Employees
- Investors and banks

Our stakeholders believe we can influence through these areas:

- Local air pollution
- Emissions-free transport and logistics
- Waste from own activities
- Innovation effects of Posten's purchasing

At Shift we are proud to have Posten as a member. Posten is at the forefront of developing climate solutions, setting high goals and reaching them ahead of time. This is inspirational.

Bjørn Kjærand Haugland, Director of Shift



In 2019, the Group had

430

heavy goods vehicles running on renewable diesel, biogas and bioethanol.

132%

compared to the previous year

Emission-free delivery of letters and small parcels in

49 cities and towns

in Norway

Emissions-free transport and logistics

Posten and Bring are significant Nordic postal and logistics players who have a strong interest in restructuring their own businesses to be better equipped for a sustainable future. This is in line with our strategy and that customers and other stakeholders are increasingly demanding sustainable transport solutions.

As a major transport and logistics player, we are part of the problem - and part of the solution. We believe that by being willing to test and demand environmentally efficient solutions and working together with partners and stakeholders we can contribute to sustainable transport solutions. This in turn will strengthen our competitiveness.

We are present throughout the Nordic region, and the scale of our business contributes to significant emissions from vehicles, and some from buildings. Our work on this can be linked to the UN Sustainable Development Goal 13 "Stopping Climate Change", for example sub-goal 13.3.

Here's what we've done:

Electric vehicles

One of our biggest climate measures is to reduce CO2 emissions. Our most important initiatives are therefore electrifying vehicles used in urban area and phasing fossil fuels for our own out heavy goods vehicles. For example in 2019, Bring in Sweden, as the only carrier, helped to develop a new electric road for trucks together with Örebro Län and Bring's customer Epiroc. An electric provides gives electric trucks with electricity while driving.

Working towards improved framework conditions

A very important prerequisite for achieving a green transition in the transport sector is a well-functioning market for renewable solutions where supply, demand and availability are satisfactory and with predictable framework conditions. The

1,569

of the vehicles we use run on renewable energy sources:

- **1,139** electric vehicles (consisting of 118 electric trolleys, 467 electric mopeds and 554 electric vehicles)
- **84** vehicles running on biogas
- **290** vehicles running on HVO
- **1** vehicle running on Bioethanol
- **55** vehicles running on RME

Emissions have been reduced by the equivalent of

209,688 tonnes of CO_2

since 2012

...which corresponds to the emissions from

83,875 cars per year

Group has therefore worked actively to improve the framework conditions so that vehicles running on electricity and biofuels become competitive compared to equivalent fossil fuel vehicles. For several years we have been a driving force in piloting new environmentally efficient solutions and in creating a market for zero emission solutions.

Increased use of renewable fuels
During 2019, we have started using 17 biogas trucks, including with support from Enova. In the reporting year, the Group had 430 heavy goods vehicles running on renewable diesel, biogas and bioethanol - 245 more than the previous year.

Fewer heavy goods vehicles on the roads
We are among Norway's largest users of trains, and have increased this usage more than other logistics players. In 2019 Bring in Sweden replaced vehicles with trains on the routes between Nässjö to Umeå and Luleå.

More stringent environmental requirements for subcontractors
A large part of the Group's emissions come from our subcontractors. We set environmental requirements for our transport suppliers on a dedicated reporting form that is monitored through audits and controls. The requirements were revised in 2019 with the amendment that vehicles under 3,500 kg must be younger than five years.

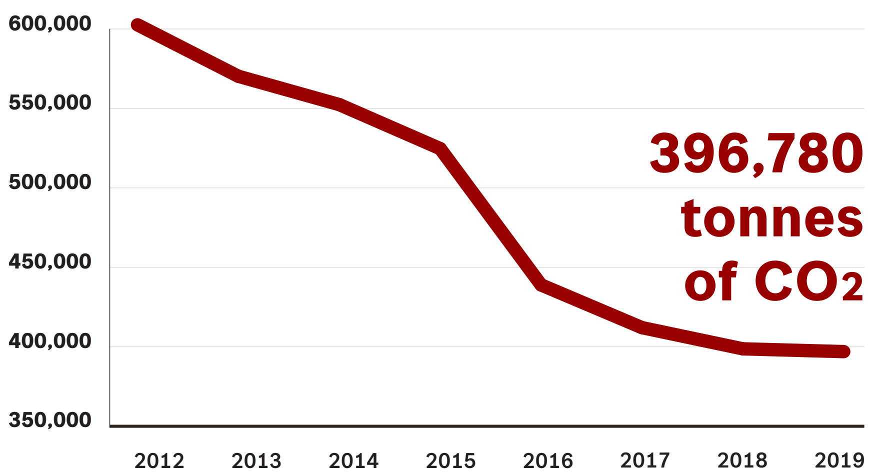
As a major purchaser, the Group sets environmental requirements on its suppliers in all purchasing stages, from pre-qualification to contract follow-up.

Climate-efficient buildings
Our energy consumption in 2019 was 133 GWh, a reduction of 3 GWh from the previous year. We focus on increasing the use of renewable energy and have established solar panels at several of our terminals.

Our assessment and the future

In 2019, the Group continued the positive trend in reducing its carbon footprint. We are very pleased that we continue to reduce our emissions after many years of systematic work to reduce our footprint. In total, emissions have been reduced by 209,688 tonnes of CO_2 since the base year 2012. This corresponds to the emissions of 83,875 cars per year.

Emissions over time*



* Emissions are converted into tonnes of CO_2 equivalents

To further reduce this, we rely on technological development that makes it possible to replace heavy goods vehicles with those running on renewable energy sources. The Group has prepared action plans, based on today's knowledge of technological development, for how many fossil-fuelled vehicles can be replaced with renewable energy sources. These shall be reviewed annually.

Local pollution

Our business involves significant local air pollution, including particulate matter, SOx[1] and NOx[2]. Particulate matter comes from, for example, exhaust emissions and road wear, and in several Norwegian cities and towns, the levels are higher than the health authorities recommend in their air quality criteria. We have therefore set ourselves the ambitious environmental goal of using only renewable energy sources in our vehicles and buildings by 2025.

The Group has come a long way with electrification of the vehicle fleet and probably has Norway's largest, consisting of more than 1,569 electric vehicles comprising: Our work on this can be linked to the UN Sustainable Development Goal 11 "Sustainable Cities and Society", goal 11.6 on air quality.

Here's what we've done:

Electrification of vehicles
In recent years, we have expanded our focus on zero emission vehicles, and were one of the first operators to use large electric vans to transport goods to businesses in urban centres. By grouping our zero emission solutions in the cities, letters and small parcels are distributed free of emissions in 49 cities.

Collaboration on emission-free package delivery
In 2019, we established emission-free business parcel delivery in Oslo and Malmö. Among other things, this is made possible by the "Elskede By" scheme which was first established in Stockholm. This is a cross-industry collaboration aimed at reducing emissions and the number of vehicles. The same environmentally efficient vehicles that carry packages into the centre take out waste. In Oslo, this means that 22 fossil-fuelled vehicles have been replaced by electric vans, electric Paxsters and electric goods bikes. This reduces the annual consumption of diesel by 42,000 litres, which results in a reduction of 105 tonnes of CO_2 per year. This corresponds to emissions from 42 cars. We are now working to achieve the same in other major cities in Norway, Sweden and Denmark.

New tyres
The Group has a significant car fleet and a high consumption of car tyres. Car tyre wear is by far the largest source of microplastics in Norway, and accounts for approximately 50% of annual emissions. Half of this is captured by road cleaning, while the rest ends up in the sea via rivers and waterways. To limit tyre wear, we have changed to tyre suppliers that offer tyres that have less wear due to the tyre pattern. This also produces the added effect of lower fuel consumption due to less rolling resistance.

Plan for the phasing out of vehicles
In total, 97 per cent of our self-owned vehicles have EURO VI technology. EURO VI is the latest Euro class for engines that reduce NOx and particulate emissions (PM[3]). In the future, the Group will work to replace all vehicles with modern engine technology based on EURO-VI or later.

High replacement rates provide a new and modern vehicle fleet and this

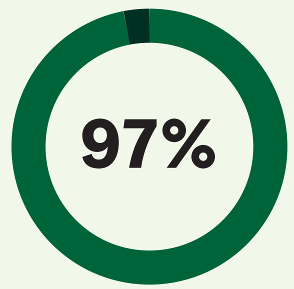
"Elskede by"

was established in 2019 Malmö and Oslo, in addition to it already being in operation in Stockholm.

In Oslo, 22 fossil-fuelled vehicles have been replaced with electric vans, electric Paxsters and electric goods bikes.

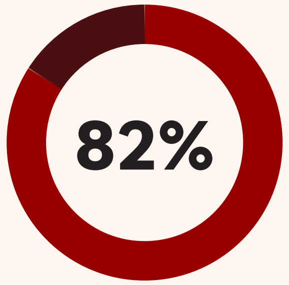
In Oslo, this results in an annual reduction of

105 tonnes of CO_2



of self-owned vehicles have EURO VI technology

[1] SOx: sulphur dioxide. [2] NOx: nitrogen oxides, [3] PM: Particulate matter.



of the Group's waste is sorted at source

takes place based on technology and cost information. Furthermore, in 2019 separate action plans have been drawn up for how many vehicles the Group believes it is realistic to replace by 2025 based on knowledge of today's technological development and cost information. In this connection, it has been decided that the environmental ambition will be retained, and that sub goals shall be drawn up for emissions-free urban logistics. The Group will continuously assess environmental requirements for transport suppliers in line with technological developments and follow up on selected suppliers.

Investment in a cleantech company
In order for the Group to reach its goal of electrifying the vehicle fleet we use in cities, we are dependent on access to electric vehicles with sufficient range and load capacity. For several years we have therefore been a driving force in testing and piloting new environmentally efficient solutions and in establishing a market for zero emission solutions. In 2019, the Group invested in the Swedish cleantech company Inzile. The company produces electric vans that are tailor-made for local distribution. So far we have ordered five vans.

Our assessment and the future

The municipalities, the city's inhabitants and our corporate customers are increasingly concerned with reducing the climate footprint, local pollution and managing the world's resources in a more sustainable way. In the future it will be important to deliver good zero emission solutions to meet stakeholder requirements and to adapt to meet new trends.

We are proud of the measures we have implemented to reduce local pollution and to move towards more sustainable urban distribution in 2019, for example through Elskede By and investment in cleantech. We will take these experiences with us in 2020 in establishing goals for the number of cities with distribution of both letters and parcels using renewable energy sources by 2023.

Waste from own activities

The Group produces waste of various types and in different quantities at all locations we are represented. The waste mainly arises from the handling of incoming goods and packages. In addition, waste arises directly through own activity at terminals, canteens, distribution points and in our office buildings.

By sorting at source and sorting according to the principles that apply in each municipality, we help to recycle a large part of the waste produced. Our work on this can be linked to the UN Sustainable Development Goal 13 "Stopping Climate Change", sub-goal 13.3.

Here's what we've done:

Energy and waste follow-up system
We use a follow-up system for energy and waste. The system collects figures from our waste suppliers which record all waste delivered by our units.

Environmental certification
The Group is a member of Grønt Punkt, which contributes to a more resource-efficient and sustainable society, and the Nordic Swan Purchasing Club for more sustainable purchases and we are part of the Eco-Lighthouse certification scheme.

The number of Eco-Lighthouse certified units decreased from 43 in 2018 to 36 units in 2019; reasons for this include the merging of units. However, the degree of sorting at source for the reporting year is high, the Group sorted over 82.4 per cent of 10,588 tonnes of waste. 46 per cent of the waste is wrapping and wood.

Our assessment and the future

The fact that several of the Group's units are Eco-Lighthouse certified ensures a focus on sorting at source. As part of the Eco-Lighthouse certification, each unit shall prepare its own waste plan and facilitate the sorting of waste at sources in office landscapes and production premises. Each unit must prepare an annual environmental report that also includes waste. We are satisfied with a stable, high degree of sorting at source.

The figures are reported by our waste suppliers and entered into our system for follow-up for waste and energy, and are part of the climate accounts that are followed up annually. The Group has a stable, high degree of waste separation at source. No specific figures have been set for the degree of sorting at source, but in recent years there has been a positive trend.

Innovation effects of Posten's purchasing

The Group's size and range of services mean that we have a significant level of annual purchasing. This has financial, environmental and social impact. Purchasing in the Group is pervasive in our value chain, as it involves the suppliers, affects operations and ultimately our customers. The Group's focus on and contribution to innovation and technological development through purchasing can be linked, inter alia, to the UN Sustainable Development Goal 9 "Innovation and infrastructure", sub-goal 9.4.

Through a regular dialogue with suppliers, we have the opportunity to identify development projects that affect our requirements in the next procurement round. In other cases, the Group collaborates with suppliers in the development and piloting of new products. Group Purchasing will first be involved if the product is to be commercialised (if applicable) and the Group shall a greater quantity through a tender in the free market.

Here's what we've done:

Testing of electric vans
Group Purchasing, through category management, regularly meets with contract suppliers where we discuss opportunities and developments. For 2019, this applies, for example, to the introduction of the electric van EV80 from the Chinese manufacturer Maxus, which we were the first to test in the Nordic region. This helps to develop the supplier market for electric vans and introduce a cheaper and better challenger in the European market. The electric van made it possible for the Group to switch to environmentally friendly delivery of business parcels in the centre of Oslo.

Competition for HVO purchases
An indirect purpose is to work toward a supplier market that is best adapted to meet the Group's needs such as for example the Group's goal of having emissions-free vehicles. Here it is important that the market is large enough to secure this. By having a tender for the purchase of Hydrotreated Vegetable Oil (HVO), we have contributed to greater competition in this market.

Our assessment and the future

It is not a stated goal to increase innovation effects through purchasing in the Group today, but it is a goal to ensure that the clients' needs are covered in the best possible way. Through dialogue with the supplier market, the buyers become aware of any new developments in the market. This provides insight into opportunities where we can contribute to innovation in services and solutions.

Satisfied and loyal customers

For us, the customer and their needs always come first. This is why “satisfied and loyal customers” is one of our main goals. **Satisfied** customers guide the development of our service offer and service level, and is an important benchmark in relation to the market. **Loyal** customers are good ambassadors who can help strengthen our reputation. Over time, this creates predictability and the basis for profitable growth.

In this section you will find the results of our efforts to achieve this main goal. In the fact booklet “Sustainability in Posten” (attachment) you will find detailed tables, guidelines and responsibilities.

This goal affects these stakeholders:

- Private customers and local communities
- Business customers
- Owner and public authorities
- Employees
- Interest organisations

Our stakeholders believe we can influence through these areas:

- Simpler everyday life for customers
- Threat monitoring and preparedness
- Information security
- Threat monitoring and preparedness

Our collaboration with Posten has increased the proportion of recycled capsules by making submission easy and accessible to everyone throughout Norway.

Gro Flisnes, Local Brand Communication Manager at Nespresso in Norway

Almost

1,000

new distribution points have been established in the Nordic region in 2019

Norwegian customer barometer

+58

places from last year

We went from 119th place in 2018 to 61st place in 2019

Making life simpler for customers and recipients

One of the Group's most important goals is that customers experience our services as simple and efficient. That's why our vision is built around this: “We make everyday life easier and the world smaller”. We work on this throughout our value chain, and actively use new technology and new solutions that can help achieve the goal. The Group's work can be linked to the UN Sustainable Development Goal 9 “Innovation and Infrastructure”, sub-goal 9.4.

Recipient experience of simplicity then affects the sender's customer satisfaction with us as a supplier. We are constantly working to give the recipient more choices, flexibility, greater predictability and precision.

Here's what we've done:

More accessible services

In 2019, our distribution network in Norway, Sweden and Denmark was expanded with a total of almost a thousand new distribution sites. This helps to significantly increase distribution capacity. In addition, we have tested and launched a number of services that will make everyday life simpler for our customers.

- **“Fixed delivery point at home”** - for mail that doesn't fit in the mailbox. To meet the recipient's wish and need for a simple and flexible delivery point at home.
- **“Send from your own mailbox”** was expanded. It now includes mailings that er franked with regular postage stamps, as well as digital stamps. This gives households in Norway greater flexibility when sending from their own mailbox.
- **Testing of parcel delivery machines** for letters and parcels in Oslo and Bergen
- **"Business parcel express overnight"** is getting faster and provides more precise delivery in many places in Norway.
- **“Parcel to neighbour”** launched in Denmark: We have tested a nationwide network of parcel stores for private individuals.
- **“Post in Shops”** in Sweden: Established own delivery network to offer even more seamless delivery to our Swedish customers.

Our assessment and the future

Our work on this is regularly evaluated using the Group's measurement tools for customer satisfaction (KTI and NPS). In addition, the Group has a number of goals (KPIs) on quality that also register different aspects related to the topic. We are getting more and more feedback from our own digital channels such as "MyBring", Posten's app in Norway and "Mina Paket" in Sweden. The feedback is used for continuous improvement and prioritisation. In Denmark, we have used "Trust Pilot" and systematically answered and evaluated measures on feedback we have received. The results from the surveys are followed up continuously in management meetings as well as "strategic reviews" and "business reviews".

Our wide range of measurement tools gives us a good picture of how customers experience our services and how we meet their needs. The results show that we have reached our goals in 2019. Minor deviations provide a basis for follow-up and measures where necessary.

Helix, which, among other things, leads to increased interaction across the organisation, helps to shorten the time from idea to implementation.

Adjustments are made to measures and resource allocation on an ongoing basis within the framework of "Business Reviews" and "Strategic Reviews", as well as in the ordinary management process.

Threat monitoring and preparedness

Security and preparedness are important in every aspect of our business. Implemented measures ensure our employees against violence and threats, while at the same time being able to safeguard our customers' and the company's values in a safe manner. Our goal is to have as low crime numbers as possible, particularly those which affect customers and employees. The Group's work can be linked, inter alia, to the UN Sustainable Development Goal 8, Decent Work and Economic Growth, sub-goal 8.8.

As part of the Norwegian Civil Preparedness System (SBS), the Group will also ensure a level of security and emergency preparedness that ensures a proper postal service in crises and wars. We handle large and attractive values for our customers. In addition to the Group's important social function, this exposes us to both crime and terror.

Here's what we've done:

Collaboration

We have a close collaboration with police, suppliers, authorities and the security environment nationally and internationally with regard to crime developments and security measures. This is to ensure a proper level of security and preparedness that safeguards employees, customers and values. This also meets our obligations in the Norwegian Civil Preparedness System.

New routines for emergency preparedness exercises

Security and emergency preparedness measures are implemented based on risk assessments. This enables us to preserve the values of our customers and the company, and the safety of our employees. A well-established level of security and preparedness enables us to take care of our social obligations and ensures a good and stable operation. During the reporting year, the Group has introduced new procedures for emergency preparedness, which will make it easier to carry out exercises and places increased demands on frequency.

In 2019, a stable, good level of security and preparedness has been reported, crime against the Group was moderate, and there have been no serious crisis incidents.

Our assessment and the future

The established reporting system provides a good picture of the situation, and the basis for follow-up where this seems necessary. Specific follow-up indicators have been established in 2019. Work on risk assessments will be strengthened. The same applies to security training, exercises and follow-up.

Information security

The purpose of information security is to support and secure the operation of the business. It will also contribute to trust and safeguard our reputation for customers and and business partners by preventing, detecting and effective handling of information security incidents. Customers, partners and employees should feel that the Group processes their personal data with sufficient security. Our work can be linked, inter alia, to the UN Sustainable Development Goal 8, Decent Work and Economic Growth, sub-goal 8.8.

The threat that the Group faces, due to both external and internal influence, is constantly changing. New technology gives us the opportunity to work smarter and more effectively. At the same time, we see how this can provide more complex value chains and increased surfaces for attacks against our information processing.

Here's what we've done:

Secure supply chains

The focus on information security is increasing, both technically and organisationally. The Group has increased its focus on securing our supply chains so that everyone who processes information in or on behalf of the Group does so with a sufficient level of security. We require information security for all procurement and this requirement is included in agreements. During the contract period, we follow up the security work of our main IT suppliers in the form of risk assessment, vulnerability tests and safety reviews. There are dedicated security coordinators at our ICT operations provider EVRY and at our suppliers who carry out operations and management of our business-critical IT applications.

Focus on risk management

In order to understand the risk picture and work systematically with risk-mitigating security measures, risk management must cover each business process, IT system and employees who process business critical or confidential information. Consequently, we have had an increased focus on risk management in the business during the reporting year. This work has provided a good basis for reporting a correct risk picture to Group Management and highlighting that the security work has resulted in a reduced risk of cyber attacks (external threat).

New security solutions

Cyber attacks are becoming increasingly sophisticated and targeted, and may have characteristics that traditional security solutions cannot detect or handle. The most serious threats exploit vulnerability across multiple attack surfaces and hit where we process our most critical information. New security solutions are able to handle this threat more effectively.

In 2019, a 24/7 Security Operation Center (SOC) was established and integrated with our Incident Response Team (IRT) and their processes. This makes us able to analyse and respond to advanced attacks better than what is possible with traditional security solutions.

Employee training

All employees handling information on behalf of the Group pose a potential risk for intentionally or unintentionally causing information security incidents. In a period with a high degree of restructuring and reorganisation, transfer of competence is particularly important.

Social manipulation is increasingly being used as a technique to try to gain access to our information and IT systems. We therefore place great emphasis on awareness-raising activities on information security, compliance with our information security requirements and limiting the use of access with extended rights. During the reporting year, awareness-raising activities were conducted for employees in the form of e-learning in the field of information security. Four e-learning courses were sent to 4776 employees, of which about 60 per cent completed the courses.

Reported violations

Identified vulnerabilities and actual information security breaches are handled through the Group's Incident Management Process. This also includes procedures for handling breaches of personal data security.

For 2019, we can report the following on a total number of justified complaints received about customer privacy violations:

- The Group has received eight complaints from customers or third parties and these have been confirmed by us. We have not received any complaints from the Data Protection Authorities.
- In total, 12 cases have been identified where the customer's personal data has been lost or exposed to unauthorized. These were handled in accordance with current laws and regulations.

This is on a par with what one would expect given the threat picture in today's digital society.

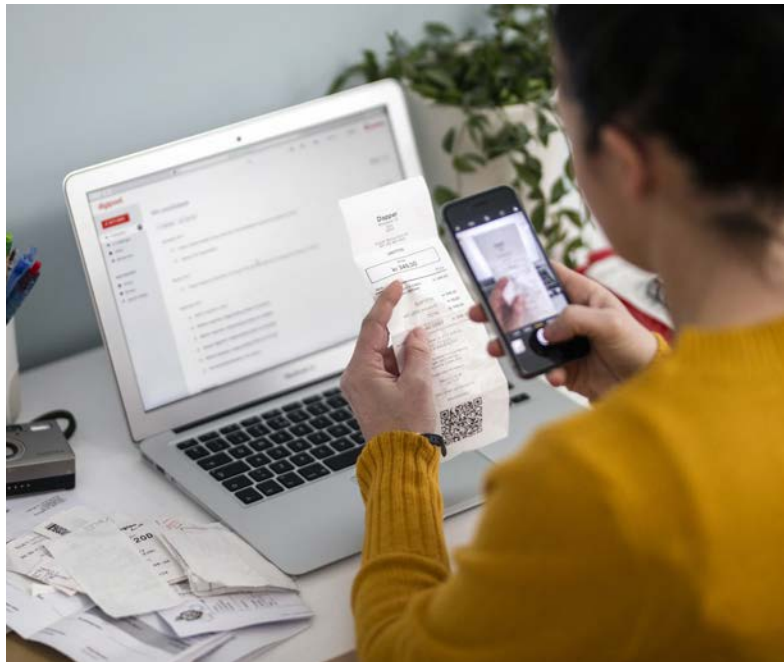
New plans and routines

The Group's IT operations provider has established an IT continuity plan that meets the most stringent response requirements and which is regularly tested. The Group has also established an IT crisis management Team which has annual exercises. In addition, continuity plans have been established for our business-critical applications.

Our assessment and the future

Over the past year, we have worked systematically with several measures to reduce the likelihood of information security breaches and to reduce the consequences if such breaches should occur. Our ability to detect information security breaches is based on comprehensive monitoring and secure configurations in our IT infrastructure.

In monthly meetings, security coordinators at our main IT vendors have provided the status on their work in information security. Updated risk assessments and the status of the follow-up of security measures are the basis for this reporting. The result of benchmarking has made it possible to see increased maturity within the Group's work on information security management system. We have achieved our current goals and are in a positive development phase, which we are very pleased with.



Cost-effectiveness and profitable growth

If we are to deliver on the performance requirements which are set, we must continue to develop and adapt to changing customer needs. This is precisely why "Cost-effectiveness and profitable growth" is one of our main goals. **Cost-effectiveness** means that all parts of the Group must focus on cost developments in order to ensure a competitive and sustainable cost level, which must provide a platform for profitable growth. **Profitable growth** is created by volume and scale - at the right price.

In this section you will find the results of our efforts to achieve this main goal. In the fact booklet "Sustainability in Posten" (attachment) you will find detailed tables, guidelines and responsibilities.

This goal affects these stakeholders:

- Business customers
- Owner and public authorities
- Investors and banks
- Interest organisations

Our stakeholders believe we can influence through these areas:

- Driving force for sustainable framework conditions
- Anti-corruption and competition considerations

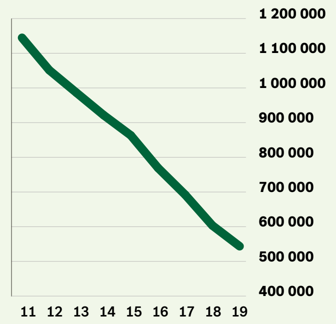
It is expected that the company's resources are managed and organised efficiently and so that they promote the achievement of the company's goals and support the company's strategy.

White Paper 8 Direct government ownership of companies - Sustainable value creation (2019-2020) p. 10

Photo: Kai Jensen / NTB scanpix

Letters

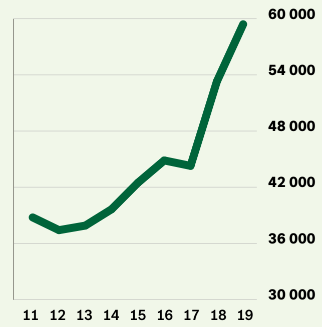
542,793



Total letter volume, addressed mail. Figures in thousands.

Parcels

59,945



Figures in thousands.

Driving force for sustainable framework conditions

Digitisation in society is leading to changing customer needs and an increasing fall in letter volumes that create challenges, but also new opportunities for the Group. The work on sustainable framework conditions is particularly important for the Group's Norwegian mail operations, but also of importance for the logistics business, both in Norway and abroad. There are financial and strategic risks associated with the framework conditions that are not suited to changed customer needs and the competition situation. The Group's focuses on and contributes to innovation and technological development by being a driving force for sustainable framework conditions. This can, among other things, be linked to the UN Sustainable Development Goal 9 "Innovation and Infrastructure", sub-goal 9.4.

We set clear ethical requirements for suppliers and work actively to ensure that these are met. The company is also involved in regulatory development both nationally and internationally, partly through industry organisations.

Efforts are also being made to ensure good and equal competitive terms for the logistics business. The Group must express its opinion in a credible and constructive manner on matters to do with regulatory and other factors that directly affect our activities so we can fulfil our role as a socially responsible company and statutory provider of postal services in the Norwegian mail and logistics market. It is particularly important to create an understanding of the need for restructuring and adaptation of the services offered within the mail segment.

Here's what we've done:

Cooperation with other actors

The Group works to make the framework conditions that are necessary visible by having a dialogue with different stakeholders. This includes authorities, suppliers, interest groups and the business community. This is done in connection

Nordic CEOs

“Nordic CEOs for a sustainable future” was established in 2018.

The companies here represent a total turnover of more than 110 billion Euros and directly employ over 290,000 people. Operating in over 120 countries and serving hundreds of millions of people.

The Alliance has a particular focus on climate change, diversity and inclusion in working life.

SKIFT

A business-driven climate initiative. Comprises climate leaders in business.

Its objective is to lead the way to show the business opportunities are available in the transition to the low emission society.

An updated Code of Conduct was distributed by post to all employees of the Group, in all countries. It was distributed in

4 relevant languages

with individual cases (e.g. biofuel taxes and changes in the Postal Act) or in a larger context where several players in the business community work together to make framework conditions visible (Shift and Nordic CEO's).

Mail delivery every other day
In 2019, the Norwegian parliament passed amendments to the Postal Act that allow the Group to move to mail delivery every other weekday from July 2020. This is a necessary, but in the long term insufficient measure to ensure financial sustainability and avoid a sharp increase in Norwegian State's purchase of unprofitable statutory postal services. Therefore, in 2020, the Ministry of Transport and Communications will carry out investigations on future service levels in order to provide the best possible basis knowledge for further adjustments to the postal service. We will contribute to this work.

Equal competitive terms
The Group is a transport-intensive business, and the development of an efficient transport system is of great importance. A special topic in recent years has been the need for better enforcement of transport legislation, so that serious players, such as Posten and Bring, also have equal competitive conditions in practice.

Our assessment and the future

Issues that are important to the Group's framework conditions, both nationally and internationally, are evaluated on an ongoing basis, including how the issues are to be handled and which arenas and channels should be used in the influence work.

We are pleased that new framework conditions for the postal business are in place, so that in a declining postal market we can continue the necessary restructuring of the business and adapt to new user needs. We are in the process of shaping the delivery network of the future in Norway and the Nordic region. We will co-produce and coordinate letters, parcels and goods in a joint network in Norway.

New services are being tested and launched to give the customer greater freedom of choice and an simpler everyday life. Goods that people shop for online, can be delivered to their home - outside or inside the door, or picked up at an increasing number of parcel delivery locations.

When the distribution of mail every other day comes into force in July 2020, parcels will still be delivered every weekday in large parts of Norway.

To meet growth and offer attractive solutions to Nordic online stores, we continue to expand capacity and networks in both Sweden and Denmark. We are expanding to around 8,000 delivery locations and full coverage in the Nordic region.

Anti-corruption and competition considerations

The Group has an explicit and clear stance on anti-corruption and anti-competitive practices. The Group has zero tolerance of corruption and distances itself completely from all conduct that may violate any anti-corruption legislation.

The Group is relentlessly focused on maintaining a high standard of integrity. The Group demands that the same standard be followed by its subcontractors and partners. High integrity standards internally and externally help raise the bar for our entire industry, thereby contributing to good relationships with key partners. Inadequate compliance with integrity standards, including violation of applicable anti-corruption and competition legislation, could cause significant reputational damage and have financial implications. Managers and other key personnel receive information and training on the integrity standard to ensure a high level of competence internally within the organisation. They are central to the communication of the requirements that will apply in the Group.

The Group has clear guidelines on marketing conduct. These govern the Group's conduct as an independent player in all market-related decisions that could affect competition, and having it shall avoid abusing its position in those markets in which the Group could be deemed to have a dominant position.

Our goal is to prevent and uncover any violations of applicable anti-corruption and competition legislation. This requires the Group to have robust procedures for handling cases where there is alleged violation of said legislation.

Here's what we've done:

Code of Conduct: Updates and courses
The Group's Code of Con- duct was revised in 2019, in particular on anti-corruption, to update and clarify applicable requirements.

An updated Code of Conduct was distributed by post to all employees of the Group, in all countries, in spring 2019. It was distributed in four relevant languages. Information was provided about the updates on the Group's intranet, as well as through various forums. In December 2019, a comprehensive e-learning session was conducted on key themes in the Code of Conduct, such as anti-corruption, conflicts of interest and whistleblowing. The target group was all Group employees who use PCs on a daily basis.

The recipients were selected based on a specific risk assessment. More than 5,400 individuals received the e-learning course, consisting of nine lessons. 59 per cent of the lessons received were completed. Some of the lessons were also dilemma-based. At the corporate staff level, the completion rate was 75 per cent. Efforts are being made to increase the implementation rate.

In the updated Code of Conduct and in the extension of the e-learning programme for its implementation, there is a significant focus on whistleblowing. With this, the whistle-blowing scheme is further highlighted to all Group employees.

Procedures for mapping and handling actual and potential conflicts of interest have been an important focus area throughout 2019.

Whistleblowing scheme better known
The whistleblowing scheme is of central importance for prevention and clarification in relation to the two topics addressed here - anti-corruption and anti-competitive practices. The whistleblowing scheme will give priority to any notifications related to potential violations of anti-corruption and competition legislation.

This group-wide scheme was established in 2008 and applies regardless of the country and company with which employees are associated. It is not set up to allow third-party employees to raise concerns through this channel, but reports that are received from elsewhere are handled according to the scheme's guidelines in so far as these are appropriate.

If anyone experiences, discovers or suspects questionable conditions, they are encouraged to notify their immediate supervisor. Where this is not possible or feels too difficult, all employees of the Group may contact the whistleblowing scheme. It is possible to make an anonymous report.

In the event of a specific suspected violation of anti-corruption legislation, the employee is obliged to inform the whistleblowing system. This is expressly stated in the Code of Conduct and the e-learning programme.

Managers have a special responsibility to lead by example and to create a culture where employees can share their dilemmas and dare to report any breaches or unacceptable conduct they become aware of. The Group has appointed resource persons in all parts of the business, who can assist the central whistleblowing scheme when needed in individual cases, but also in the general implementation of the whistleblowing scheme as an organ with which the Group's employees are familiar. These will also assist in the general implementation of the integrity standard on anti-corruption and anti-competitive practices.

The scheme is readily accessible to all of the Group's employees and can be contacted by e-mail, phone or post. Procedures have been put in place to ensure proper follow-up with regard to both the whistleblower and the matter or person that is the subject of the disclosure. An important part of these procedures is ensuring that the whistleblower will not be subject to retribution following disclosure.

Surveys show that the whistleblowing scheme is well known in the Group. The increasing number of notifications received in recent years also indicates that the whistleblowing scheme is well known.

The Group's risk-based approach
As part of the process for assessing the risk of violation of anti-corruption legislation, in 2019, as in previous years, an anonymous survey was carried out. It dealt with the topics of corruption, anti-competitive practices and privacy. The survey was sent to 538 individuals, of whom 80 per cent (428 individuals) completed the survey. The respondent group consisted of Group management, level 3 managers in the Group, Corporate Staff employees, as well as some other employees who were considered particularly relevant in light of the above-mentioned topics.

In its anti-corruption work during 2019, the Group has focused on parts of the business where the risk of violating the legislation is considered to be higher. In particular, procurement functions are considered high-risk areas. We occasionally have assignments involving transportation in countries where corruption is widespread, which in itself could pose a risk. The Group is aware of this risk and has concentrated efforts on providing guidelines and training to this part of the business. Throughout 2019, raising awareness in these parts of the business has followed the initiatives that have taken place for the Group in general.

The basis for the overall risk assessment relating to compliance with integrity-related topics also includes the experiences and observations of the Group's legal advisors through ongoing consultancy, general and specific training, as well as other contact with the Group's units and suppliers. The result of the risk assessment related to corruption and other topics pertaining to the integrity standard is included in the Group's overall risk analysis, which is presented to the Board in June and December each year. There were no confirmed corruption incidents in 2019.

Integrity programme developed
The Group has an integrity programme to help strengthen the Group's ethical standard and understanding of integrity-related matters, including anti-corruption. Various tools to help ensure that managers and employees of the Group can actively take ownership of, and comply with, applicable requirements have been prepared and further work on these will be carried out during 2020. The integrity programme is based on the Group's Code of Conduct, which was adopted in 2019. All new employees receive the Code of Conduct when they join the Group.

Surveys confirmed that knowledge of the Code of Conduct is good, also before the new mailing to all employees in 2019.

New corporate action rule
In addition, a new corporate anti-corruption rule was developed in 2019. Governing documentation has been prepared and will continue to be developed through 2020, in collaboration with PwC. In 2020, the Group's integrity handbook will be updated, including the possible incorporation of conflict-of-interest themes in the current anti-corruption corporate action rule. The updated governing documentation has been extensively communicated to all executive vice presidents. Throughout 2019, Group management has had a strong focus on the changes made in the governing documentation, including how this has been communicated to employees. The Group's partners must undertake to comply with the Group's Code of Conduct for Suppliers, which stipulates, among other things, that corruption is not acceptable and that suppliers should actively combat all forms of corruption.

In 2019, group training has also been conducted on the themes of gifts and entertaining. Throughout 2020, work will continue on specific training measures adapted to relevant groups, in light of the further documentation updates.

Integrity Due Diligence questionnaires
An Integrity Due Diligence assessment should, as a rule, be carried out upon the acquisition of enterprises, the establishment of joint ventures and the conclusion of new agreements with partners in countries or industries where there might conceivably be a risk of violation of the Group's integrity standard. Detailed lists of questions have been prepared in 2019 to implement such IDDs, tailored to each process.

Updated guidelines on anti-competitive practices
In 2019, we carried out an update and further development of the guidelines on anti-competitive practices, which together constitute a comprehensive set of guidelines. These will be rolled out in the business in the first quarter of 2020. Some of the updated guidelines have already been communicated to some relevant employees.

The corporate action rule for competition law was also updated and communicated in 2019.

Our assessment and the future

The Group regularly assesses whether work on these issues is effective enough, including whether the guidelines are clear and whether they are sufficiently well-known within the Group. This assessment is carried out annually, together with the annual risk assessment, and includes measures such as an electronic employee survey.

The focus on the Code of Conduct, including the distribution of this to all employees, as well as e-learning in key areas such as anti-corruption, conflicts of interest and whistleblowing, in recent years are considered to have reduced the risk of violating the Code.

Training will be further intensified and tailored to the risk profile of the relevant part of the business. In this regard, an updated overall risk assessment will be prepared during 2020 in which the Group's various businesses are assessed against specific risks. An updated risk assessment will incorporate the risk-based approach that has already been used for each part of the business.

The work on these two relevant issues is carried out in collaboration with the law firms PwC and BAHR, as leading experts in these fields.

The Group was not subjected to any fines or sanctions for non-compliance with competition legislation during 2019. We have no confirmed corruption incidents or imposed sanctions.

03

Financials

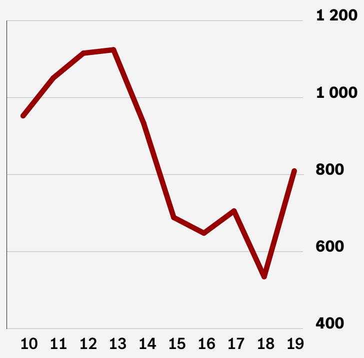
It's about evolving in line with the customer's needs

Adjusted operating profit has increased by

52%

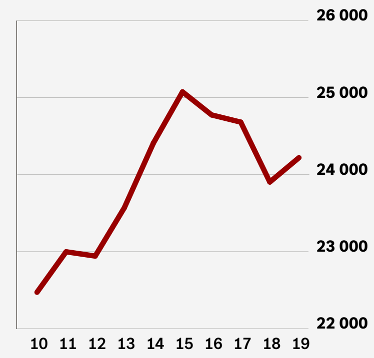
Adjusted operating profit

MNOK 808



Sales revenues

MNOK 24,212

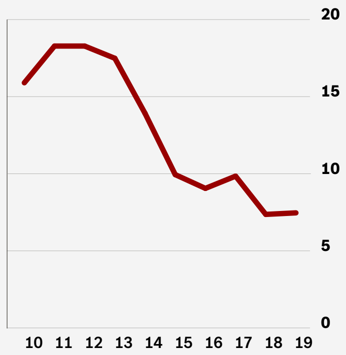


Sales revenues have increased by

1.3%

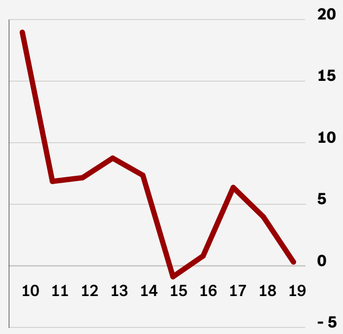
Return on invested capital (ROIC)

7.4%



Return on equity after tax (ROE)

0.2%



Corporate Governance

Each year the Board of Posten Norge AS (Posten) submits a report on compliance with the "Norwegian Code of Practice for Corporate Governance" (Code of Practice).

An account of how the Code of Practice has been fol- lowed up in Posten is provided in sections 1-15 below. This includes details of how the principles have been met, the reason for any deviations, if applicable, and how Posten rectified any deviations from the recommendations. The report below complies with the structure of the Code of Practice.

The Norwegian State is the company's sole owner. As a result of this, Posten's corporate governance deviates from section 6 of the Code of Practice on general meetings, section 7 on nomination committees and section 14 on takeovers.

Responsibility for managing the Norwegian State's ownership lies with the Ministry of Trade, Industry and Fisheries. The Board must also provide information on corporate governance in accordance with section 3-3b of the Accounting Act. Section 16 contains a summary of where the information required by section 3-3b of the Accounting Act can be found.

Section 1 Implementation of and reporting on corporate governance

The Board believes it is important to establish and further develop a high standard for corporate governance, equivalent to Norwegian standards for best practice, including the Code of Practice, see nues.no.

Posten is a limited company wholly owned by the Norwegian state. The Group's corporate governance is based on and in accordance with Norwegian law and the Norwegian State's ownership policy in force at any given time.

Good corporate governance is a prerequisite for a profitable and vigorous company. The Board of Posten believes there is a clear link between good corporate governance and creating value for the company's owner.

Section 2 Operations

Section 3 of Posten's articles of association describes the company's operations. There it is stated that the company shall run postal and logistic operations on a commercial basis, as well as other activities directly related thereto. Section 3 of the company's articles of association further states that the company shall be a provider that can meet the society's need for nationwide postal services. The full text of the articles of association is available on postennorge.no.

Posten's statutory postal services are described in the Postal Service Act and Posten's licence granted by the Ministry of Transport and Communications. The current licence is valid from 1 January 2018 and until it is succeeded by agreements or decisions concerning statutory postal services pursuant to section 6 of the Postal Service Act.

The Board establishes goals, strategies and the risk profile, both on a group-wide level and for each segment. These support the Group's goals. Goals and strategies are set based on regular assessments and processes (at least once per year) that are intended to ensure that the Group has a well-founded and operational strategy at all times. Goals, strategies and risk profiles are decided based on these evaluations and processes. See also Section 10 Risk management and internal control.

Through its operations, Posten is a prominent social actor, which entails a special responsibility for how the company's activities are performed.

The Group's shared core values create an important foundation for the business and the Board's work with regard to employees and the external environment, such as customers, suppliers and business partners. The shared values are: "Take responsibility", "Work as a team" and "Aim for more". In addition to this platform of shared values, ethical guidelines and management principles have been established.

Posten believes it is important to take responsibility for how its activities impact people, the environment and society. This is achieved by reducing the impact of its activities on the external environment, as well as by developing the Group as an attractive workplace with a diverse and inclusive working environment. In the opinion of the Board, fulfilling its social responsibilities contributes to Posten's good reputation and positive development. Attitudes towards corporate social responsibility are described in the Board of Directors' Report and in the Group's sustainability report, in accordance with section 3-3c of the Accounting Act. The documents are available on the Group's website postennorge.no.

Posten's activities are labour-intensive. In total, the Group employs around 14,000 full-time equivalents. Health, Safety and the Environment (HSE) is therefore a high priority within corporate social responsibility work. The company's aim is to ensure that nobody is injured or becomes sick as a result of working in or for the Group. Continuous and targeted work is being carried out on preventive and health-promoting measures.

Ethical guidelines have been developed that are included in the Group's integrity programme. The aim of the integrity programme is to increase awareness and knowledge about how to handle typical ethical dilemmas. This will help to ensure that the Group always takes human rights, anti-corruption, working conditions, HSE, discrimination and environmental conditions into consideration. The Group's work with integrity is further described in the sustainability report.

As well as ensuring that Posten runs profitably on commercial terms, the Group must fulfil its delivery obligation, meet its owner's required rate of return and adapt its activities to the structural changes that take place in the market. This also means that the client must pay for the required unprofitable services.

Within this framework Posten has developed over the past decade into an industrial group that operates in the mail and logistics business areas with the Nordic region as its home market. The markets in which the Group operates are characterised by fierce competition and major techn- ological and structural changes. These changes present Posten with significant challenges with regard to adapting to new customer requirements, competitiveness, market position and profitability.

The following fundamental principles form the basis for the development of the Group:

- Posten shall develop strong, profitable and sustainable market positions within the areas in which the Group operates.
- Posten shall ensure a satisfactory return on all investments and competitive value development over time.
- Posten shall provide services to meet its universal service obligations.
- Posten's business shall be customer-oriented, meet customers' requirements efficiently, and be available where customers are.
- Posten shall have a balanced portfolio of activities that strengthens its capacity to serve customers' needs.
- Posten shall be a trusted third party for customers.
- Posten shall ensure a unified culture and shared values, which also provide room for diversity.
- Posten shall work to extract cost benefits through efficiency measures, coordinating the value chain, industrialisation and continuously improving proces- ses, as well as transparent and integrated business management.
- Posten shall work actively to reduce the company's impact on the external environment.
- Posten shall develop good, attractive workplaces.

Continuous improvement is an important common denominator in the development of the Group. This entails continuously working on product and services portfolios, structures, processes and systems, to increase overall customer value and reduce the use of resources.

Section 3 Equity and dividends

Capital structure

The Group's equity at 31.12.2019 was NOK 6,363 million, which gives an equity ratio of 32%. The decline in addressed mail volumes has increased recently, and has had a major impact on the company's cash flow and profit. It must be expected that the negative trend in mail volumes will continue, which poses a major risk to the Group's future cash flow and profit. In order to ensure the Group's financial freedom, it is necessary to have a satisfactory equity ratio and sufficient liquid assets. The Group's capital structure, including equity, is considered satisfactory and necessary with regard to the Group's ability to implement its goals and strategies within an acceptable risk profile.

Dividends

Posten's general meeting is not bound by the Board's proposal for the distribution of dividends, ref. section 20-4 (4) of the Companies Act, and the company is thus subject to the Norwegian state's dividend policy in force at any given time. The Norwegian State has a dividend policy whereby 50 per cent of the Group's profit after tax can be distributed as dividends. However, before the annual dividend is deter- mined an independent assessment of the Group's equity and liquidity must be carried out to ensure a prudent dividend level based on the risks associated with, and the scope of, the Group's operations.

Section 4 Equal treatment of shareholders and transactions with related parties

All shares in Posten are owned by the Norwegian State. Due to Norwegian State-ownership, the Code of Practice's recommendation concerning share issues is not deemed relevant to Posten.

Information regarding transactions with related parties is provided in the annual report, see note 24.

Section 5 Shares and negotiability

All shares are owned by the Norwegian State.

Due to state ownership, the Board does not regard this section of the Code of Practice as relevant to Posten.

Section 6 General meeting

The Norwegian State, through the Minister of Trade and Industry, is the company's general meeting.

In accordance with section 8 of the company's articles of association, the ordinary general meeting must be held by the end of June each year.

Posten deviates from the Code of Practice in this section because section 20-5 (1) of the Limited Liability Companies Act states that the Ministry of Trade, Industry and Fisheries is responsible for sending notification of both ordinary and extraordinary general meetings and for deciding the method of notification.

The Board, chief executive, company auditor and the Office of the Auditor General are invited to the general meeting.

Section 7 Nomination committee

The Norwegian State is the sole shareholder and the company therefore has no nomination committee. The shareholder-appointed board members are nominated by the Ministry of Trade, Industry and Fisheries and are elected by the general meeting in accordance with section 20-4 (1) of the Limited Liability Companies Act. Posten deviates from this section of the Code of Practice.

Four members of the Board are chosen by and from the Group's employees in Norway. A group-wide process exists for the election of employee representatives to the Board of Posten. This means that any employees in the Norwegian part of the Group can be elected, and all have voting rights.

Section 8 Board of Directors, composition and independence

Composition of the Board of Directors

As the sole shareholder, the Norwegian state designates and selects all the shareholder-appointed Board members, including the Chair of the Board. There are currently six shareholder-appointed board members. There are no deputies for the shareholders' representatives on the Board.

By virtue of a collective agreement the employees have the right to elect up to four members of the Board.

Board members are elected for terms of two years at a time.

The Board members' backgrounds are described in the annual report and on the Group's website.

During 2019, two of the shareholder-appointed board members were replaced by new ones. This means that in 2019 the Board consisted of six shareholder-appointed board members (three men and three women) and four employee-elected board members (three men and one woman).

Independence of the Board of Directors

The Board acts as a collegial body and not as individual representatives of various interest groups. The Board of Directors assesses the independence of its members on a continuous basis. As at 31 December 2019, all of the shareholder-appointed board members were deemed to be independent board members, since they were not considered to have commercial, family or other relationships that could be deemed to affect their evaluations or decisions as board members of Posten.

Section 9 The work of the Board of Directors

The Board's duties

The Board is responsible for the overall management of the Group and supervises the Group's activities in general.

This overall responsibility is described in detail in the adopted instructions for the Board of Directors and in the Board's plan for its own work. Both of these documents are revised on an annual basis.

The guidelines for the chief executive's work form part of the Board instructions.

Together these documents clarify the tasks and responsibilities of the Board and the chief executive, including which matters shall, can and should be handled by the Board. This also includes the limits of the chief executive's authority. Matters that typically appear on the agenda of the Board on a regular basis are the preparation and implementation of the Group's strategies, the processing and approval of quarterly and annual reports, monthly performance reports, HSE issues, investments and related follow-up work, evaluation of the Group's risks and internal control as well as HR and organisational issues.

The Board's responsibility for reviewing and reporting risk management and internal control is described in more detail under section 10.

Posten's ethical guidelines do not allow Board members or employees to participate in or attempt to influence decisions when special circumstances exist that may weaken confidence in their independence. Anyone who becomes aware of potential conflicts of interest must immediately report this to their immediate superior.

The Board's work and its meetings are led by the Board Chair and are based on presentations by the chief executive. The company expects these presentations to provide a sound and satisfactory basis for consideration. The Board has appointed a Vice-chair of the Board who functions as the chair if the Chair of the Board cannot or ought not lead the work of the Board.

The Board held seven board meetings in 2019.

The Board conducts an annual evaluation of its work and its competence. The Board is also evaluated by the company's owner.

The Board's audit committee

The Board has established an audit committee which is subject to a separate mandate. The audit committee consists of two shareholder-appointed Board members. The audit committee meets at least five times a year. The audit committee shall operate as a case preparation body for the Board and support the Board in carrying out its responsibility for financial reporting, risk management, internal control and external auditing. The committee's main duties are: to prepare the Board's follow-up work on reporting processes for the financial accounts (including ongoing contact with the company's external auditor regarding the audit of the annual financial statements), to supervise the systems for internal control and risk management and to supervise the work and independence of the external auditor.

The audit committee held 6 meetings in 2019. The external auditor is present for all relevant points on the agenda in meetings of the audit committees.

The Board of Directors' remuneration committee

A remuneration committee has been established which is subject to a separate mandate. In 2019 the remuneration committee comprised the Chair of the Board and three Board members, of which one Board member was an employee representative. The remuneration committee holds regular meetings throughout the year. The committee prepares and recommends proposals to the Board related to remuneration of the chief executive. The committee otherwise contributes to the thorough and independent handling of remuneration issues for executive management.

The remuneration committee held three meetings in 2019.

Section 10 Risk management and internal control

The Board ensures that the company has good internal controls and appropriate systems for risk management, and monitors these regularly. The Board emphasizes the importance of a good and efficient control environment in addition to good control processes. This work is based on the company's articles of association, the Board instructions, and other internal governing documents, as well as general laws and clear recommendations based on best practices.

The Group's governing documents establish how the management and control of the Group shall be carried out. The documents set out group-wide requirements with regard to conduct in important areas and processes, including how the Group will ensure the consideration of the outside world in value creation.

Risk management and internal control must be integrated into the Group's processes. Managers on all levels are responsible for ensuring that risk management and good internal control systems are established within their respective areas, that these have the necessary effect, and that they are automated to the extent this is considered expedient.

An internal control committee has been established to ensure adequate and effective internal control of specified risk areas. The internal control committee is responsible for ensuring the progress of, and deliveries related to, the centrally mandated internal control reviews, and is responsible for reporting these to the chief executive, the audit committee and the Board. Annual internal control reviews are conducted of priority areas. The reviews result in proposals concerning specific measures aimed at improving internal control. The implementation of proposed measures is the responsibility of line management.

Each year an overall assessment of the Group's risk is conducted. This risk assessment is based on strategies, business plans and targets. The process is based on COSO's framework for risk management. The aim is to evaluate risks affecting strategy, finance, operations and reputation, as well as risks associated with information security. The results of this process are consolidated to form an assessment of the main risks to which the Group is exposed. An annual assessment of the willingness and capacity to assume risk is also conducted, which is described in the Group's risk assessment. Risk is managed partly through operational management, partly through preventive measures from central control functions, and partly through independent, external supervision. The annual risk assessment is followed up with actions and recommendations in order to manage and control the individual risk factors and avoid events that can adversely affect the Group's operations and reputation.

Posten's consolidated financial statements are presented in accordance with the applicable IFRS regulations. The Group's reporting process for the financial accounts is described in the Group's governing documents, which include procedures and rules for monthly, quarterly and annual reporting. The Group's accounting policies are described in more detail in the Group's accounting manual. The reporting and consolidation of financial accounting information is carried out in a common reporting system. The Group utilises a common Group account plan and the Group accounts department makes use of both built-in system controls and manual controls to ensure complete and consistent accounting information. The consolidation of accounting information takes place at multiple levels within the Group. Subsidiaries are responsible for their Group/Company accounts being reported in accordance with the Group's policies and routines.

The Group has established an advisory investment committee which handles all cases that entail investment and sales, in accordance with specified authorisation limits.

A common set of ethical guidelines applies to all of the Group's employees. This is continually being promoted. This is a part of the Group's integrity programme, which shall help to ensure a high and precise ethical standard with regard to anti-corruption, competitive practices, social dumping and the handling of information. The Group's suppliers and partners must sign the Group's "Ethical standards for suppliers" when contracts are signed and thereby commit themselves to living up to the same ethical standards. In addition to this, systematic risk assessments are conducted of suppliers and checks/audits carried out. Openness is a significant element in the company's general risk management and internal control. Openness is especially important for the prevention and rectification of non-compliance. All employees and business partners are therefore encouraged to report any censurable or illegal conditions as soon as possible. This is a part of the individual's responsibility.

A whistle-blowing system has been established to ensure reports are properly received and followed up. The corporate unit for misconduct shall ensure that the reports are not met with negative reactions or sanctions. The Board's audit committee reviews the report from the Group's corporate unit for misconduct every six months. The audit committee informs the Board to the extent deemed necessary.

Section 11 Remuneration of the Board of Directors

The board members' fees are set at the general meeting each year. Remuneration is not dependent on results and none of the shareholder-appointed board members has share options, a pension scheme or agreement on salary after leaving his/her position in the company. Details of the remuneration for board members in 2019 are presented in note 2 of the annual financial statements.

Section 12 Remuneration of executive management

The Board has prepared a statement concerning the determination of salaries and other benefits for the chief executive and other members of executive management. This statement is prepared in accordance with section 7 of the articles of association and builds upon the principles in the Government's guidelines for Norwegian State-ownership on this subject. The statement consists of two parts. Part one concerns the management remuneration policy that has been conducted in the preceding fiscal year, while part two contains guidelines for determining management salaries for the coming fiscal year.

The statement shall be presented to the ordinary general meeting.

The Board considers incentive systems to be an important tool for focusing management on increasing company profitability in line with the owner's interests. It is against this background that a bonus scheme for individuals in key positions has been established. Payment under these schemes will be covered by the company's operations.

Information about total remuneration and the Board's statement concerning the determination of salaries and other benefits for executives is included in note 2 of the annual financial statements.

Section 13 Information and communications

The Group follows an open communications strategy to support the business strategies, goals and values. Good communication shall contribute to a good reputation, strong brands, satisfied customers and proud employees. Guidelines for a code of conduct have been established to ensure that Posten acts professionally and uniformly in its communications.

Financial information is reported quarterly at stipulated times as set out on the company's website in accordance with the Oslo Stock Exchange's information requirements. The Board also emphasises the importance of good communication with the company's owner outside the general meeting.

Section 14 Take-overs

Posten deviates from this section of the Code of Practice. Posten Norge is a limited liability company wholly-owned by the Norwegian state, and the Board therefore deems this section of the Code of Practice not to be relevant.

Section 15 Auditor

Posten has an independent external auditor selected by the general meeting on the recommendation of the Board.

The auditor takes part in Board meetings that handle the annual financial statements in order to improve the Board's basis for making decisions. In the same or a separate meeting, the auditor presents the audit and gives its view of the Group's accounting policies, risk areas, internal control procedures and the Group's bookkeeping. The conclusions are presented in an annual, numbered letter to the board.

The Group's policy allows the use of the auditor in naturally audit-related tasks in addition to the statutory audit.

Section 16 Requirements pursuant to section 3-3b of the Accounting Act.

The Board must provide information on corporate governance in accordance with section 3-3b of the Accounting Act. Below is an overview of where in the above report this information is provided.

1. **"details of the recommendations and rules on corporate governance which cover the enterprise or which the enterprise otherwise decides to follow":** see the report's section 1 Implementation and reporting on corporate governance.
2. **"information on where the recommendations and regulations mentioned in no. 1 are publicly available":** see the report's section 1 Implementation and reporting on corporate governance.
3. **"reasons for any non-compliance with the recommendations and rules mentioned in no. 1":** There are three instances of non-compliance described in detail in section 6 General meeting, section 7 Nomination committee, and section 14 Takeovers.
4. **«a description of the main elements in the company's, as well as the Group's if consolidated accounts are also prepared, systems for internal control and risk management related to the accounts reporting process»**: see the report's section 10 Risk management and internal control.
5. **"provisions of the articles of association which fully or partly expand or exclude provisions of chapter 5 of the Public Limited Companies Act":** see the report's section 6 General meetings.
6. **"the composition of the Board of Directors, corporate assembly, representative and control committee; if applicable any working committee for these bodies, as well as a description of the main elements in the applicable instructions and guidelines for the bodies' and, if applicable, the committees' work":** see the report's section 8 Board of Directors, composition and independence and section 9 The work of the Board of Directors.
7. **"provisions of the articles of association which regulate the appointment and replacement of Board members":** see the report's section 8 Board of Directors, composition and independence.
8. **"provisions of the articles of association and powers of attorney which give the Board the power to decide that the company shall buy back or issue shares or equity certificates"**
   Posten does not have any provisions in the articles of association or powers of attorney that give the Board the power to decide that the company shall buy back or issue shares or equity certificates. See also the report's section 3 Equity and dividends and section 4 Equal treatment of shareholders and transactions with related parties.

Financial statements and notes

Income statement

Amounts in MNOK

	Note	2019	2018
Revenue	**1**	**24 212**	**23 894**
Cost of goods and services	10 340	10 270	10 270
Payroll expenses	2	8 846	8 853
Depreciation	8,9,22	1 552	654
Write-downs of intangible assets and tangible fixed assets	8,9,22	172	158
Other operating expenses	4	2 666	3 586
Operating expenses	**23 575**	**23 522**	**23 522**
Other income and (expenses)	5	(479)	35
Share of profit or loss from associated companies	10	5	8
Operating profit	**162**	**415**	**415**
Financial income	6	398	329
Financial expenses	6	539	378
Net financial income/(expense)	**(142)**	**(49)**	**(49)**
Profit before tax	**21**	**366**	**366**
Tax expense	7	8	118
Profit for the year	**13**	**248**	**248**
Profit/(loss) attributable to controlling interests	(2)	246	246
Profit attributable to non-controlling interests	15	2	2

In line with IFRS 16 Leases, the 2018 figures have not been restated.

Statement of comprehensive income

Amounts in MNOK

	Note	2019	2018
Profit for the year	**13**	**248**	**248**
Pension remeasurement	(25)	63	63
Items that will not be reclassified to income statement	**(25)**	**63**	**63**
Hedging of net investment	21	32	32
Translation differences	(45)	(44)	(44)
Translation differences	**(23)**	**(12)**	**(12)**
Cash flow hedging	**2**		
Items that will be reclassified to income statement	**(21)**	**(11)**	**(11)**
Changes in income tax rate		(2)	(2)
Other comprehensive income/(loss)	**(47)**	**50**	**50**
Total comprehensive income/(loss)	**(34)**	**298**	**298**
Total comprehensive income/(loss) is distributed as follows:			
Controlling interests	(48)	296	296
Non-controlling interests	15	2	2

Balance sheet

Amounts in MNOK

	Note	31.12.2019	31.12.2018
ASSETS			
Intangible assets	8	1 897	2 049
Deferred tax assets	7	311	224
Tangible fixed assets	9	5 611	5 812
Right-of-use assets	22	3 821	
Investments in associated companies	10	339	404
Interest-bearing non-current receivables	12,13	56	17
Other financial non-current assets	12,19	137	223
Non-current assets	**12 171**	**8 730**	**8 730**
Inventories	9	15	15
Interest-free current receivables	12,14,19	3 731	3 671
Interest-bearing current receivables	12,13	44	42
Liquid assets	12,15	3 912	3 613
Current assets	**7 696**	**7 341**	**7 341**
Assets	**19 867**	**16 071**	**16 071**
EQUITY AND LIABILITIES			
Share capital	20	3 120	3 120
Other equity	3 177	3 330	3 330
Non-controlling interests	66	31	31
Equity	**6 363**	**6 481**	**6 481**
Provisions for liabilities	**11**	**1 178**	**1 201**
Long-term lease liabilities	12,22	3 376	
Interest-bearing non-current liabilities	12,16,19	2 220	3 015
Interest-free non-current liabilities	12,17,19	6	14
Non-current liabilities	**5 602**	**3 030**	**3 030**
Current lease liabilities	12,22	793	
Interest-bearing current liabilities	12,16,19	1 178	910
Interest-free current liabilities	11,12,17,19	4 610	4 342
Tax payable	7	142	107
Current liabilities	**6 724**	**5 359**	**5 359**
Equity and liabilities	**19 867**	**16 071**	**16 071**

In line with IFRS 16 Leases, the 2018 figures have not been restated.

26 March 2019

Andreas Enger (chair)

Anne Carine Tanum (deputy chair)

Tina Stiegler | Henrik Höjsgaard | Finn Kinserdal | Liv Fiksdahl

Odd Christian Øverland | Lars Nilsen | Ann Elisabeth Wirgeness | Tove Gravdal Rundtom

Tone Wille (CEO)

Statement of cash flows

The Group prepares the statement of cash flows according to the indirect method, i.e., cash flows from investments and financing activities are reported gross, whereas the accounting result is reconciled against net cash flows from operating activities.

Amounts in MNOK

	Note	2019	2018
Profit before tax	21	366	366
Taxes paid in the period	7	(92)	(130)
Gain from sales of non-current assets and subsidiaries	(81)	(64)	(64)
Ordinary depreciation and write-downs	8,9,22	1 724	813
Share of profit from associated companies	10	(5)	(8)
Financial items without cash effect	126	111	111
Changes in accounts receivable and payable	319	(147)	(147)
Changes in other working capital	(26)	(99)	(99)
Changes in other current accruals[1)]	309	(218)	(218)
Interest received	121	51	51
Interest paid	(268)	(76)	(76)
Cash flows from operating activities	**2 151**	**598**	**598**
Investments in non-current assets	8,9	(646)	(962)
Cash effect from repayments of previous year's investment		28	28
Cash effect from purchase of businesses	23	(7)	(3)
Cash effect from purchase of associated companies	10	(16)	
Proceeds from sale of non-current assets	9	243	81
Cash effect from sale of businesses	23	16	1
Cash effect from sale of associated companies	10	73	7
Changes in other financial non-current assets		(4)	(4)
Cash flows used in investing activities	**(339)**	**(853)**	**(853)**
Payment of lease liabilities	22	(890)	
Proceeds from borrowings	16		500
Repayment of borrowings	16	(500)	(375)
Dividend paid	20	(124)	(194)
Cash flows used in financing activities	**(1 514)**	**(69)**	**(69)**
Change in cash and cash equivalents during the year	**298**	**(324)**	**(324)**
Cash and cash equivalents at the start of the year	3 613	3 937	3 937
Cash and cash equivalents at the end of the year	**15**	**3 912**	**3 613**

In line with IFRS 16 Leases, the 2018 figures have not been restated. In the 2019 figures, effects from payment of lease liabilities have been reclassified from operating activities to financing activities pursuant to the new accounting standard IFRS 16 Leases.
1) Compared with last year, the change is mainly due to provisions for restructuring. Last year's changes were affected by a reversal of pension income without cash effect.

Statement of changes in equity

Amounts in MNOK

	Controlling interests							
	Share capital	Share premium reserve	Hedge reserve	Transl. differences	Retained earnings	Other equity	Non-contr. Interests	Total equity
Equity at 31.12.2018	**3 120**	**992**	**(3)**	**302**	**2 039**	**3 330**	**31**	**6 481**
Effect of change of principle (IFRS 16)		49	49		49	49		49
Equity at 01.01.2019	**3 120**	**992**	**(3)**	**302**	**2 088**	**3 379**	**31**	**6 530**
Profit for the year		(2)	(2)	15	13	(2)	15	13
Other comprehensive result			2	(23)	(25)	(47)		(47)
Total comprehensive result			**2**	**(23)**	**(27)**	**(48)**	**15**	**(34)**
Dividend		(124)	(124)		(124)	(124)		(124)
Addition non-controlling interests		9	9	4	13	9	4	13
Other changes in equity		(39)	(39)	17	(22)	(39)	17	(22)
Equity at 31.12.2019	**3 120**	**992**	**(1)**	**279**	**1 907**	**3 177**	**66**	**6 363**

	Controlling interests							
	Share capital	Share premium reserve	Hedge reserve	Transl. differences	Retained earnings	Other equity	Non-contr. Interests	Total equity
Equity at 01.01.2018	**3 120**	**992**	**(3)**	**314**	**1 930**	**3 233**	**22**	**6 375**
Profit for the year		246	246	2	248	246	2	248
Other comprehensive result			(1)	(12)	62	50		50
Total comprehensive result			**(1)**	**(12)**	**308**	**296**	**2**	**298**
Dividend		(194)	(194)	(4)	(198)	(194)	(4)	(198)
Addition non-controlling interests				10	10		10	10
Other changes in equity		(5)	(5)		(5)	(5)		(5)
Equity at 31.12.2018	**3 120**	**992**	**(3)**	**302**	**2 039**	**3 330**	**31**	**6 481**

Posten Norge Group

Posten Norge AS was established as a company on 1 December 1996 and is today a Norwegian-registered limited liability company with the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries as its sole shareholder. Posten Norge AS is a Nordic mail and logistics group developing and delivering overall solutions within mail, communication and logistics in the Nordics. Posten Norge AS' address is Biskop Gunnerus gate 14, 0001 Oslo, Norway.

Accounting principles

Posten Norge's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC), set by the International Accounting Standards Board and approved by the EU.

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities (including derivatives) that have been measured at fair value.

The financial statements are presented in Norwegian kroner (NOK), rounded to the nearest million, if not otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

The table below gives an overview of relevant accounting principles for the Group, with references to the applicable notes and accounting standards.

ACCOUNTING PRINCIPLES	ASSOCIATED NOTE(S)	IFRS/IAS STANDARD
1. Changes in accounting principles and disclosures		IAS 8
2. Issued and amended standards not yet effective or lacking approval by the EU		IAS 8
3. Accounting estimates	Note 3 Pensions Note 5 Other income and expenses Note 7 Taxes Note 8 Intangible assets Note 11 Provisions for liabilities Note 22 Leases	IAS 12, IAS 19, IAS 36, IAS 37, IFRS 16
4. Foreign currency translation		IAS 21
5. Consolidation principles	Note 23 Changes to group structure	IFRS 3, IFRS 10, IFRS 11, IFRS 12, IAS 28
6. Segment reporting	Note 1 Segments	IFRS 8
7. Revenue from contracts with customers	Note 1 Segments	IFRS 15
8. Pensions	Note 3 Pensions	IAS 19
9. Taxes	Note 7 Taxes	IAS 12
10. Intangible assets	Note 8 Intangible assets	IAS 38
11. Tangible fixed assets	Note 9 Tangible fixed assets	IAS 16
12. Investments in subsidiaries and associated companies	Note 10 Investments in companies and businesses	IFRS 10, IFRS 11, IFRS 12, IAS 28
13. Write-downs of non-financial assets	Note 8 Intangible assets Note 9 Tangible fixed assets Note 10 Investments in companies and businesses Note 22 Leases	IAS 36
14. Provisions for liabilities	Note 5 Other income and expenses Note 11 Provisions for liabilities	IAS 19, IAS 37
15. Contingent liabilities and assets	Note 11 Provisions for liabilities	IAS 37
16. Financial instruments	Note 6 Financial income and financial expenses Note 12 Overview of financial assets and liabilities Note 13 Interest-bearing non-current and current receivables Note 14 Interest-free current receivables Note 15 Liquid assets Note 16 Interest-bearing non-current and current liabilities Note 17 Interest-free non-current and current liabilities Note 18 Financial risk and capital management Note 19 Derivatives and hedging	IFRS 7, IFRS 9, IFRS 13, IAS 32
17. Accounts receivable	Note 14 Interest-free current receivables	IFRS 7, IFRS 9, IFRS 13, IFRS 15, IAS 32
18. Cash and cash equivalents	Note 15 Liquid assets	IFRS 7, IFRS 9, IFRS 13, IAS 7, IAS 32
19. Borrowings	Note 16 Interest-bearing non-current and current liabilities	IFRS 7, IFRS 9, IFRS 13, IAS 32
20. Equity	Statement of changes in equity Note 20 Equity	IAS 1
21. Leasing	Note 22 Leases	IFRS 16
22. Events after the reporting period	Note 25 Regulatory issues Note 26 Events after the reporting period	IAS 10

1. Changes in accounting principles and disclosures

The accounting policies applied are consistent with previous years. In addition, the Group implemented the following new and amended standards and interpretations relevant for the business published by the IASB (International Accounting Standards Board) and approved by the EU, effective from the accounting year starting on 1 January 2019.

In addition to IFRS 16 Leases described below, the Group has implemented some amended standards and interpretations. The implementation of these amended standards and interpretations has not resulted in significant changes in the consolidated financial statements.

IFRS 16 Leases

IFRS 16 Leases replaced IAS 17 Leases and associated interpretations. The standard requires that the lessee recognises lease contracts in the balance sheet, whereby the value in use of an asset and the corresponding lease liability are 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.

For the lessor, IFRS 16 is more or less a continuation of existing principles in IAS 17, and a lessor shall still classify lease agreements as either operating or financial leases.

The Group's choice of implementation method

The Group implemented IFRS from 1 January 2019 by applying the modified retrospective approach without restating comparable figures. The Group has recognised the transition effects of the standard as an adjustment of the opening balance in retained earnings. Right-of-use assets and lease obligations were mainly 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 rate 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 direct 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 information on exercised options into account
- The Group has not recognised short-term lease agreements and lease agreements concerning assets at low values where the lease payments are expensed directly.

Consequences for the financial reporting

IFRS 16 effect on the balance sheet
The implementation of IFRS 16 has resulted in an increase in total capital and a reduction in the Group's equity ratio. The implementation effects as at 1 January 2019 were as follows:

	31.12.2018	IFRS 16 effects	01.01.2019
ASSETS			
Non-current assets	8 730	4 045	12 775
Current assets	7 341	27	7 367
Assets	**16 071**	**4 071**	**20 142**
EQUITY AND LIABILITIES			
Equity	6 481	49	6 530
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**	**4 071**	**20 142**

The table below shows a reconciliation of lease obligations as at 1 January 2019:

RECONCILIATION OF FUTURE MINIMUM LEASE OF LEASE LIABILITIES	01.01.2019
Future minimum lease commitments related to non-cancellable lease agreements as at 31.12.2018[1)]	4 808
+ Adjustment of future minimum lease commitments on the implementation of IFRS 16	235
- Exception for short-term lease agreements	(119)
- Exception for assets of lower value	(19)
- Discounting by applying the marginal interest rate	(550)
Lease liabilities at the implementation date	**4 356**
Weighted average marginal interest rate	**3,4%**

1) Includes subleases as well as options whose exercise is assumed to be reasonably certain

IFRS 16 effect on the income statement
Lease payments that under IAS 17 were included in other operating expenses are pursuant to IFRS 16 classified as depreciation and finance costs. The Group's operating result before depreciation is positively affected, whereas depreciation costs and net finance items are negatively affected.

	Excl. IFRS 16*	IFRS 16 effects	Year 2019
Revenue	**24 242**	**(31)**	**24 212**
Cost of goods and services	10 501	(161)	10 340
Payroll expenses	8 846		8 846
Depreciation	645	907	1 552
Write-downs of intangible assets and tangible fixed assets	141	31	172
Other operating expenses	3 501	(835)	2 666
Operating expenses	**23 635**	**(59)**	**23 575**
Other expenses	(477)	(2)	(479)
Share of profit from associated companies	5		5
Operating profit	**136**	**27**	**162**
Net financial costs	(15)	(127)	(142)
Profit before tax	**121**	**(100)**	**21**
Tax expense	30	(22)	8
Profit after tax	**91**	**(78)**	**13**

* The income statement as if the new standard IFRS 16 had not been implemented.

IFRS 16 effect on cash flows
The accounting change means that lease payments are shown as cash flows used in financing activities on the line "Payment of lease liabilities". Before the implementation of IFRS 16, they were part of cash flows from operating activities.

	Excl. IFRS 16*	IFRS 16 effects	Year 2019
Cash flows from operating activities	1 261	890	2 151
Cash flows used in investing activities	(339)		(339)
Cash flows used in financing activities	(624)	(890)	(1 514)
Change in cash and cash equivalents during the year	**298**		**298**
Cash and cash equivalents at the beginning of the year	3 613		3 613
Cash and cash equivalents at the end of the year	**3 912**		**3 912**

* Cash flows as if the new standard IFRS 16 had not been implemented

2. Issued and amended standards not yet effective or lacking approval by the EU

The following standards and statements that are relevant for Posten Norge have been issued but have yet to take effect or lacked approval by the EU for the financial year 2019:

Amended IAS 1 related to the classification of loans as short-term or long-term debt
The change in IAS 1 Presentation of Financial Statements applies for financial statements starting after 1 January 2022. The changes do not imply significant changes compared with the Group's present implementation of IAS 1.

3. Accounting estimates

The preparation of the Group's financial statements requires management to make estimates and assumptions affecting revenues, expenses, assets and liabilities, the accompanying notes and the disclosure of contingent liabilities. Management carries out significant accounting considerations (judgments) in applying the Group's accounting policies. Material critical accounting judgments will be described. Sources of estimation uncertainty and assumptions concerning the future that represent a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

3.1 Estimated impairment of assets
Impairment exists when the carrying value of an asset or cash generating unit (see definition in section 13) exceeds its recoverable amount. Calculations of recoverable amounts require the use of estimates. There is uncertainty related to assumptions and parameters in connection with the estimation of future cash flows when evaluating impairment and the choice of discount rate in the calculation of the present value of the cash flows. These estimates are particularly relevant when assessing goodwill and other intangible assets. Details of the key assumptions used to determine the recoverable amount of a cash-generating unit, including sensitivity analyses, are provided in note 8.

3.2 Pensions
There is also uncertainty related to the estimation of pension liabilities. The present value of the pension liabilities depends on a number of factors determined by actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension liabilities.

Assumptions used in the calculation of net pension cost (income) include the discount rate. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension liabilities. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Details are given in note 3.

3.3 Provisions
In determining the fair value of provisions for restructuring expenses and other provisions, assumptions and estimates are made in relation to discount rates, the expected settlement value and settlement date. Additional information is given in note 11.

3.4 Deferred tax assets
Deferred tax assets are recognised when it is probable that the Group will have sufficient profits to utilise the tax benefit. Management's judgment is required to determine the size of the tax benefit to be utilised, based on when future taxable profits can be expected and their value, together with tax planning strategies. See note 7 for further details.

3.5 Lease agreements
In accordance with IFRS 16, the non-cancellable lease period (including the period of notice) and any options reasonably certain to be exercised are recognised in the lease liability. Several of the Group's significant lease agreements, particularly within property, include options for renewals of the agreements. The Group applies judgment in determining the lease period. See note 22 for further details.

4. Foreign currency translation

4.1 Functional currency and presentation currency
The financial statements of the individual entities in the Group are measured using the currency of the economic environment in which the entity primarily operates (functional currency). The Group's presentation currency is Norwegian kroner, which is also the parent company's functional currency.

4.2 Transactions and balance sheet items
Transactions in foreign currencies are translated into the functional currency at the exchange rate on the transaction date.

On the balance sheet date, monetary balances in foreign currencies are translated at the exchange rate applicable on the balance sheet date. Foreign exchange gains and losses resulting from the settlement and translation of monetary items are recognised as finance income and finance costs, respectively. If the currency position is considered to constitute cash flow hedges or the hedging of a net investment in a foreign business, the gain or loss is recognised in other comprehensive income.

Non-monetary items in foreign currencies measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value is determined.

4.3 Subsidiaries and associated companies
When consolidating subsidiaries and recognising investments in associate companies according to the equity method, profit or loss, assets and liabilities of subsidiaries and investments in associates are translated from functional currency to Norwegian kroner, which is the Group's presentation currency. Assets and liabilities are translated on the basis of the exchange rate on the balance sheet date. Income and expenses are translated at the average monthly exchange rate. Foreign exchange differences are recognised in other comprehensive income and specified separately in the statement of equity (ref. Statement of changes in equity). If a foreign subsidiary and associated company are sold, the accumulated translation differences related to the entity are reclassified to the income statement and included as part of gain or loss on the disposal.

5. Consolidation principles

The consolidated financial statements present the total financial result and position for the parent company Posten Norge AS and the companies over which Posten Norge AS has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements have been prepared using uniform accounting principles for similar transactions and other events, provided that the circumstances otherwise are the same. The classification of items in the income statement and balance sheet has been carried out according to uniform definitions. Intercompany transactions and balances, including internal profit and unrealised gains and losses, have been eliminated.

5.1 Subsidiaries
Companies where the Group has control (subsidiaries) are fully consolidated line by line in the consolidated financial statements. Subsidiaries are consolidated from the date on which control is achieved and deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration is measured at fair value of assets transferred, liabilities incurred, and equity interests issued. Identifiable assets, liabilities and contingent liabilities are initially recognised at fair value. The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interests held, and the identifiable assets and liabilities, is classified as goodwill in the balance sheet. Should negative goodwill arise from a business combination, the identification and measurement of identifiable assets and liabilities is reassessed. Any negative goodwill that arises following this reassessment is recognised in the income statement immediately.

When agreements are made for additional consideration (contingent consideration) in connection with the acquisition of companies, the additional consideration is measured at fair value and included in the acquisition costs at the time of acquisition. The change in value of the additional consideration is only recognised as goodwill if the change is within 12 months and is a result of new or changed facts and circumstances existing at the time of acquisition. Other changes in value of the additional consideration are recognised in the income statement. The adjustments are measured at the exchange rate on the balance sheet date or at the rate when the adjustment occurred, if this differs from the balance sheet date.

Non-controlling interests in the acquired company are measured for each purchase, either at fair value or at its share of the acquired company's net assets. The proportion of equity related to non-controlling interests is shown on a separate line in the Group's equity. For non-controlling interests, the share of the profit/loss after tax for the year is shown in the income statement and the share of other comprehensive income in total comprehensive income.

Transactions with non-controlling owners in subsidiaries that do not result in any loss of control are accounted for as equity transactions. In the event of loss of control and consequent deconsolidation of the subsidiary, any gain or loss is recognised in the income statement. Any retained investment is measured at fair value at the time of the transaction.

5.2 Associated companies
An associated company is an entity over which the Group has significant influence. Significant influence normally exists when the Group owns 20 to 50 percent of the voting capital.

Investments in associated companies are accounted for by the equity method. The investment is initially recognised at cost. For investments in associates, goodwill is included in the investment's cost. The Group's share of profit or loss in subsequent periods is recognised in the income statement as income or expenses. Dividends received reduce the investment's carrying value.

6. Segment reporting

Reporting segments are aggregated from underlying operating segments on the basis of an assessment of the risks and yields relating to the types of products or services, production processes, customer groups, distribution channels and statutory or other requirements, as well as management reporting. The division of reporting segments has been prepared in accordance with areas whose operating results are reviewed regularly by Posten's Board to enable the Board to make decisions about resources to be allocated to the segment and assess its performance. The Group defines Posten's Board as the chief operating decision maker.

The segments' accounting principles are the same as those used to prepare and present the consolidated financial statement.

7. Revenue from contracts with customers

The recognition of income shall reflect the transfer of goods or services to the customer. In all segments, revenue is recognised when a customer achieves control over goods or services and thereby can determine the use of them and receive the benefits from the goods or services.

According to the contracts applied, the Group's current delivery obligations in both segments are short-term (less than one year). Accordingly, the Group does not provide information about balance sheet items related to current deliveries.

Sales revenue is measured at the fair value of the consideration net of value added tax and discounts.

7.1 Revenue: Logistics segment
The segment's revenue is mainly generated by terminal and transport services of parcels, freight and temperature-controlled deliveries, in addition to the sale of warehouse services.
Transport services comprise national and international transport, together with express deliveries and home deliveries. Transport services can include a number of associated additional services but are mainly considered to be one delivery obligation. The services are taken to income over time, as the customer is considered to benefit from the fact that the goods are coming increasingly nearer the agreed delivery point. Most transport services are delivered within 1-7 days, and provisions are made for uncompleted transport.

Warehouse services are also provided in the segment. Warehouse services comprise several separate delivery obligations, including storage, handling and pick-up services in addition to the unloading of vehicles, sealing of pallets, installation/repair of equipment and construction of sales pallets. The distribution of transaction prices to each delivery obligation will normally be derived directly from an associated agreement. The storage of goods is recognised over time as a consequence of the fact that the customer receives the benefit for each day the goods are stored. Storage handling is, however, recognised at the time when the service is delivered, and control is considered to be transferred to the customer.

7.2 Revenue: Mail segment
The segment's revenue is generated from the sale of letter products, banking services and dialogue services.

The delivery of letter products is mainly recognised over time. However, letter services often have very short delivery time, 1-2 days, and the recognition of income is therefore normally made when the letter is delivered to the post office/in the letter box. Letter services also comprise the sale of stamps, franking and international mail. The sale of stamps is considered to be advance payment for the sale of letter products and is recognised as income when the service delivery takes place. Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption, and other postage sales are recognised when letter products are delivered. International mail comprises income from foreign postal services in accordance with ordinary terminal fee agreements. This is currently recognised on the basis of the calculation of volumes and preliminary prices and adjusted the following year when final prices are received from the International Post Cooperation.

Fees for banking services are recognised based on performed banking services.

Dialogue services, including precise target groups, addresses, outsourcing services within sales, customer service and customer-oriented marketing, are recognised at the time of the delivery of the service and control has been transferred to the customer.

In addition, Posten is paid for government procurements of commercially non-viable postal services, recognised over time (monthly) and limited to an amount equalling the current year's estimated additional expenses regarding licensing requirements.

8. Pensions

The Group has both defined contribution and defined benefit pension plans. The net pension expenses for the defined benefit pension plans comprise the pension contributions of the period, including future salary increases and the interest expense on the estimated pension liability, less the contributions from employees and estimated yield on the pension assets. For defined contribution plans, the premium less the employees' contribution is recognised as an expense when incurred.

The liability recognised in the balance sheet for the defined benefit pension plans is the present value of the defined benefit liability at the balance sheet date, less the fair value of plan assets. The gross liability is calculated by independent actuaries applying the "projected unit credit" method. When pension assets exceed pension liabilities, prepaid pensions are classified as a long-term asset in the balance sheet if it is likely that the excess value can be utilised or repaid. The recognition of pension funds is limited to the present value of all financial benefits that materialise in terms of refunds from the plan or reductions in future contributions to the plan.

Net pension expenses are classified as payroll expenses in the income statement, except the interest element, which is classified as finance income/finance expenses. The effect on previously earned rights resulting from changes in the schemes' yields is recognised immediately in the income statement. Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur and will not be reclassified to profit or loss in future periods.

9. Taxes

The tax expense comprises tax payable for the period and changes in deferred tax liabilities/assets. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax payable is calculated on the basis of the taxable income for the year. The net deferred tax liability/asset is computed on the basis of temporary differences between the carrying amount and tax values of assets and liabilities and tax losses carried forward at the end of the financial year, with the exception of:

- deferred tax liabilities arising from the initial recognition of taxable non-depreciable goodwill
- deferred tax arising from a first-time recognition of an asset or liability in a transaction that is not a business combination and which on the transaction date impacts neither the accounting profit nor taxable income (taxable loss)
- deferred tax concerning investments in subsidiaries, branches and associates where the parent company can control the time for reversing the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax increasing and tax reducing temporary differences that are reversed or can be reversed are offset against each other. Taxes are not offset across national borders. A deferred tax asset is recognised when it is probable that the company will have sufficient taxable profits to utilise the tax asset. Deferred tax liabilities and deferred tax assets that can be recognised in the balance sheet are stated at their nominal value and netted.

If authorities notify a change in the previous year's tax return, the change will normally be recognised as part of the current year's taxes.

10. Intangible assets

Intangible assets are recognised in the balance sheet if probable future economic benefits can be proven and attributed to the asset, and the cost of the asset can be reliably measured. Intangible assets are recognised in the balance sheet at their acquisition cost net of any accumulated depreciation and write-downs. Acquisition costs also include in-house payroll costs if the recognition criteria are met.

Goodwill and other intangible assets with indefinite useful lives are not amortised but assessed for impairment annually (section 13 «Write-down of non-financial assets» has a more detailed description). Intangible assets with definite lives are amortised linearly over their estimated useful economic life. Amortisations start from the date when the intangible asset is available for its intended use. Intangible assets not yet available for use are also tested for impairment.

10.1 Intangible assets: Development costs
The Group's development costs mainly relate to the development of IT systems intended for internal use. Development costs are recognised in the balance sheet if all of the following criteria are met:

- The product or process is clearly defined, and cost elements can be identified and reliably measured
- The product's technical solution has been demonstrated
- The product or process will be sold or used in the business
- It is probable that the asset will generate future economic benefits
- Adequate technical, financial and other resources are available to complete the project.

Only when all the criteria are met can the expenses relating to development work be recognised in the balance sheet. Otherwise, the costs will be expensed as incurred.

10.2 Intangible assets: Goodwill
Goodwill arises on acquisitions of businesses (described in more detail under sections 5.1 and 5.2).

11. Tangible fixed assets

Tangible fixed assets are recognised in the balance sheet at their acquisition cost net of accumulated depreciation and impairment. The acquisition cost of fixed assets includes costs directly attributable to the acquisition, construction or installation of the assets. For larger investments involving a long manufacturing period, interest is capitalised as part of the acquisition cost if directly attributable. The acquisition cost of fixed assets is broken down when the fixed asset consists of components that have different useful economic lives. Costs relating to normal maintenance and repairs are expensed when incurred. Costs relating to replacements and renewals which significantly increase the useful economic life of the fixed assets are recognised in the balance sheet.

Tangible fixed assets are depreciated down to their residual values on a straight-line basis over their estimated useful economic life. Depreciation starts from the date when the tangible fixed asset is available for its intended use. Land is not depreciated.

The assets' residual values (if any), depreciation method and useful lives are reviewed annually.

12. Investments in subsidiaries and associated companies

Subsidiaries are consolidated into Posten Norge's consolidated financial statements. Investments in associated companies are accounted for using the equity method (see section 5 «Consolidation principles»).

13. Write-downs of non-financial assets

A write-down requirement exists if the carrying amount of a valuation unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less sales costs and value in use, where value in use is the present value of estimated cash flows relating to future use. If cash flows relating to an individual asset are independent of cash flows relating to other assets, the individual asset constitutes a valuation unit. If not, a valuation unit is identified at a higher level and is called a cash-generating unit. A cash-generating unit shall be defined consistently over time. A cash-generating unit is defined as the smallest identifiable group of assets generating incoming cash flows and shall essentially be independent of incoming cash flows from other assets or groups of assets.

The Group calculates future cash flows based on estimated results (forecasts and long-term plans) over a period of three years, adjusted for depreciation, investments and changes in working capital. The extrapolation period contains an extrapolation of the cash flows after the forecast period, using a constant growth rate. The present value of future cash flows is calculated using a weighted required rate of return of total capital and is calculated before tax.

With the exception of goodwill, write-downs recognised in prior periods are reversed if new information indicates that a write-down requirement no longer exists or has been reduced. However, a write-down reversal cannot be so large as to take the asset value over the value the asset would have had if no impairment loss been recognised.

13.1 Impairment: Goodwill and other assets with indefinite useful lives

Goodwill, intangible assets with indefinite useful lives and intangible assets under development are subject to an impairment test annually, irrespective of whether there are any indications of impairment or not.

13.2 Impairment: Other assets with definite useful lives

An impairment test on other assets with definite useful lives is made when there are indications of impairment.

14. Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or actual) as a result of a past event, it is probable (more probable than not) that the liability will result in a financial settlement, and the amount can be reliably measured. Provisions are reviewed on each balance sheet date, and their level reflects the best estimate of the liability. When the effect of the time value of money is material, the liability is recognised at the present value of future cash flows. Details on provisions for pension liabilities are provided in section 8.

14.1 Provisions: Restructuring

Restructuring expenses are costs incurred by the Group based on a decision that entails a significant change in the Group's defined business areas, either concerning the scope of the activities or the manner in which the business is operated. Provisions for restructuring are expensed when the programme has been determined and announced, and the costs are identifiable, quantifiable and not covered by corresponding revenues.

14.2 Provisions: Onerous contracts

A provision for onerous contracts is recognised when the Group's expected income from a contract is lower than the unavoidable expenses incurred to meet the obligations of the contract. As a main rule, the Group defines unavoidable expenses as direct costs related to the loss and does not include indirect costs in the estimated provision. A provision is generally made when a reliable estimate of the obligation amount can be estimated.

15. Contingent liabilities and assets

Contingent liabilities include
- possible liabilities resulting from past events whose existence depends on future events
- liabilities that have not been recognised because it is not probable that they will result in payments
- liabilities that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements unless they have been acquired in a business combination. Such liabilities are provided for. Significant contingent liabilities are disclosed, unless it is unlikely that the liability will result in payments.

Contingent assets are not recognised in the financial statements but disclosed if it is probable that the Group will benefit from them.

16. Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the instrument's contractual terms. Financial instruments are derecognised when the contractual rights or obligations have been fulfilled, cancelled or transferred, or have expired.

Financial instruments are initially measured at fair value at the settlement date, normally at the transaction price. Subsequent measurements depend on the classification of the financial asset or liability. The classification is determined by the Group's business model for managing financial instruments and the characteristics of the cash flows of each instrument.

Financial assets are classified as subsequently measured at amortised cost, fair value over comprehensive income or fair value over profit and loss. Financial liabilities are classified as subsequently measured at either amortised cost or fair value over profit and loss.

The Group's financial assets mainly comprise debt instruments (receivables), and the Group has no significant equity instruments. The receivables' cash flows only include the principal and any interest, and all receivables are held only to receive contractual cash flows (no intention of sale exists). The receivables are classified as subsequently measured at amortised cost.

None of the Group's financial liabilities is held for trading purposes. With the exception of loans in foreign currency (Japanese yen), the fair value option has not been applied, nor do the liabilities contain embedded derivatives. Accordingly, the Group's financial obligations are mainly classified as subsequently measured at amortised cost. The Group has applied the opportunity to use fair value options (FVO) for financial liabilities in foreign currency (Japanese yen), as such a classification significantly reduces any inconsistency in the measurement between the obligation and related derivatives. Significant changes due to the Group's own credit risk are recognised in other comprehensive income.

Financial instruments are classified as non-current when their expected realisation date is more than 12 months after the balance sheet date. Other financial instruments are classified as current assets or liabilities.

16.1 Financial instruments: Hedging

The Group uses derivatives to manage currency and interest rate risk. The Group's criteria for classifying a derivative as a hedging instrument, and either the whole or parts of an individual item or a group of items as a hedging object, are as follows:
1. the derivative is applied to hedge an expected transaction, a net investment in a foreign business or a recognised asset or obligation;
2. the hedge is earmarked and documented;
3. the requirement for hedge effectiveness is met.

Hedge effectiveness is analysed on an ongoing basis and is met when:
1. there is a financial relation between the hedge object and instrument, i.e., the Group normally expects that the values systematically change in line with changes in the underlying risk;
2. credit risk does not dominate changes in value;
3. the degree of hedging reflects the actual quantity hedged and is applied to hedge.

Hedge accounting ceases when:
a. the hedging instrument expires, is sold, terminated or exercised;
b. the hedge no longer meets the criteria for hedge accounting as described above.

16.1.a Cash flow hedging

The effective part of changes in fair value of a hedging instrument in a qualifying cash flow hedge is recognised in other comprehensive income. The ineffective part of the hedging instrument is recognised directly in the income statement.

If the hedged cash flow results in the recognition of an asset or liability, the gains and losses previously recognised in other comprehensive income are reclassified and recognised together with the asset or liability. For other cash flow hedges, gains and losses previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the same period as the cash flow constituting the hedged item is recognised. When a hedging instrument ceases to be highly effective, hedge accounting is prospectively discontinued. In this case, the accumulated gain or loss on a hedging instrument in equity will not be reversed until the hedged transaction actually occurs. If it is no longer expected that the hedged transaction will occur, previously accumulated gains or losses on the hedging instrument in equity will be reversed and recognised in the income statement immediately.

16.1.b Hedging of net investment in a foreign entity

The Group uses currency futures to hedge its net investments in foreign entities. Changes in currency futures that are designated as hedging instruments are recognised in other comprehensive income together with translation differences related to the investment until any sale of the investment, whereby the accumulated translation differences are recognised in the income statement. The ineffective part of the hedge instrument is recognised directly in the income statement.

16.1.c Fair value hedging

Derivatives that qualify as fair value hedges are measured at fair value, and changes in fair value are recognised in the income statement. Correspondingly, changes in fair value related to hedged risk in the hedged item are recognised in the income statement.

16.2 Financial instruments: Derivatives that are not hedging instruments
Derivatives not classified as hedging instruments are measured at fair value over profit and loss. Changes in fair value of such derivatives are recognised in the income statement.

16.3 Impairment: Financial instruments
For financial assets measured at amortised cost, the Group makes a provision for expected credit loss.

The Group's financial assets mainly comprise receivables, including trade receivables, without significant financing components. For financial assets without significant financing components, a simplified model is applied whereby expected credit loss over the entire lifetime is recognised (by using simple methods to estimate credit loss). The simplified model does not require any follow-up of credit risk.

If an accrued (actual) credit loss is established, because the Group cannot reasonably expect to recover the entire or parts of a financial asset, the financial asset's gross balance sheet value is directly reduced.

Write-downs of financial assets measured at amortised cost are recognised in the income statement.

17. Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less provisions for losses. The Group applies a simplified method to provide for expected credit losses on the trade receivables and measures the loss provisions at an amount corresponding to the expected lifetime credit loss. Accrued (actual) credit losses reduce the accounts receivables' balance sheet value directly.

18. Cash and cash equivalents

Cash and cash equivalents include liquid assets such as cash in hand and bank deposits. Cash and cash equivalents are short-term liquid investments that can be converted into a known amount in cash within three months and are subject to insignificant risk.

19. Loans

Loans are initially recognised at fair value when paid, net of transaction costs incurred. In subsequent periods, the loans are recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial obligation is initially measured less repayments (instalments, interest and service charges), including effective interest.

20. Equity

20.1 Equity: Translation differences
Translation differences arise in connection with currency differences in the consolidation of foreign subsidiaries and when recognising foreign associated companies according to the equity method. Currency differences relating to monetary items (debts or receivables where settlement is neither planned nor likely to occur within a short period) which in reality constitute a part of a company's net investment in a foreign subsidiary, are treated as translation differences. When a foreign entity is sold, the accumulated translation difference related to the entity is reclassified and recognised in the income statement in the same period as the gain or loss of the sale is recognised.

20.2 Equity: Hedge reserve
The hedge reserve includes the total net change in fair value of the hedging instrument in a cash-flow hedge until the hedged cash flow occurs or is no longer expected to occur.

20.3 Equity: Costs relating to equity transactions
Transaction costs directly related to equity transactions are recognised directly in equity net of taxes. Other transaction costs are recognised in the income statement.

21. Leasing

21.1 The Group as lessee
IFRS 16 Leases requires that the lessee capitalises lease agreements in order to reflect the value of the right-of-use asset and the corresponding lease obligation in the balance sheet.

The lease obligation is measured at the present value of the lease payments, and the right-of-use assets is derived from this calculation. At subsequent measurements, the right-of-use asset is depreciated, whereas the lease obligation is reduced by instalment payments.

Lease agreements that can be defined as "low value assets" are not capitalised. Short-term lease agreements, where the non-cancellable lease period is less than 12 months, are also directly expensed. The Group has chosen not to apply IFRS 16 for intangible assets.

Several of the Group's lease agreements include other services and components such as shared costs, fuel and charges. Non-leasing components are separated from the lease agreement and recognised as operating costs in the consolidated financial statements.

Assessment of agreements in the Group which comply with the standard's definition and requirement for recognition
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 contracts for buildings and terminals, in addition to the Group's car fleet. These will generally be encompassed by the definition in the standard and classified as leases.

The Group has performed a review of various contracts 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 either 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. IFRS 16 requires that the non-cancellable lease period (including the period of notice) and any options reasonably certain to be exercised be recognised in the lease liability. The Group assumes that "reasonably certain" is a probability level significantly higher than 50 percent.

In the consideration of whether the exercise of an option is reasonably certain, especial weight has been given to whether the asset is important for operations and part of the Group's strategic plans.

The Group has also taken into account an option's exercise date, as the degree of certainty reduces the further off the exercise date is.

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

Lease payments include fixed payments and any payments subject to index or interest rate variations, but not lease payments that vary depending on the use of the asset.

Lease payments also include residual value guarantees, purchase options and any termination expenses. Wear and tear and any damage caused during ordinary use of the leased asset is 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;
2. the length of the lease period.

21.2 The Group as lessor

Classification of leases
For contracts where the Group is lessor, each lease agreement is classified as either operating or finance. A lease agreement is classified as a finance lease if it in all material respects transfers all risks and rewards of the ownership of an underlying asset. A sublease is considered a finance lease if the asset, or parts of it, is subleased for the major part of the remaining lease period in the main agreement.

Finance leases
As lessor, the Group has no significant finance lease agreements.

Operating leases
For operating leases, the Group recognises lease payments as other income, mainly linearly, unless another systematic basis better reflects the pattern whereby the benefit of the underlying asset is reduced. The Group recognises expenses incurred in the earning of the lease income as costs.

22. Events after the reporting period

New information about the Group's positions on the balance sheet date is considered in the financial statements. Events taking place after the reporting period that do not affect the Group's position on the balance sheet date, but will do so in the future, are disclosed if significant.

NOTE 1 SEGMENTS

The reporting of segments in the Group has been prepared in accordance with areas whose operating results are reviewed regularly by Posten's Board to enable the Board to make decisions about resources to be allocated to each segment and assess its earnings. Revenues, assets and investments are also reported on a geographical basis, split between Norway, Sweden and other countries, ref. section 6 «Segment reporting» and 7 «Revenue from contracts with customers» in the Group's accounting principles.

For financial reporting purposes, the Group has divided operations into two segments, Logistics and Mail. The split complies with international accounting standards (IFRS). Segment Logistics includes divisions E-commerce and logistics, International logistics and Holdings & Ventures. Segment Mail includes division Mail. Division Network Norway is divided between Segment Logistics and Segment Mail based on the type of services delivered to the two segments. Division Network Norway shall ensure cost-effective operations for letters, parcels and freight in Norway. The divisions are key units in the management of the Group and develop and implement business strategies within their own business areas, thereby supporting the group strategy. The divisions are responsible for developing and delivering services of high quality.

The segments include the following:

Segment Logistics comprises bulk and part loads, parcels, warehousing, home deliveries, express and temperature-regulated services. The transport services include national and international transport together with home deliveries and express services. The various services in the segment are described below.

Freight transport is the transport of goods over 35 kilos. Delivery cab be by car, boat, train or plane, both internationally and domestically. The service includes the following categories:

- Groupage and part loads, mostly transport on cars or trains
- Air cargo
- Temperature-regulated transport
- Routine deliveries to installations on the mainland and at sea on the Norwegian shelf
- Special transport with a carrying capacity of up to 130 tonnes.

Sea transport comprises large shipments carried on ships in regular service.

Parcel transport is the transport of parcels both internationally and domestically. The service includes the following categories:

- Contract parcels, parcels directly to third parties
- Service parcels, parcels picked up by the recipient at the delivery point
- Parcels in the mailbox

Warehouse services comprise storage, handling and pick-up services in addition to the unloading of vehicles, sealing of pallets, installation/repair of equipment and construction of sales pallets. The service has the following categories:

- storage
- interim storage
- customs storage
- refrigerated and frozen storage

The segment is also responsible for the Group's Norwegian and international operation of vehicles and equipment.

The segment includes the divisions E-commerce and logistics, International logistics and Holdings & Ventures.

Division E-commerce and logistics is responsible for all parcel products to e-commerce customers, in addition to groupage and part loads, home deliveries and warehouse and thermo in Norway.

Division International logistics operates the international freight traffic by road, railway, air and sea in addition to industrial direct freight and industry solutions for manufacturing and offshore customers. The division also manages the car fleet primarily for the logistics network in Norway to ensure competitive and cost-effective transport services.

Holdings & Ventures shall maximise the value of portfolio companies and venture investments in the Nordics and comprises the Group's express services and thermo business.

Segment Mail comprises letter products (addressed and unaddressed) and banking services. The segment includes division Mail and operations in Bring Mail Nordic.

Division Mail is responsible for the traditional mail services in Norway (including services covered by licences). Services delivered by Posten are sales and customer service, Post-in-Shops, post offices, rural postal services and postal business centres. In addition, the division shall be a driving force for the Group's efforts within digital services through services such as Digipost.

Other comprises the owner function and group-shared functions (group staffs). The Group has established group staffs with responsibility for management, shared functions and technical development within HR, Communication, Strategy, Economy, Finance, Property, Legal and IT and Digitalisation. The group staffs develop and professionalise the technical environments in the Group, are driving forces and contribute to realise the business strategies.

Elimination: eliminations of internal transactions.

Results per segment

2019	Logistics	Mail	Other	Eliminations	Group
External revenue	17 474	6 738			24 212
Internal revenue	653	896	1 340	(2 890)	
Total revenue	**18 127**	**7 634**	**1 340**	**(2 890)**	**24 212**
External expenses including depreciation	15 972	5 851	1 599		23 405
Internal expenses	1 693	1 147	30	(2 890)	
Write-downs of intangible assets and tangible fixed assets	91	66	15		172
Operating expenses	**17 756**	**7 063**	**1 643**	**(2 890)**	**23 575**
Other income and (expenses)	(20)	(441)	(18)		(479)
Share of profit or loss from associated companies	13	(8)			5
Operating profit/(loss)	**364**	**120**	**(321)**		**162**
Net financial items					(142)
Taxes					8
Profit for the year					**13**

2018	Logistics	Mail	Other	Eliminations	Group
External revenue	16 666	7 239			23 894
Internal revenue	654	849	1 303	(2 817)	
Total revenue	**17 320**	**8 088**	**1 303**	**(2 817)**	**23 894**
External expenses including depreciation	15 560	6 266	1 549		23 363
Internal expenses	1 625	1 165	16	(2 817)	
Write-downs of intangible assets and tangible fixed assets	154	3	2		158
Operating expenses	**17 338**	**7 434**	**1 566**	**(2 817)**	**23 522**
Other income and (expenses)	(62)	90	6		35
Share of profit or loss from associated companies	5	3			8
Operating profit/(loss)	**(73)**	**748**	**(260)**		**415**
Net financial items					(49)
Taxes					118
Profit for the year					**248**

In line with IFRS 16 Leases, the 2018 figures have not been restated.

Internal revenue is revenue between the segments of the Group. The pricing of transactions with other segments is based on commercial terms as if the segments were independent parties. Internal revenue is eliminated against internal expenses.

Revenue categories (external income)

The Group's deliveries mainly comprise transport and postal services delivered over time and can include a number of associated additional services. The most significant additional services are considered to be part of one delivery obligation. Received consideration for the services is therefore not broken down.

The Group's assets related to the contracts are mainly trade receivables (see note 14). As per the applicable contracts, the Group's ongoing delivery obligations in both segments are short-term (less than one year). For this reason, the Group does not provide information on balance sheet items concerning ongoing obligations.

DELIVERIES OVER TIME*	2019	2018
Parcels and freight	8 435	7 888
Other logistics business	9 040	8 777
Total Segment Logistics	**17 474**	**16 666**
Mail and bank services	5 832	6 425
Government procurements	619	536
Other (mainly dialogue services)	286	278
Total Segment Mail	**6 738**	**7 239**
Other		
Total revenue	**24 212**	**23 894**

*Some of the Group's services are delivered on a certain point of time. These services are not separated from income delivered over time, as they are considered to be insignificant.

Geographical information

Posten Norge has its main office in Oslo, Norway, but also has operations in Belgium, Denmark, Finland, France, Greece, Hong Kong, Italy, the Netherlands, Poland, Slovakia, Sweden, Great Britain and Germany. The table below is an overview of the distribution of revenue and expenses between Norway, Sweden and other countries.

	2019	2018
Eksterne inntekter		
Norway	15 306	15 145
Sweden	5 106	5 035
Other countries	3 800	3 714
Total revenue	**24 212**	**23 894**
Assets		
Norway	16 285	14 356
Sweden	2 676	889
Other countries	906	826
Total assets	**19 867**	**16 071**
Investments		
Norway	492	820
Sweden	85	87
Other countries	69	55
Total investments	**646**	**962**

In line with IFRS 16 Leases, the 2018 figures have not been restated.

Balance sheet per segment

Interest-bearing liabilities related to bond loans, certificate loans, other long-term financing and lease obligations are included in non-allocated liabilities.

2019	Logistics	Mail	Other	Eliminations	Group
Associated companies	339				339
Other non-current assets	8 302	2 546	623	(5)	11 465
Other current assets	2 975	708	108	(50)	3 740
Total allocated assets	**11 616**	**3 253**	**731**	**(55)**	**15 544**
Deferred tax assets					311
Interest-bearing receivables					100
Liquid assets					3 912
Total non-allocated assets					**4 323**
Total assets					**19 867**
Provisions for liabilities	554	631	(7)		1 178
Total interest-free liabilities	2 571	1 826	416	(55)	4 759
Total allocated liabilities	**3 126**	**2 457**	**409**	**(55)**	**5 937**
Total interest-bearing liabilities					7 567
Total non-allocated liabilities					**7 567**
Total liabilities					**13 504**

2018	Logistics	Mail	Other	Eliminations	Group
Associates and joint ventures	402	2			404
Other non-current assets	5 842	2 025	217		8 085
Other current assets	2 988	725	31	(58)	3 686
Total allocated assets	**9 232**	**2 752**	**248**	**(58)**	**12 175**
Deferred tax assets					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 line with IFRS 16 Leases, the 2018 figures have not been restated.

Investments per segment

2019	Logistics	Mail	Other	Group
Investments in non-current assets	502	138	6	646
Depreciation	1 026	493	35	1 552
Write-downs	91	66	15	172

2018	Logistics	Mail	Other	Group
Investments in non-current assets	656	109	197	962
Investments in non-current assets by purchase of company (note 23)	4	13		17
Depreciation	390	261	3	654
Write-downs	154	3	2	158

In line with IFRS 16 Leases, the 2018 figures have not been restated.

Cash flows per segment

Cash flows are allocated based on the segments' current operations and an allocation of assets and liabilities per segment.

2019	Logistics	Mail	Other	Group
Profit before tax	209	61	(249)	21
Gain/(loss) from sales of non-current assets and subsidiaries	(79)	(2)		(81)
Ordinary depreciation and write-downs	1 117	559	48	1 724
Share of profit or loss from associates	(13)	8		(5)
Changes in working capital and other accruals	34	333	237	604
Taxes paid in the period				(92)
Financial items without cash flow effect				126
Net interest paid				(147)
Cash flows from operating activities	**1 268**	**959**	**36**	**2 151**
Cash effect from purchases	(523)	(142)	(6)	(670)
Cash effect from sales	328	3		331
Changes in non-current receivables and financial non-current assets				
Cash flows used in investment activities	**(194)**	**(139)**	**(6)**	**(339)**
Repayment of lease obligations				(890)
Repayment of debt				(500)
Dividends paid				(124)
Cash flow used in financing activities				**(1 514)**
Change in cash and cash equivalents during the year				**298**
Cash and cash equivalents at the start of the year				3 613
Cash and cash equivalents at end of the year				**3 912**

2018	Logistics	Mail	Other	Group
Profit before tax	(130)	719	(223)	366
Gain/(loss) from sales of non-current assets and subsidiaries	6	(64)	(6)	(64)
Ordinary depreciation and write-downs	543	264	5	813
Share of profit or loss from associates and joint ventures	(5)	(3)		(8)
Changes in working capital and other accruals	(307)	(176)	20	(464)
Taxes paid in the period				(130)
Financial items without cash flow effect				111
Net interest paid				(25)
Cash flows from/(used in) operating activities	**107**	**740**	**(204)**	**598**
Cash effect from purchases	(775)	(148)	(15)	(937)
Cash effect from sales	64	25		89
Changes in non-current receivables and financial non-current assets	(1)		(3)	(4)
Cash flows used in investment activities	**(712)**	**(122)**	**(18)**	**(853)**
Proceeds from debt raised				500
Repayment of debt				(375)
Dividends paid				(194)
Cash flow used in financing activities				**(69)**
Change in cash and cash equivalents during the year				**(324)**
Cash and cash equivalents at the start of the year				3 937
Cash and cash equivalents at the end of the year				**3 613**

In line with IFRS 16 Leases, the 2018 figures have not been restated.

NOTE 2 PAYROLL EXPENSES AND OTHER REMUNERATION

The note shows the Group's payroll expenses for employees and expensed remuneration to the Group's Board, executives and auditors. Information about the Group's bonus and pension schemes for executives and the statement on executives' remuneration is also given in the note.

	2019	2018
Salaries	6 998	7 132
Social security tax	1 029	1 061
Pension expenses	566	445
Other benefits	253	215
Payroll expenses	**8 846**	**8 853**
Number of full-time equivalent positions	13 995	14 459
Number of employees 31.12[1]	14 270	15 021

1) The number of employees is the number of permanent and temporary employees that generated salary expenses in December

Social security tax on pensions is classified as pension expenses (details in note 3).

	2019	2018
Board fees [1]	**2 732**	**2 562**
Fees for the statutory audit - Group auditor	6 749	6 673
Fees for the statutory audit to other audit firms	734	1 008
Fees for other attestation services	689	567
Fees for tax advisory services	192	478
Fees for other non-audit services	1 135	1 044
Total auditors' fees	**9 499**	**9 770**

(All amounts in TNOK and exclusive of VAT)
1) Includes board fees to external board members in part-owned subsidiaries

Fees to the group auditor concerned the audit firm EY.

The Board of Directors

External board members have no pension schemes or other benefits other than board remuneration.

Employee representatives only have pension schemes related to their employment in Posten Norge AS. The Annual General Meeting determines the remuneration to the Board of Directors of Posten Norge AS. The board fees for 2019 were approved by the Annual General Meeting on 19 June 2019, and the board members received the following remuneration:

2019

REMUNERATION	Board fees	Audit Committee	Compensation Committee
Idar Kreutzer, chair (until 30.06.2019)[2]	223		6
Andreas Enger, chair (from 01.07.2019)[2]	229		6
Tove Andersen, deputy chair (until 30.06.2019)[3]	134	34	
Anne Carine Tanum, deputy chair[4]	249		5
Henrik Höjsgaard	225		5
Finn Kinserdal [5]	225	55	
Liv Fiksdahl	225		
Tina Stiegler (from 01.07.2019)	114	21	
Odd Christian Øverland, employee representative[1]	225		5
Ann Elisabeth Wirgeness, employee representative[1]	225		
Erling Andreas Wold, employee representative[1]	225		
Lars Nilsen, employee representative[1]	225		
Petter Torp (deputy)			
Total	**2 524**	**110**	**28**

(All amounts in TNOK and exclusive of social security tax)
1) For employee representatives, the amounts only concern compensation for the board position stated.
2) Leader of the Compensation Committee
3) Leader of the Audit Committee until 30.06.2019
4) Deputy chair from 01.07.2019
5) Leader of the Audit Committee from 01.07.2019

2018

REMUNERATION	Board fees	Audit Committee	Compensation Committee
Idar Kreutzer, chair[2]	440		12
Randi B. Sætershagen, deputy chair (until 30.06.2018)	132		3
Anne Britt Berentsen (until 30.06.2018)	109	20	
Tove Andersen, deputy chair[3]	243	34	
Morten Karlsen Sørby (until 30.06.2018)[4]	109	33	
Henrik Höjsgaard (from 01.07.2018)	111		3
Anne Carine Tanum (from 01.07.2018)	111		3
Finn Kinserdal (from 01.07.2018)	111	20	
Liv Fiksdahl (from 01.07.2018)	111		
Odd Christian Øverland, employee representative[1]	220		5
Ann Elisabeth Wirgeness, employee representative[1]	220		
Erling Andreas Wold, employee representative [1]	223		
Lars Nilsen, employee representative[1]	220		
Petter Torp (deputy)	33		
Total	**2 390**	**108**	**25**

(All amounts in TNOK and exclusive of social security tax)
1) For employee representatives, the amounts only concern compensation for the board position stated.
2) Leader of the Compensation Committee
3) Leader of the Audit Committee

Group management - compensation

Group management is defined as the persons with the authority and responsibility for executing and monitoring the Group's operations. Unless otherwise stated, the amounts below cover the entire year.

2019

Group management	Basic pay[1]	Bonus[2]	Other benefits[3]	Pension cost	Period of notice	Severance pay agreement
Tone Wille [4]	5 440		289	119	6 mnd.	Nei
Irene Egset (from 01.01.2019) [5] [7]	2 995	696	697	119	6 mnd.	Nei
Gro Bakstad	2 874	634	243	1 526	6 mnd.	Nei
Per Erik Roth [5]	2 411	168	168	119	6 mnd.	Nei
Randi Løvland	1 986	451	227	316	6 mnd.	9 mnd.
Per Öhagen [5]	3 424	867	186	119	6 mnd.	Nei
Christian Brandt (from 14.10.2019) [5]	538	118	57	26	6 mnd.	Nei
Morten Stødle	2 587	573	185	119	6 mnd.	Nei
Alexandra Saab Bjertnæs [5]	2 083	495	246	119	6 mnd.	Nei
Thomas Tscherning [6]	3 253	621	85	937	6 mnd.	9 mnd.
Total	**27 591**	**4 622**	**2 381**	**3 520**		

(All amounts in TNOK and exclusive of social security tax)
1) Basic pay includes salary and holiday pay
2) Accrued bonus at 31.12.2019, paid in 2020
3) Other benefits include free car (taxable part of company car), car allowance (fixed cash benefit), pension compensation and electronic communication
4) The CEO's salary terms have been set to MNOK 5,4 per year in addition to free phone/broadband, car compensation of TNOK 283 per year and parking at the office. She is also a member of the company's pension and personnel insurance schemes in line with the collective schemes prevailing in Posten Norge AS. The CEO's bonus scheme was terminated on 1 January 2019.
5) Has an agreement for severance pay for up to one year if the non-compete clause comes into effect
6) Group director Thomas Tscherning has received his salary in Swedish kroner, translated to NOK at an average exchange rate for the year of 0,9305
7) Group director Irene Egset received a starting compensation of TNOK 500, this is reported under Other benefits.

2018

Group management	Basic pay[1]	Bonus[2]	Other benefits[3]	Pension cost	Period of notice	Severance pay agreement
Tone Wille [8]	4 563	805	291	114	6 mnd.	Nei
Eli Giske (until 16.05.2018) [7]	1 029		3 007	46	6 mnd.	[7]
Ulf Aas (16.05-31.12.2018) [4]	1 253	249	132	139	6 mnd.	Nei
Gro Bakstad	2 795	434	254	1 527	6 mnd.	Nei
Per Erik Roth (from 15.10.2018) [5]	488	93	40	20	6 mnd.	Nei
Randi Løvland	1 911	338	221	303	6 mnd.	9 mnd.
Tore K. Nilsen (until 15.10.2018)	2 586	254	226	538	6 mnd.	9 mnd.
Per Öhagen [5]	3 238	470	178	114	6 mnd.	Nei
Morten Stødle	2 513	549	184	114	6 mnd.	Nei
Alexandra Saab Bjertnæs [5]	1 932	453	241	114	6 mnd.	Nei
Thomas Tscherning [6]	2 944	586	11	691	6 mnd.	9 mnd.
Total	**25 253**	**4 232**	**4 786**	**3 718**		

(All amounts in TNOK and exclusive of social security tax)
1) Basic pay includes salary and holiday pay
2) Accrued bonus at 31.12.2018, paid in 2019
3) Other benefits include free car (taxable part of company car), car allowance (fixed cash benefit), pension compensation and electronic communication, in addition to benefits concerning severance pay
4) Ulf Aas has been acting group director from 16.05.2018 until 31.12.2018
5) Has an agreement for severance pay for up to one year if the non-compete clause pursuant to the Working Environment Act sector 14 A comes into effect
6) Group director Thomas Tscherning has received his salary in Swedish kroner, translated to NOK at an average exchange rate for the year of 0,9363
7) The amount under Other benefits includes NOK 2 926 645 concerning pay during the period of notice (6 months) and severance pay for another 6 months (to be curtailed in its entirety against any new income in the period)
8) The CEO's salary is set to MNOK 4,5 per year, in addition to free phone/broadband, car compensation of TNOK 283 per year and parking at the office. An agreement was also made on bonus with an upper limit of 1 million kroner. The Group CO is also a member of the company's pension and personnel insurance schemes in line with the collective schemes prevailing in Posten Norge AS.

Bonus schemes

The CEO's bonus scheme was terminated on 1 January 2019. Posten Norge has a bonus scheme for other members of Group management. The scheme has two parts, one element based on the consolidated group results and one on individual results, with an upper limit of 6 months' salary. The final decision regarding bonuses is made by the CEO. In general, bonuses are only paid to persons holding their positions as at 31 December.

Posten Norge AS and most of the Group's subsidiaries have bonus schemes for key personnel in management related to result achievement and/or individual criteria (details in the Statement on the determination of salaries and other remuneration to executives below).

Pension schemes

Group management has the same pension schemes and pension terms as other employees in the Group, ref. item 5 under the Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries.

There is an exception for one executive joining Group management before 31 December 2006. This executive has a defined benefit pension scheme of 66 percent based on operations with a retirement age of 64 years. This scheme was closed on 31 December 2006.

One member who joined Group management in 2009 has a defined contribution pension based on operations, where the annual contribution is limited to 25 percent of the pension basis exceeding 12 G.

One member who joined Group management in 2014 has a Swedish pension scheme, where the annual contribution depends on salary level and age. The contribution rates are maximum 42% of the pension basis for the person in question.

Severance pay

For members of Group management with severance pay arrangements, the agreements include clauses of curtailment against other income.

Loans and guarantees

No loans or guarantees were provided for members of Group management.

Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries

(Approved by the Board on 13 February 2020)

This statement is based on Guidelines for salaries and other remuneration to executives in state enterprises and companies (established by the Ministry of Trade, Industry and Fisheries effective from 13 February 2015) and has been prepared by the Board in accordance with the Articles of Association section 7, ref. the Public Limited Companies Act section 6-16a.

The declaration shall be reviewed in Posten Norge AS's Annual General Meeting. The declaration applies until the Board either repeals it or adopts a new declaration.

The declaration applies to the CEO and Group Directors reporting to the CEO (Group management). The statement correspondingly applies to the CEO and executives reporting to the CEOs in Posten Norge AS' wholly owned subsidiaries. These groups are called «senior employees».

The statement has two main parts. Part I deals with the executive remuneration policy that has been followed in the preceding financial year, ref. the Public Limited Companies Act section 6-16 a, first, third and fourth paragraphs. Part II contains guidelines for determining management salaries for the coming fiscal year, ref. the Public Limited Companies Act section 6-16 a, second paragraph. The guidelines in Part II apply in full when new agreements are made in the coming financial year and shall otherwise be followed as far as possible within the framework of the agreements concluded upon earlier.

Part I (policy for executive remuneration in the previous year)

1. Posten Norge AS

The remuneration to senior employees in 2019 has been in accordance with the Statement of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries, adopted on 15 February 2018 (in the following, "last year's statement").

Two new Group Directors were employed in 2019. The terms in both agreements are in accordance with last year's statement.

The Board has not determined any long-term incentive scheme for senior employees in 2019, as the statement allows for.

The agreements for two of the Company's Group Directors made before 13 February 2015 deviate from the Norwegian state's guidelines, as the Group Directors in question have 6 months' period of notice and also an agreement for 9 months' severance pay.

Three of the Company's senior employees have agreements made before 13 February 2015 that deviate from the Norwegian state's guidelines as the employees in question have old age pensions where the pension basis exceeds 12G. One of them has a defined benefit pension scheme. Notes 2 and 3 to the 2019 financial statements have complete overviews of the remuneration.

The CEO's bonus scheme was terminated on 1 January 2019. The CEO now only has a fixed salary.

2. Posten Norge AS' wholly owned subsidiaries

Seven senior employees in wholly-owned Norwegian subsidiaries have had agreements made before 13 February 2015 that deviate from the Norwegian state's guidelines, as they have retirement pensions where the pension basis exceeds 12 G. Two of them left the company during the year.

In other respects, the remuneration to senior employees in wholly owned subsidiaries in 2019 has been in accordance with the Norwegian state's guidelines.

No senior employees have shares or options, nor has any long-term incentive scheme for senior employees been established in wholly-owned subsidiaries.

Part II (policy for executive remuneration in the coming year)

The guidelines in this Part II apply to Posten Norge AS. If not specifically stated in the text, the guidelines apply correspondingly to Posten Norge AS' wholly owned subsidiaries.

1. Main principles for the executive remuneration policy

The total remuneration, in the following referred to as executive pay, shall be competitive, but not leading, compared with similar companies. The Board in each company shall be informed of the total compensation for each executive.

Posten Norge AS shall have adequate oversight and ensure that the statement of salaries is complied with in all companies for which the statement applies.

2. Elements of executive pay

2.1 Basic salary

The main element of executive pay shall be the fixed salary. The objective is to have competitive salaries without being a wage leader for the same type of positions.

To support the ongoing reviews of salary levels, market information about executive compensation shall be obtained every other year from a recognised international company with adequate statistics from Norway, Sweden and Denmark.

2.2 Variable salary

Individual agreements on variable salary with senior employees can be made on the basis of performance, with an economic framework of up to six months' wages. A system of variable salary (bonus) must be transparent and clearly understandable.

The individual goals shall be set for one year at a time and shall be described and based on objective, definable and measurable criteria on which the manager can have an influence.

The basis for calculating the bonus shall comprise both common group goals and individual goals for each manager. The objectives shall be linked to the results achieved supporting the Group's four main goals:

- Engaged and competent staff
- Innovative and sustainable development
- Satisfied and loyal customers
- Cost-effective and profitable growth

Objectives that contribute to reach the main goals will be within the following categories: economic/financial targets, HSE (Health, Safety and Environment), the external environment, customers and strategy.

Economic /financial targets are calculated after achieving the established budget and can be a common group goal as well as an individual goal for each manager. Bonus targets shall always include the Group's ROIC and at least one HSE target.

The corporate goals for members of group management shall constitute between 60 and 100 percent of the bonus potential, and the individual targets between 0 and 40 percent. In wholly owned subsidiaries, the corporate goals shall constitute a minimum of 30 percent of the bonus potential.

Within the economic framework of six months, the Board in Posten Norge AS can, in addition, establish a long-term incentive plan that measures added value over time.

2.3 Other benefits

Senior employees may receive benefits in kind customary for comparable positions.

2.4 Insurance

Senior employees shall have the same level of insurance coverage as other employees.

2.5 Severance pay

Advance agreements can be made for reasonable severance pay for senior employees in Posten Norge AS, valid if the employee does not contest the notice. With the exception of advance agreements where the company's top executive waives employment protection, the size of the severance pay shall not be finally determined in the advance agreement.

Severance pay and salary in the period of notice shall not exceed 12 months' salary. Severance pay should be reduced proportionately against new annual income.

Severance pay is not applicable for voluntary resignations, or if there are valid reasons for dismissal, or if during the severance period irregularities or omissions are discovered that can lead to liability, or if the individual is prosecuted for breaches of the law.

3.Options, share programmes

Senior employees shall not receive compensation in the form of share options or shares in the parent company or subsidiaries, or a cash bonus linked to an assessed growth in the value of the share.

4. Board remuneration

Senior employees shall not receive special compensation for board positions in other group companies.

5. Pension benefits

Senior employees shall have the same pension scheme and the same pension terms as other employees in the company. Posten Norge AS and the Norwegian wholly owned subsidiaries shall have defined contribution schemes, where the pension basis shall not exceed 12G. For foreign wholly-owned subsidiaries, the individual national rules and practices shall be followed.

The employer's payments to the contribution scheme shall be made only in the period of employment, such that there are no costs incurred after a senior employee has resigned from his/her position in the company.

NOTE 3 PENSIONS

The Group has both defined contribution and defined benefit plans. The defined benefit schemes are predictable for the employee as the benefits have been agreed in advance. The premium payments depend on factors such as the members' service time, age and salary level. In the contribution schemes, the payments are determined as a percentage of the employee's salary. The size of the pension assets determines how much pension the employee is entitled to, and consequently, the employees bear the return risk on what has been paid into the scheme. The majority of the Group's pension schemes are defined contribution. More information is available in sections 3 «Accounting estimates» and 8 «Pensions» in the Group's accounting principles.

	2019	2018
Pension costs		
Present value of the pensions earned for the year	126	119
Net interest expense on net liability	30	22
Plan changes recognised in income statement	3	(104)
Gross pension costs incl. social security tax (benefit based)	**159**	**37**
Employee contributions	(1)	(1)
Interest element reclassified to finance items	(27)	(20)
Net pension costs incl. social security tax (benefit based)	**131**	**16**
Defined contribution pension schemes	544	539
Employee contributions	(109)	(110)
Total pension expenses included in the operating profit for the year	**566**	**445**
Net pension liabilities:		
Estimated accrued secured liabilities	(564)	(516)
Estimated value of the pension assets	264	252
Net estimated secured pension liabilities	**(300)**	**(263)**
Estimated accrued unsecured pension liabilities	(600)	(618)
Net pension liabilities in balance sheet	**(900)**	**(882)**
Pension liabilities recognised as provisions for liabilities	900	882
Changes in liabilities:		
Net liabilities at 1.1.	(882)	(1 094)
Gross pension expenses	(159)	(37)
Premium payments and benefits paid	166	163
Contributions from scheme members	1	1
Correction of previous periods' pension liability		(2)
Repayment of previously paid-in pension premium		1
Changes in pension estimates recognised in other comprehensive income	(32)	82
Translation differences	6	4
Net pension liabilities at 31.12.	**(900)**	**(882)**

	2019	2018
Main categories of pension assets at fair value		
Equity instruments (shares, bonds)	171	127
Debt instruments	66	99
Property	16	20
Other assets	11	6
Total pension assets	**264**	**252**
Pension estimate gain at 01.01.	**555**	**473**
Changes in pension plan, pension liabilities		124
Changes in discount rate, pension liabilities	(21)	7
Changes in other financial assumptions, pension liabilities	(33)	(20)
Changes in demographic assumptions, pension liabilities	15	(1)
Changes in other factors, pension liabilities	(4)	(18)
Changes in financial assumptions, pension assets	8	(7)
Changes in demographic assumptions, pension assets	2	(4)
Changes in other factors, pension assets	2	2
(Loss)/gain for the year in total comprehensive income	**(32)**	**82**
Pension estimate gain at 31.12.	**523**	**555**
Defined contribution pension schemes		
Number of members	16 651	17 922
Share of salary	1-54%	1-57%
Defined benefit pension schemes		
Actuarial assumptions		
Discount rate	1,45-2,3%	2,38-2,85%
Expected salary regulation	2-2,5%	2,0-2,95%
Expected G regulation	2-2,5%	2,5-2,95%
Expected pension regulation	0,7-2%	0,8-2,5%
Expected yield	1,8-2,3%	2,38-2,85%
Expected voluntary retirement (below 50 years)	4-5%	3,5-5%
Expected voluntary retirement (over 50 years)	1,5-5%	1,0-5%
Expected use of AFP	40-60%	40-60%
Demographic assumptions on mortality rate	K2013	K2013

Defined contribution schemes

The Group has defined contribution schemes for most of the employees in Norway, Sweden and Denmark, and the premiums are expensed when paid to the pension supplier.

The Norwegian enterprises generally have somewhat lower contribution rates and lower pension bases than the parent company (ref. note 2 for Posten Norge AS).

Some companies in the Group's Swedish operations had defined benefit schemes which, pursuant to IAS 19, do not qualify for recognition in the balance sheet. In accordance with Swedish rules, the pension liability is covered by capital insurance and accounted for as a contribution scheme in the consolidated financial statements.

The defined contribution pension plans in Sweden and Denmark had variable contribution rates based on different calculation bases and rate ranges.

AFP (early retirement) scheme

On 1 January 2011, the parent company and most of the Norwegian subsidiaries transferred to a new AFP scheme (the joint scheme for AFP in the private sector). The new AFP scheme is a multiple company plan considered to be a defined benefit plan. For the time being, however, there is inadequate information available to measure the pension obligation in a reliable manner, and the scheme is therefore accounted for as a contribution plan.

Defined benefit schemes

The Group has pension schemes defined as benefit pension plans. Some of these schemes are nevertheless presented as contribution plans and expensed on a current basis. The majority of the Group's defined benefits schemes relate to the fact that Posten Norge AS withdrew from the Norwegian Public Service Pension Fund, giving those employed at the transition date the right to various compensation and guarantee schemes (ref. note 2 for Posten Norge AS). In 2018, these rules were changed, reducing the coordination considerably. Due to this, Posten reduced the pension obligation related to the coordination by MNOK 20 in 2019 and MNOK 228 in 2018.

Pension funds in the Group mainly relate to benefit schemes for companies in the Bring Cargo Group and Bring Frigo AB.

Assumptions

For 2019, changes have been made to the financial assumptions, mainly in accordance with recommendations from the Norwegian Accounting Standards Board (NRS). Posten Norge uses covered bonds (OMF) as its basis for the discount rate. Posten has decided that covered bonds (OMF) in 2019 qualify as corporate bonds with adequate credit worthiness and market depth to be the basis for the discount rate under IAS 19.

The subsidiaries have principally applied the same long-term economic assumptions for benefit schemes as the parent company, but they are adjusted for country-specific macro-economic circumstances (ref. note 2 for Posten Norge AS).

Sensitivity

The table below shows the estimated effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2019 with the assumption that all other premises are unchanged. The actual figures can deviate from these estimates.

	Discount rate		Pension regulation		Voluntary retirement	
Change (percentage points)	+1%	-1%	+1%	-1%	+1%	-1%
Change in gross pension liabilities (reduction)/increase	(123)	158	16	(8)	(4)	20
Percentage change	-14%	19%	2%	-1%		2%

NOTE 4 OTHER OPERATING EXPENSES

Other operating expenses are costs not directly related to the sale of goods and services, salaries and personnel costs or depreciation/write-downs.

	2019	2018
Cost of premises	483	1 094
Other rental expenses	93	322
IT services	706	660
Other external services	525	585
Travel expenses	157	164
Tools, fixtures, operating materials	114	113
Repair and maintenance of equipment	116	136
Insurance, guarantee and compensation expenses	127	123
Marketing	107	98
Accounting and payroll services	45	45
Other expenses	192	247
Operating expenses	**2 666**	**3 586**

In line with IFRS Leases, the 2018 figures have not been restated.

The significant reduction in cost of premises concerned the leasing of premises, mainly due to the implementation of IFRS 16, whereby lease agreements are capitalised. This also applies for the reduction in other rental expenses, primarily leasing of vehicles. Note 22 has details on leasing.

The increase in costs related to IT services was a consequence of high project activity, mainly relating to operating improvements in existing systems.

The reduction in other external services was due to reduced use of temporary staff in mail distribution.

Other costs included telephone and postage, freight, office and stationery, publications, membership dues, losses on receivables and other operating expenses.

NOTE 5 OTHER INCOME AND EXPENSES

Other income and expenses comprise significant income and costs of limited predictive value and include restructuring cost and gains and losses on sales of fixed assets (see sections 3 «Accounting estimates» and 14 «Provisions for liabilities» in the Group's accounting principles).

	2019	2018
Restructuring expenses	(480)	(22)
Gains on sale of fixed assets and subsidiaries	80	68
Other expenses	(79)	(11)
Total other income/(expenses)	**(479)**	**35**

Restructuring expenses

In 2019, the Group primarily made provisions for restructuring costs related to reduced distribution frequency and restructuring of route preparation in the Mail segment, in addition to the restructuring of staff and support functions in connection with a new group structure.

Changes in the Postal Act were approved by the Norwegian Parliament in June 2019, and the Board decided to reduce the number of distribution days from five days a week to every other day from 1 July 2020. The Group estimated that this will lead to a workforce reduction of approximately 1 200 man-labour years, and the provision for this restructuring in 2019 was MNOK 271. In the Mail segment, an additional MNOK 119 was provided for the restructuring of route preparation. Provisions for reorganising staff and support functions in the Group amounted to MNOK 52. Other restructuring costs constituted MNOK 21 in the Mail segment, and MNOK 18 in the Logistics segment.

For 2018, restructuring costs mainly concerned operational adjustments in the Logistics segment.

Total provisions for restructuring are shown in note 11.

Gains on sales of fixed assets and subsidiaries

Gains on sales of fixed assets and subsidiaries in 2019 mainly concerned the sale of property in the Logistics segment and in 2018 the sale of land belonging to Posten Eiendom Svanholmen AS.

Other income and expenses

Other income and expenses in 2019 mainly comprised provisions for losses due to structural changes in the thermo business in the Logistics segment.

In 2018, other income and expenses primarily constituted provisions for losses in the Logistics segment, in addition to a reversed provision resulting from a smaller loss than anticipated on the sale of Bring Citymail Sweden.

NOTE 6 FINANCIAL INCOME AND FINANCIAL EXPENSES

The note gives an overview of the Group's financial income and expenses, including income and costs related to the Group's financing, interest costs on lease obligations, translation currency effects from receivables and debt in foreign currencies, in addition to gains and losses from financial derivatives (see also section 16 «Financial instruments» in the Group's accounting principles).

	2019	2018
Interest income	122	52
Currency gains	252	204
Gain on derivatives	22	68
Other financial income	1	5
Financial income	**398**	**329**
Interest expenses	109	98
Interest expenses on lease obligations	145	
Currency losses	255	192
Loss on derivatives	1	6
Loss on loans at fair value through profit and loss[1]	6	50
Other financial expenses	23	33
Financial expenses	**539**	**378**
Net financial expense	**(142)**	**(49)**

In line with IFRS 16 Leases, the 2018 figures have not been restated.
1) Change in value on loans in Japanese yen where the "fair value option" has been applied, corresponding to value changes in combined interest rate and currency swaps recognised as «Gain on derivatives» or «Loss on derivatives». Note 19 has more information.

Interest income in 2019 mainly comprised returns on market-based investments and bond funds.

Net currency gains and net gains on derivatives are mainly a result of gains and losses caused by the development in the exchange rate between Norwegian and Swedish kroner, and between Norwegian kroner and euros. Details on derivatives are given in notes 18 and 19.

Interest expenses were mostly interest costs related to long-term financing. In 2019, interest expenses also included interest costs on pension liabilities amounting to MNOK 30 for the Group. Interest expenses on lease obligations were a consequence of the new accounting standard IFRS 16 Leases (ref. note 22).

Note 18 has details of the Group's financial risk and capital management.

NOTE 7 TAXES

The note details the authorities' taxation of the profit in the Group companies. The tax expense is calculated on the basis of the accounting result and is split into the period's tax payable and change in deferred tax/deferred tax assets. Deferred tax liabilities/assets arise when the accounting and taxable accruals differ (see also section 3 «Accounting estimates» and section 9 «Taxes» in the Group's accounting principles).

	2019	2018
Income tax		
Tax payable	119	100
Change in deferred tax/(deferred tax assets)	(110)	19
Tax expense	**8**	**118**
Tax payable for the year	142	104
Adjustments of payments in previous years	(22)	(5)
Tax payable	**119**	**100**
Effective tax rate in %	**37%**	**32%**
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit before tax	21	366
22% tax (23% in 2018)	5	84
Write-down of goodwill	23	33
Non-deductible expenses	41	25
Non-taxable income	(9)	(18)
Profit share in associated companies after tax	(3)	
Effect from tax rates in other countries		3
Effect of change in tax rate recognised in income statement		(1)
Adjustment previous years	(28)	(7)
Change in deferred tax assets not recognised in balance sheet	(22)	
Tax expense	**8**	**118**

	2019	2018
Actuarial gain and loss	(7)	19
Result of hedging of foreign entities	6	10
Cash flow hedging	1	
Effect of change in tax rate		2
Change in deferred tax recognised in other comprehensive income for the year	**(1)**	**31**

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Profit and loss items

The increase in effective tax rate compared with last year, from 32 to 37 percent, is mainly due to an increase in non-deductible costs. This primarily related to provisions for losses for structural changes in the thermo business. The adjustment from previous years of MNOK 22 is mainly due to the fact that tax on a gain related to a business combination should have been recognised in equity, but was recorded in the income statement. This was corrected in 2019.

Changes in deferred tax assets

	01.01.2019	Additions purchased sub-sidiaries	Recognised in OCI	Recognised In income statement	Other	Transl. diff	Effect of changes in income tax rate 1)	31.12.2019
Tangible fixed assets	34			3				36
Gains and losses account	(33)			(15)				(48)
Receivables	(1)			(21)				(22)
Currency				3				3
Pensions	(169)		(7)	3				(173)
Contribution fund	8							8
Provisions	(57)			(79)		1		(135)
Financial instruments	(9)		7	1				(1)
Lease agreements	11			17				28
Other	3				(2)			
Tax losses carried forward	(397)			(24)	12	9	1	(399)
Total deferred tax assets	**(610)**		**(1)**	**(112)**	**10**	**11**	**1**	**(701)**
Total deferred tax assets not recognised in balance sheet	396			2	3	(10)	(1)	390
Total deferred tax assets in balance sheet	**(214)**		**(1)**	**(110)**	**13**	**1**		**(311)**

	01.01.2018	Additions purchased sub-sidiaries	Recognised in OCI	Recognised In income statement	Other	Transl. diff	Effect of changes in income tax rate 1)	31.12.2018
Tangible fixed assets	(8)	1		44			(4)	34
Gains and losses account	(8)		2	(23)			(4)	(33)
Receivables	(1)							(1)
Currency	3			(3)				
Pensions	(226)		19	30		1	6	(169)
Contribution fund	23			(15)				8
Provisions	(69)			12			1	(57)
Financial instruments	(8)		10	(12)				(9)
Other	9			(5)				3
Tax losses carried forward	(482)	90	3	(10)	16		2	(397)
Total deferred tax assets	**(767)**	**92**	**34**	**20**	**34**	**1**	**1**	**(621)**
Total deferred tax assets not recognised in balance sheet	486	(91)			(22)	1		396
Total deferred tax assets in balance sheet	**(281)**	**1**	**34**	**20**	**13**	**2**	**1**	**(224)**

1) The column includes the effect of change in tax rate recognised in the income statement and in other comprehensive income of MNOK – 1 and MNOK 2, respectively.

There has been no change in the ordinary tax rate for companies domiciled in Norway. The tax rate of 22 percent is the basis in the calculation of the value of deferred tax assets for the Group's Norwegian companies.

Deferred tax assets increased by MNOK 110, partly a result of the implementation of IFRS Leases. At the implementation of IFRS 16, the tax effect in the opening balance was MNOK 11. The net increase in deferred tax assets related to lease agreements in 2019 was MNOK 22, including a reduction in deferred tax assets due to net lease agreements, finance sublease receivables and provisions. Note 22 has details on lease agreements. Other increases in deferred tax assets were mainly a result of provisions for restructuring, ref. note 11.

An assessment was made of companies with deferred tax assets concerning recognition in the balance sheet. Deferred tax assets not recognised mainly comprised tax loss carry forwards in Sweden and Denmark. Tax loss carry forwards included in the basis for deferred tax assets carried in the balance sheet are recognised on the basis of expected future profits and opportunities for group contribution. There is no time limit related to the losses.

NOTE 8 INTANGIBLE ASSETS

Intangible assets are non-physical assets and mainly concern capitalised IT development, including specially adapted software, and goodwill in connection with acquisitions of businesses. Intangible assets and goodwill are subject to significant estimation uncertainty (ref. section 3 «Accounting estimates» and section 10 «Intangible assets» in the Group's accounting principles).

	IT systems	Projects in progress	Goodwill	Total
Carrying amount 01.01.2019	**335**	**353**	**1 361**	**2 049**
Additions	93	16		109
Additions in-house developed intangible assets		18		18
Amortisation for the year	(139)			(139)
Write-downs for the year	(13)	(15)	(102)	(130)
Adjustments to cost price/scrapping	(1)			(1)
Translation differences	(1)		(9)	(10)
Transfers from projects in progress	125	(125)		
Carrying amount 31.12.2019	**399**	**248**	**1 250**	**1 897**
Acquisition cost 01.01.2019	2 381	359	3 108	5 849
Accumulated amortisation and write-down 01.01.2019	(2 046)	(6)	(1 748)	(3 800)
Acquisition cost 31.12.2019	2 396	269	3 030	5 688
Accumulated amortisation and write-down 31.12.2019	(1 997)	(21)	(1 779)	(3 792)
Carrying amount 31.12.2019	**399**	**248**	**1 250**	**1 897**
Depreciation method	Straight-line			
Useful life	3 - 10 years			

	IT systems	Projects in progress	Goodwill	Total
Carrying amount 01.01.2018	**397**	**227**	**1 495**	**2 118**
Additions	33	158		191
Additions in-house developed intangible assets		29		29
Additions from company acquisitions (note 23)			17	17
Disposals from sales of companies (note 23)	(14)			(14)
Amortisation for the year	(130)			(130)
Write-downs for the year	(8)		(141)	(149)
Adjustments to cost price/scrapping	(3)			(3)
Translation differences	(1)		(10)	(11)
Transfers from projects in progress	61	(61)		
Carrying amount on 31.12.2018	**335**	**353**	**1 361**	**2 049**
Acquisition cost 01.01.2018	2 384	233	3 228	5 845
Accumulated amortisation and write-down 01.01.2018	(1 987)	(6)	(1 733)	(3 726)
Acquisition cost 31.12.2018	2 381	359	3 108	5 849
Accumulated amortisation and write-down 31.12.2018	(2 046)	(6)	(1 748)	(3 800)
Carrying amount on 31.12.2018	**335**	**353**	**1 361**	**2 049**
Depreciation method	Straight-line			
Useful life	3 - 10 years			

IT systems

Total intangible assets related to IT development recognised in the balance sheet at 31 December 2019 constituted MNOK 399, of which MNOK 361 concerned Posten Norge AS. Approximately MNOK 170 constituted group-shared ERP and HR systems, EPM system and data warehouse solutions. Digital web solutions for customers and a group-shared CRM system had a book value of MNOK 52 and the Group's duty system MNOK 30. In addition, a solution for secure digital mail, solutions related to address and route registers, production support systems and several projects on web solutions were carried in the balance sheet.

For intangible assets with definite useful economic lives, the amortisation period for the Group was 3-10 years in 2019 (the same as in 2018) depending on the useful economic life of each individual component based on an individual assessment. In the income statement, the amortisation for the year is included in the line for depreciation and amortisation.

Projects in progress

Projects in progress at 31 December 2019 amounted to MNOK 248, of which approximately MNOK 150 concerned projects for developing a new group-shared transport control system. In addition, development related to reporting and production support systems, as well as updates and improvements to the management of the Group's infrastructure, were carried in the balance sheet.

Write-downs of IT systems and projects in progress

In 2019, IT systems and projects in progress were written down by a total of MNOK 28, of which MNOK 15 concerned projects in progress, a consequence of the fact that a small part of the Group's operations is expected not to use the new system for transport control. There were no significant write-downs of IT systems or projects in progress in 2018.

Goodwill

Goodwill is allocated to cash-generating units. In 2019, the Group reorganised the business, resulting in a reallocation of goodwill. Goodwill in the Group is summarised below.

	Opening bal. 01.01.19	Additions	Group transfer	Write-downs	Translation-differences	Closing bal. 31.12.19
Posten Norge AS - division E-commerce and logistics	522					522
Bring Cargo	180					180
Bring Cargo International Sverige	213				(6)	207
Bring Linehaul	10					10
Bring Express Norge	135		(135)			
Bring Express Sverige	56		(56)			
Bring Express Danmark	42		(42)			
Bring E-commerce & Logistics			102		(1)	101
Bring Courier & Express			131		(1)	131
Bring Frigo Sverige	42			(42)	(1)	
Total Logistics segment	**1 200**			**(42)**	**(8)**	**1 150**
Netlife Gruppen	135			(60)		75
Bring Mail Nordic	26				(1)	25
Total Mail segment	**161**			**(60)**	**(1)**	**100**
Posten Norge Group	**1 361**			**(102)**	**(9)**	**1 250**

	Opening bal. 01.01.18	Additions	Group transfer	Write-downs	Translation-differences	Closing bal. 31.12.18
Posten Norge AS - division E-commerce and logistics	556		(34)			522
Bring Warehousing	64			(64)		
Bring Cargo	254			(74)		180
Bring Cargo International Sverige	220				(6)	213
Bring Linehaul	9					10
Bring Express Norge	101		34			135
Bring Express Sverige	57				(2)	56
Bring Express Danmark	41					42
Bring Frigo Sverige	44				(1)	42
Bring Transportløsninger		4		(4)		
Total Logistics segment	**1 346**	**4**		**(141)**	**(9)**	**1 200**
Netlife Gruppen	122	13				135
Bring Mail Nordic	27				(1)	26
Total Mail segment	**149**	**13**			**(1)**	**161**
Posten Norge Group	**1 495**	**17**		**(141)**	**(10)**	**1 361**

Additions to goodwill

There were no additions in 2019.

Details on acquisitions and sales of companies, together with other changes in the Group's structure, are given in note 23.

Impairment of goodwill

Goodwill is subject to annual impairment tests. If there are any indications of impairment during the year, goodwill is tested when these indications occur. The Group uses the value in use as the recoverable amount for goodwill.

Forecasts (operating result)
Future cash flows are calculated on the basis of estimated results over a period of three years, adjusted for depreciation, investments and changes in working capital. Forecasts and long-term plans for group entities are prepared and approved by management based on the most recent available general economic indicators and market expectations, considered against strategic goals, historical and other factors.

In the Logistics segment, profit margins are characterised by strong competition and price pressure. Several efforts are under way to increase cost-effectiveness in the segment. Hence, the Group's forecasts for the Logistics segment include profitability improvements. Significant cost elements are external service costs that are affected by price negotiations and inflation. The Group is sensitive to fluctuations in market trends in Norway and the Nordic countries, especially related to the Logistics segment. This is reflected in the growth rates of the Group entities.

The Mail segment is characterised by a decline in letter volumes, some increased price pressure and the need for efficiency efforts in production and distribution. Significant cost elements are salaries and external service and operating expenses that are affected by price negotiations and inflation. Netlife Gruppen is part of the Mail segment. Operations in Netlife Gruppen, however, do not include traditional postal activities, but mainly IT consultancy and advisory services, in addition to market and customer analyses.

Other assumptions (growth and required rate of return)
The extrapolation period contains a calculation of cash flows after the forecast period, using a constant growth rate. The growth rate per segment is stated in the table below. Growth rates do not exceed the long-term average rate in the areas where the Group operates.

The present value of future cash flows is calculated using a weighted required rate of return for total capital for each segment before tax. The required rate of return for equity is calculated by using the capital asset pricing model (CAPM). The required rate of return for debt is estimated on the basis of long-term risk-free interest rates with the addition of a credit margin derived from the Group's marginal long-term interest rate on loans. The Group's required rate of return per segment is assessed each year for significant changes in factors that affect the requirement. The Group mainly operates in the Norwegian and Swedish markets with cash flows in Norwegian and Swedish kroner. The required rate of return per segment is stated in the table below.

Overview of goodwill and key assumptions per segment:

		Discount rate before tax (WACC)		Long-term growth rate	
Segment	Goodwill	2019	2018	2019	2018
Logistics	1150	8,4%	9,4%	2%	2%
Mail	100	8,8%	9,4%	0 - 2%	0 - 2%
Total Group	**11250**				

Results of the impairment tests in 2019
Based on the criteria described above, MNOK 102 concerning goodwill was written down in 2019 (MNOK 141 in 2018).

All goodwill related to Bring Frigo Sverige (MNOK 42 (MSEK 44)) was written down. The write-down was mainly due to an acute competitive situation for the domestic business.

Goodwill related to Netlife Gruppen was written down by MNOK 60, primarily a result of the negative profit development the Netlife Gruppen has had since 2018, in addition to risk related to the future development.

No additional requirements for write-downs were identified for other goodwill items as at 31 December 2019.

Sensitivity analyses
Sensitivity analyses were performed on key assumptions for the cash generating units in the Group. Assumptions analysed were growth,

the required rate of return and the operating profit (EBIT) margin.

When changing the growth assumptions (reduced from 2 to 0 percent), required rate of return (increased by 0.5 and 1 percent) and forecast EBIT (reduced by 10 to 50 percent), the analyses show an increased write-down requirement for the cash generating units included in the table below.

For other cash generating units, no additional need for write-downs was identified.

Sensitivity:

Changed assumptions	Additional need for write-downs	
Long-term growth rate	Bring Cargo	Netlife Gruppen
1.0%	(9)	(11)
0.0%	(46)	(19)

Changed assumptions	Additional need for write-downs	
Required rate of return	Bring Cargo	Netlife Gruppen
8.9%	(27)	(7)
9.4%	(51)	(13)

Changed assumptions	Økt behov for nedskrivning		
Forecasted EBIT	Bring Cargo International	Bring Cargo	Netlife Gruppen
10% lower		(9)	(9)
30% lower		(108)	(27)
50% lower	(35)	(206)	(45)

NOTE 9 TANGIBLE FIXED ASSETS

Tangible fixed assets comprise various types of property and operating equipment needed for the type of business conducted by the Group. The largest values are represented by mail and logistics terminals (ref. section 11 «Tangible fixed assets» in the Group's accounting principles).

	Machinery	Vehicles, furniture, equipment	Buildings and property	Plant under constr., machinery and installations	Plant under constr., buildings	Total
Carrying amount 01.01.2019	**534**	**949**	**4 022**	**117**	**191**	**5 812**
Effects of change of principle (IFRS 16)		(12)	(10)	(1)		(23)
Additions	16	267	57	92	86	519
Disposals (note 23)	(3)	(74)	(67)			(144)
Depreciation for the year	(82)	(246)	(174)			(503)
Write-downs for the year		(10)				(10)
Adjustment to cost price/scrapping	1	(27)	(3)			(29)
Translation differences	(1)	(5)	(4)	(1)		(12)
Transfers from assets under construction	122	55	206	(176)	(206)	1
Carrying amount 31.12.2019	**587**	**898**	**4 025**	**31**	**71**	**5 611**
Acquisition cost 01.01.2019	1 399	2 624	5 484	117	191	9 815
Accumulated depreciation and write-down 01.01.2019	(865)	(1 675)	(1 462)			(4 002)
Acquisition cost 31.12.2019	1 415	2 543	5 689	31	71	9 750
Accumulated depreciation and write-down 31.12.2019	(828)	(1 646)	(1 665)			(4 139)
Carrying amount 31.12.2019	**587**	**898**	**4 025**	**31**	**71**	**5 611**
Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	3 - 20 yrs.	3 - 15 yrs.	3 - 50 yrs.			

	Machinery	Vehicles, furniture, equipment	Buildings and property	Plant under constr., machinery and installations	Plant under constr., buildings	Total
Carrying amount 01.01.2018	**513**	**966**	**4 031**	**107**	**177**	**5 794**
Additions	47	298	84	131	182	742
Disposals		(50)	1	(1)		(50)
Disposals from sales of companies (note 23)	(33)	1	(54)			(85)
Depreciation for the year	(76)	(273)	(175)			(524)
Write-downs for the year	(4)	(4)	(1)			(9)
Adjustment to cost price/scrapping	1	(6)	(30)	(8)		(43)
Translation differences	(3)	(7)	(3)			(13)
Transfers from assets under construction	88	23	168	(111)	(168)	
Carrying amount 31.12.2018	**534**	**949**	**4 022**	**117**	**191**	**5 812**
Acquisition cost 01.01.2018	1 513	2 566	5 460	107	177	9 823
Accumulated depreciation and write-down 01.01.2018	(1 000)	(1 600)	(1 429)			(4 029)
Acquisition cost 31.12.2018	1 399	2 624	5 484	117	191	9 815
Accumulated depreciation and write-down 31.12.2018	(865)	(1 675)	(1 462)			(4 002)
Carrying amount 31.12.2018	**534**	**949**	**4 022**	**117**	**191**	**5 812**
Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	3-20 yrs.	3-15 yrs.	3-50 yrs.			

Additions of tangible fixed assets

A significant part of the investments in the last two years comprised new buildings and production equipment in connection with the establishment of a new nationwide logistics network and a new joint terminal structure. A new terminal structure of in total 18 terminals was determined to support interaction and establish an integrated value chain between parcels and freight, with the objective of reducing the total cost level and securing the necessary competitive power. 14 of the terminals have been put into operation, and 3 of the remaining 4 will be ready during 2021/2022. The largest project in 2019 concerned building a new logistics centre in Stavanger.

By purchasing Posten Eiendom Stavanger in July 2016, the Group acquired a site in Stavanger to be used to develop Posten's and Bring's logistics centre in Stavanger. The plant was completed in March/April 2019, and as at 31 December 2019 it had a balance sheet value of MNOK 324.

In February 2017, the Group acquired a site at Kokstad near Flesland airport in Bergen. The site will be used to build a new production building for parcels and freight and shall be finalised in 2021/2022. The cost framework of the building is approximately MNOK 600.

In December 2017, the Group purchased a site in Tromsø in Breivika. The site will be used to build new production building for parcels and freight and shall be finalised in the summer of 2021. The planned cost of the building is approximately MNOK 300.

Disposals of tangible fixed assets

This year's disposals of tangible fixed assets (including the sale of companies) constituted MNOK 144, and mainly concerned disposals of buildings in connection with the sale of property in the subgroup Bring Frigo Sweden, in addition to sales of vehicles.

Further information on additions/sales of businesses is provided in note 23.

Other matters

Interest on building loans
Tangible fixed assets in the Group included capitalised building loan interest amounting to MNOK 97 at 31 December 2019 (MNOK 89 at 31 December 2018), mainly related to the terminal at Robsrud (Østlandsterminalen) and the logistics centre at Alnabru in Oslo.

Insurance
The Group has secured significant parts of the business and property through traditional insurance coverage. For vehicles, the Group only has statutory liability coverage. The Group is self-insured for the part concerning the actual vehicle.

NOTE 10 INVESTMENTS IN COMPANIES AND BUSINESSES

Investments in associated companies are accounted for in accordance with the equity method in the consolidated financial statements (ref. also section 5 "Consolidation principles" and section 12 «Investments in subsidiaries and associated companies» in the Group's accounting principles).

Investments in associated companies

Entity	Country/city	Ownership share	Book value 01.01.19	Additions/ dispo-sals 2019 incl. transl.diff.	Share of profit/(loss) 2019	Change in transl. diff.	Book value 31.12.19
Danske Fragtmænd A/S	Denmark	26%	393	(86)	11	(4)	313
Materiallageret AS	Longyearbyen	34%	9		1		10
Norbjørn AS	Tromsø	34%		16			16
Other			2	5	(7)		
Associated companies			**404**	**(65)**	**5**	**(4)**	**339**

Entity	Country/ city	Ownership share	Book value 01.01.19	Additions/ dispo-sals 2019 incl. transl.diff.	Share of profit/(loss) 2019	Change in transl. diff.	Book value 31.12.19
Danske Fragtmænd A/S	Denmark	31,7%	418	(32)	4	3	393
Materiallageret AS	Longyear-byen	34%	9		1		9
Svensk Adressändring AB	Sweden		17	(21)	4		
AdressPoint AB	Sweden		3	(3)			
Bring Citymail Stockholm KB	Sweden		1	(1)			
Other				2			2
Associated companies			**449**	**(55)**	**8**	**3**	**404**

Danske Fragtmænd A/S

Danske Fragtmænd AS is the largest logistics company for domestic transport of goods in Denmark. Posten Norge AS' ownership in Danske Fragtmænd A/S was acquired in July 2013. The remaining shares in Danske Fragtmænd A/S are owned by Fragtmænd Holding A/S, which in turn is owned by approximately 40 individuals. They operate as subcontractors of freight for the company Danske Fragtmænd A/S.

Posten Norge AS has an agreement whereby Danske Fragtmænd A/S will buy back the shares over a period of 5 years. Interest shall also be paid. The agreement gives Posten significant control, as several matters require unanimity in the board. In 2019, 5,7 percent points of the Group's shares in the company were sold back, and Posten's ownership was reduced by 3,3 percentage points from 31,7 percent to 26 percent. In the Group's view, the investment shall be treated as an associated company under the equity method in the accounts until the Group no longer has significant control. The agreed sales amount justifies the book value in the financial statements.

Posten Norge AS' ownership share in Danske Fragtmænd A/S was recognised in the Group's balance sheet at the following values:

Year	Book value 01.01	Disposals incl. transl. diff.	Profit share	Translation differences	Book value 31.12
2019	393	(86)	11	(4)	313
2018	418	(32)	4	3	393

At the end of 2019, recognised translation differences amounted to MNOK 59.

Condensed financial information for associated companies (100 percent basis)

Company	Assets	Liabilities	Equity	Turnover	Profit for the year
Danske Fragtmænd A/S	1 586	940	646	3 665	65
Norbjørn AS	34	6	31	24	3
Materiallageret AS	28	6	23	9	3

NOTE 11 PROVISIONS FOR LIABILITIES

The Group's provisions comprise provisions related to restructuring, pensions and other types of provisions (ref. also section 3 «Accounting estimates», section 14 «Provisions for liabilities» and section 15 «Contingent liabilities and assets» in the Group's accounting principles).

	Restructuring	Pension	Other	Total
Balance 01.01.2018	**174**	**1 094**	**383**	**1 653**
Provisions made during the year	27		42	69
Reversals of previous year's provisions	(5)		(2)	(6)
Interest effect from discounting			15	15
Translation differences	(1)	(4)	(5)	(10)
Provisions utilised during the year	(86)		(64)	(150)
Change in pension liabilities during the year		(208)		(208)
Balance 31.12.2018	**109**	**882**	**371**	**1 362**
Effects of change of principle (IFRS 16)	(53)		(281)	(334)
Provisions made during the year	489			489
Reversals of previous year's provisions	(9)		(1)	(10)
Translation differences	(1)	(6)	1	(3)
Provisions utilised during the year	(102)		(47)	(149)
Change in pension liabilities during the year		24		21
Balance 31.12.2019	**432**	**900**	**43**	**1 375**
Short-term part of provisions	197			197
Long-term part of provisions	235	900	43	1 178

Restructuring

In 2019, the Group made provisions for restructuring costs amounting to MNOK 489. The new provisions mainly concerned Posten Norge AS. MNOK 481 of the year's provision regarded personnel related measures and MNOK 8 other initiatives. The utilised provision during the year included payments related to route preparation (MNOK 34) and a single common addressed-mail flow (MNOK 26). The remainder related to payments of gift pensions, severance pay and other reorganisation provisions.

The liabilities as at 31 December are specified below:

	2019	2018
Personnel related measures	426	59
Rental of vacant premises		34
Other measures	6	18
Total restructuring	**432**	**109**

The disbursements in the Group are expected to be MNOK 197 in 2020 and MNOK 235 in later years. Note 5 has more information.

Pensions

Pensions are described in note 3.

Other

The implementation of IFRS 16 resulted in MNOK 281 in provisions for losses (mainly related to the lease of thermo warehouses) being adjusted against right-of-use assets.

Disputes

In 2017, Posten received a claim for compensation related to changes in purchase volumes from a supplier. The claim was settled in 2019 without any significant effect on the accounts.

No other disputes with significant risk exposure for the Group have been noted in 2019.

NOTE 12 OVERVIEW OF FINANCIAL ASSETS AND LIABILITIES

The note gives an overview of the classification of the Group's financial assets and liabilities and their carrying amounts (ref. section 16 «Financial instruments» in the Group's accounting principles).

			At fair value			At amortised cost		
2019	Note	Valuation hierarchy level	Fair value over profit and loss (FVO)	Derivatives at fair value over profit and loss	Derivatives at fair value over OCI	Receivables	Other financial liabilities	31.12.2019
Assets								
Interest-bearing non-current receivables	13					56		56
Other financial non-current assets	19	2		118	4	15		137
Interest-free current receivables	14	2		100	4	3 627		3 731
Interest-bearing current receivables	13					44		44
Liquid assets	15					3 912		3 912
Financial assets								**7 880**
Liabilities								
Long-term lease obligations	22						3 376	3 376
Interest-bearing non-current liabilities	16	2	415				1 805	2 220
Interest-free non-current liabilities	17,19	2			4		2	6
Short-term lease obligations	22						793	793
Interest-bearing current liabilities	16	2	247				931	1 178
Interest-free current liabilities, incl. taxes payable	7,17,19	2		5	7		4 740	4 753
Financial liabilities								**12 325**
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(663)	213	(3)			(454)
Total value hierarchy level 3 (net)								

			At fair value			At amortised cost		
2018	Note	Valuation hierarchy level	Fair value over profit and loss (FVO)	Derivatives at fair value over profit and loss	Derivatives at fair value over OCI	Receivables	Other financial liabilities	31.12.2018
Assets								
Interest-bearing non-current receivables	13					17		17
Other financial non-current assets	19	2		210	3	10		223
Interest-free current receivables	14					3 671		3 671
Interest-bearing current receivables	13					42		42
Liquid assets	15					3 613		3 613
Financial assets								**7 566**
Liabilities								
Interest-bearing non-current liabilities	16	2	657				2 359	3 015
Interest-free non-current liabilities	17,19	2		10	2		2	14
Interest-bearing current liabilities	16						910	910
Interest-free current liabilities incl. taxes payable	7,17,19	2		5	27		4 416	4 449
Financial liabilities								**8 389**
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(657)	194	(27)			(489)
Total value hierarchy level 3 (net)								

The tables above are the basis for further information about financial assets and liabilities with references to the subsequent notes. In addition to showing the classification categories pursuant to IFRS 9, the tables also show on which level the Group's financial instruments at fair value have been assessed.

Information on fair value

Applied methods for determining fair value are defined in three categories reflecting varying levels of valuation uncertainty, based on the measurement method's objectivity:
Level 1: Use of listed prices in active markets
Level 2: Use of valuation methods with observable market data as input
Level 3: Use of valuation methods where input is based on a significant degree of non-observable market data

No financial assets or liabilities have been reclassified in 2019 in such a way that the valuation method has been changed from amortised cost to fair value, or vice versa. There were no transfers between level 1 and level 2 of fair value measurements in 2019, and no registrations of financial assets or liabilities in or out of level 3.

Fair value of financial instruments measured at fair value in the balance sheet

The fair value of the Group's derivatives and loans in foreign currency (Japanese yen), where the fair value option (FVO) pursuant to IFRS 9 has been applied, was measured on the basis of sources described in level 2. Note 19 has details.

Fair value of financial instruments measured at amortised cost in the balance sheet

Information about fair value shall be provided in accordance with the disclosure requirements of IFRS 7, even though the assets or liabilities are not measured at fair value in the balance sheet.

The fair value of receivables and other financial liabilities at 31 December 2019 was approximately the same as book value (amortised cost).

NOTE 13 INTEREST-BEARING NON-CURRENT AND CURRENT RECEIVABLES

The note gives an overview of the Group's interest-bearing non-current and current receivables, including sublease receivables (ref. section 16 «Financial instruments» in the Group's accounting principles).

	2019	2018
Long-term sublease receivables	39	
Other non-current receivables	17	17
Interest-bearing non-current receivables	**56**	**17**
Current sublease receivables	7	
Other current receivables	37	42
Interest-bearing current receivables	**44**	**42**

Note 22 has information on the Group's lease agreements.

The Group's other interest-bearing current receivables mainly comprised prepayments to a deposit fund and a premium fund in DNB Liv for Posten Norge AS.

NOTE 14 INTEREST-FREE CURRENT RECEIVABLES

The note gives an overview of the Group's interest-free current receivables, including trade receivables, together with the ageing of receivables and the provision for losses (ref. section 17 «Accounts receivable» in the Group's accounting principles).

	2019	2018
Accounts receivable	2 838	2 988
Accrued income	419	342
Prepaid expenses	238	217
Receivables from employees	4	4
Short-term derivatives	104	
Other receivables	129	120
Interest-free current receivables	**3 731**	**3 671**
Accounts receivable by due date:		
Not due	2 377	2 572
0 - 30 days	384	326
30 - 60 days	29	50
60 - 90 days	33	14
Over 90 days	66	64
Provisions for losses on receivables	(50)	(39)
Total accounts receivable	**2 838**	**2 988**
Expected credit losses		
Balance at 01.01	39	39
Provisions made during the year	44	36
Actual losses recognised against provisions	(26)	(19)
(Over)/underfunded accruals in previous years	(6)	(16)
Balance at 31.12	**50**	**39**
Total actual losses on receivables	26	19
Provisions for losses on receivables by		
Individual receivables	42	24
General provision	8	15
Total	**50**	**39**

The Group's carrying amount of interest-free current receivables was approximately the same as their fair value at 31 December 2019. The Group had no significant credit risk relating to one individual contracting party, or to several contracting parties that could be regarded as one group due to similarities in credit risk. The Group has guidelines to ensure that credit sales are made only to customers with adequate payment ability and that outstanding amounts do not exceed established credit limits. The Group applies the simplified method for provisions for expected credit losses on accounts receivable, and measures the provision at an amount corresponding to the expected credit loss during their lifetime. This is derived from a combination of individual assessments and a general assessment based on due date analyses and historical data.

Other interest-free receivables are due within one year, and their nominal value is considered to be the same as fair value.

Accrued income mainly includes income related to foreign postal services and unbilled but delivered logistics services.

Short-term derivatives are described in note 19 Derivatives and hedging.

Other receivables primarily comprised receivables connected with foreign value added tax, social security refunds and receivables associated with bank services and Post-in-Shops.

NOTE 15 LIQUID ASSETS

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (ref. section 18 «Cash and cash equivalents» in the Group's accounting principles).

	2019	2018
Cash and cash equivalents	533	339
Short-term investments	3 378	3 274
Liquid assets	**3 912**	**3 613**

The improved liquidity is mainly due to positive effects from better operating results, in addition to reduced trade receivables and increased supplier payables.

A corporate cash pool in Nordea is used in Norway, Sweden, Denmark and the UK, where in accordance with the agreements Posten Norge AS is the group account holder. The banks can settle withdrawals and deposits against each other, and the net position will accordingly represent the balance between the bank and the group account holder. As at 31 December 2019, Posten had unutilised credit facilities on the cash pool account in Nordea of MNOK 500.

The Group's short-term investments consisted of investments in liquid interest funds at low risk. The investments constitute an important part of the Group's liquidity reserve. Note 18 has information about market-based investments and interest funds.

The Group had cash as part of the liquid assets. The cash holdings are connected with the liquidity needs in the sales network. Through a cash account agreement with DNB, Posten Norge is obliged, at any time, to hold sufficient cash to serve the bank's customers.

The Group has a bank guarantee In Nordea, limited to MNOK 550, to cover the employees' withheld tax.

NOTE 16 INTEREST-BEARING NON-CURRENT AND CURRENT LIABILITIES

Interest-bearing non-current and current liabilities comprise debt to credit institutions, bond loans, certificate loans and other interest-bearing debt. Non-current liabilities are split between fixed interest and floating interest. The first year's instalment of interest-bearing non-current liabilities is included in current liabilities (ref. also section 16 "Financial instruments" and section 19 "Loans" in the Group's accounting principles).

Interest-bearing non-current liabilities

	2019	2018
Liabilities at fixed interest		
Liabilities to credit institutions	139	484
Bond loans	438	613
Total non-current liabilities at fixed interest	**577**	**1 097**
Liabilities at floating interest		
Liabilities to credit institutions	721	772
Bond loans	913	1 113
Other non-current liabilities	10	34
Total non-current liabilities at floating interest	**1 644**	**1 919**
Interest-bearing non-current liabilities	**2 220**	**3 015**

Interest-bearing current liabilities

	2019	2018
First year's instalment on non-current liabilities	778	100
Certificate loan	400	800
Other current liabilities		10
Interest-bearing current liabilities	**1 178**	**910**

The Group did not raise any new long-term loans in 2019. Repayments and ordinary instalments on loans amounted to MNOK 100.

As at 31 December 2019, the Group had non-current liabilities (including the first year's instalment on long-term debt) at fixed interest rates amounting to MNOK 1 099. They had a weighted average interest rate of 2,8 percent and mature in the period 2020 - 2023. The Group also had non-current liabilities at floating interest amounting to MNOK 1 889 (including the first year's instalment on long-term debt) with a weighted average interest rate of 2,6 percent as at 31 December 2019, maturing in the period 2020-2024.

As at 31 December 2019, the Group had certificate loans totalling MNOK 400. The certificate loans were classified as current interest-bearing liabilities, and the outstanding balance was reduced by MNOK 400 from 2018.

Note 18 «Financial risk and capital management» has details of the instalment profiles for liabilities.

Reconciliation of liabilities from financing activities

	2019	2018
Liabilities at 1.1	**3 882**	**3 707**
Cash flows from financing activities	(500)	125
Change in fair value	6	50
Liabilities at 31.12.	**3 388**	**3 882**

NOTE 17 INTEREST-FREE NON-CURRENT AND CURRENT LIABILITIES

The Group's interest-free liabilities mainly comprised short-term items such as trade accounts payable, other provisions concerning salaries, public charges and other incurred expenses (ref. section 16 «Financial instruments» in the Group's accounting principles).

	2019	2018
Non-current derivatives	4	13
Other non-current liabilities	2	2
Interest-free non-current liabilities	**6**	**14**
Provisions for payroll expenses and public charges	1 860	1 820
Accounts payable	1 079	922
Provisions for accrued expenses	897	890
Prepaid revenue	387	360
Restructuring	197	79
Current derivatives	12	33
Other current liabilities	177	237
Interest-free current liabilities	**4 610**	**4 342**

Provisions for salary expenses and public charges mainly comprised provisions for holiday pay, earned but unpaid salaries, and public dues such as social security tax, employees' taxes withheld and VAT.

The provisions for accrued expenses included provisions for remuneration for "Post-in-Shop" services, expenses to foreign postal businesses together with maintenance and service related to the Group's vehicle fleet.

Prepaid income is primarily connected to the advance billing of franking machines and unused sold stamps.

Note 11 has details on restructuring costs.

Other current liabilities mainly comprised securities for financial instruments. The reduction from last year primarily concerned provisions for losses adjusted against right-of-use assets on the transition to IFRS 16.

NOTE 18 FINANCIAL RISK AND CAPITAL MANAGEMENT

The note describes the Group's financial risks, including market risk (currency and interest rate risk), credit risk and liquidity risk. The Group utilises derivatives to reduce market risk. Note 19 provides detailed information about derivatives and hedging (ref. also section 16 «Financial instruments» in the Group's accounting principles).

Posten Norge has a centralised finance function with the principal objective of securing the Group's financial flexibility, as well as monitoring and managing financial risk.

Risk categories

Financial risk comprises

1. Market risk: Arises as a consequence of the Group's open positions in currency and interest rate instruments. The risk is related to variations in profit or loss resulting from changes in market prices or exchange rates.

2. Credit risk: Risk of loss caused by a counterparty/customer who fails to fulfil their payment obligations to the Group. Credit risk concerns all financial assets with counterparties/customers, mainly trade accounts receivable, interest-bearing securities, granted but not yet utilised credit/overdraft facilities, as well as counterparty risk from derivatives and currency contracts.

3. Liquidity risk: The risk that the Group cannot fulfil its financial obligations.

1. Market risk

Use of financial derivatives and risk management strategy

Financial derivatives in Posten Norge are used to manage market risk arising from the Group's ordinary operations. Financial derivatives are agreements used to determine interest rate terms, exchange rates and values of equity instruments for specific periods.

The following derivatives are used by the Group for hedging purposes:

Futures: An agreement to purchase/sell currency on a future date at a predetermined rate. Posten Norge primarily uses currency futures to hedge investments in and loans to subsidiaries in foreign currencies in addition to income and costs in foreign currency.

Swaps: Agreement where two parties exchange cash flows over an agreed period. The most important forms of swaps utilised by Posten Norge are:

- **Interest-rate swaps:** Exchange of interest rate terms related to an agreed principal for a determined period. In the agreed period, the parties in the swap exchange fixed and floating interest in the same currency.
- **Currency swaps:** An agreement between two parties to exchange one currency with another, with an agreement to exchange these back again on a future date at an agreed rate.
- **Combined interest rate and currency swaps:** The parties exchange both currency and interest rate terms.

Currency risk

The currency risk is limited by reducing the effects of changes in the exchange rate by using forward contracts. Foreign currency balances in bank accounts are minimised at the subsidiary level and are actively managed at Group level in order to avoid large positive/negative effects.

The Group's most important exchange rates:	Exchange rate 01.01.2019	Average exch. rate 2019	Exchange rate 31.12.2019
Swedish kroner (SEK)	0,9701	0,9305	0,9442
Danish kroner (DKK)	1,3322	1,3193	1,3202
Euros (EUR)	9,9483	9,8502	9,8638
British pounds (GBP)	11,1213	11,2362	11,5936
US dollars (USD)	8,6885	8,8003	8,7803

As the Norwegian krone (NOK) is the Group's functional and presentation currency, Posten Norge is exposed to currency risks for the Group's net investments in foreign currencies. In order to reduce this currency risk, Posten Norge enters into forward contracts.

The parent company finances the subsidiaries by providing long-term financing in the subsidiaries' functional currencies. As a consequence, the parent company is exposed to currency risk if the loans are made in currencies other than the Norwegian krone. Forward contracts are used to manage this exposure.

The Group has net income from foreign mail companies for the distribution of mail in Norway. This results in income in currency, mainly euros.

Interest rate risk

Interest rate risk is mainly related to the Group's debt portfolio. This type of risk is managed at group level. The Group's goal is to have 20-70 percent of the long-term loan portfolio at fixed interest rates (including the first year's instalment on long-term debt, but excluding lease obligations, value adjustments of loans and other interest-bearing debt). As at 31 December 2019, fixed interest agreements totalled MNOK 961 (35 percent) of the Group's long-term interest-bearing debt (MNOK 1 061 in 2018). In addition, the Group has entered into two interest rate swaps with a future start date resulting in fixed interest terms for loans that at 31 December 2019 have floating interest. Note 19 has details.

Sensitivity analyses

2019 Sensitivity analysis market risk

	Purchase currency	Currency amount	Sales currency	Currency amount	Maturity	Effect of changes +/- 20% (NOK)[1]	
						Through profit and loss	Through comprehensive income
Hedging of investments in foreign entities	NOK	617	SEK	653	2020		124
Hedging of currency loans to subsidiaries	NOK	47	SEK	50	2020	9	
Hedging of currency loan from subsidiaries	NOK	70	EUR	7	2020	14	

1) Foreign exchange rate at 31.12.2019

	Book value	Effect of change +/- 100 basis points	
		Through profit and loss	Through comprehensive income
Net interest-bearing debt (receivable) with floating interest rate[1]	(1 612)	(16)	

1) Net interest-bearing debt (receivable) with floating interest rates is calculated as interest-bearing debt with floating interest rates reduced by liquid assets. The accounting effects of changes in market risk are recognised in the income statement or other comprehensive income, depending on where the effect was first recognised.

2018 Sensitivity analysis market risk

	Purchase currency	Currency amount	Sales currency	Currency amount	Maturity	Effect of changes +/- 20% (NOK)[1]	
						Through profit and loss	Through comprehensive income
Hedging of income in euros	NOK	73	EUR	8	2019		15
Hedging of investments in foreign entities	NOK	611	SEK	653	2019		127
Hedging of currency loan to subsidiaries	NOK	106	SEK	113	2019	22	
Hedging of currency loan from subsidiaries	NOK	70	EUR	7	2019	14	

1) Foreign exchange rate at 31.12.2018

	Book value	Effect of change +/- 100 basis points	
		Through profit and loss	Through comprehensive income
Net interest-bearing debt (receivable) with floating interest rate[1]	(884)	(9)	

1) Net interest-bearing debt (receivable) with floating interest rates is calculated as interest-bearing debt with floating interest rates reduced by liquid assets. The accounting effects of changes in market risk are recognised in the income statement or other comprehensive income, depending on where the effect was first recognised

The table above shows the sensitivity of the Group's currency and interest rate derivatives.

The currency sensitivity shows the effect in the income statement or other comprehensive income by changing the exchange rate at 31 December 2019 by +/- 20 percent. Forward currency contracts related to hedging foreign investments are recognised in other comprehensive income, whereas value changes in forward contracts related to loans in foreign currencies are recognised in the income statement in total, as this will offset the effect of currency gain/losses on the loans recognised in the income statement.

The interest rate sensitivity shows the effect in the income statement of changes in the floating interest rate of +/- 1 percentage point for the Group's net interest-bearing liabilities excluding lease obligations.

2. Credit risk

The Group has the following guidelines to reduce credit risk:

Trade accounts receivable

The Group has policies to ensure that credit sales are made only to customers with satisfactory payment ability, and that outstanding amounts do no exceed established credit limits. Note 14 has details. As at 31 December 2019, the Group had no significant credit exposure to one single counterparty.

Market-based investments

As part of its liquidity management, the Group has invested heavily in interest funds. As at 31 December 2019, the Group had NOK 3.4 billion invested in various interest funds (NOK 3.3 billion in 2018). According to the Group's guidelines, interest funds used shall be liquid and have a rating of BBB- at a minimum. Note 15 has details.

Bank deposits

The Group's principal bank connection has an AA- rating.

Derivatives

To reduce credit risk, the Group has guidelines to enter into derivative contracts only with counterparties with ratings equal to or better than A-. To reduce credit risk further, the Group made a CSA (Credit Support Annex) agreement for one of the derivatives related to a loan in Japanese yen (note 19 has details).

Overdraft facilities

The Group has an agreement on overdraft facilities which had not been utilised at 31 December 2019. The overdraft facility has been agreed with a Nordic bank syndicate, where all the participants have a rating equal to or better than A-. The facility was renegotiated in 2015 and runs for 5 years with a mutual option to extend for two additional years. The option for the first year's extension was exercised in 2016 for the year 2021, and the option for the second year's extension in 2017 for

2022. The overdraft facility amounts to MEUR 350 in the agreement's five first years, reducing to MEUR 280 in 2021 and 2022.

Maximum risk exposure

As the Group did not have financial assets outside the balance sheet at 31 December 2019, the maximum risk exposure is considered to be represented by the book value of the financial assets in the balance sheet. Note 14 specifies the current interest-free receivables including trade accounts receivable by age and the provision for losses on receivables.

The Group had not guaranteed for third-party debt at 31 December 2019 (ref. note 21 concerning guarantees).

3. Liquidity risk

Available liquidity and any currency exposure is followed up by the Group's centralised finance function on a daily basis. In addition to the Group's overdraft, certificate loans are utilised to cover short-term funding.

The table below shows the maturity structure of the Group's debt.

Maturity structure of the Group's loans/financial obligations

	2020	2021	2022	2023	2024	Total
Debt to credit institutions [1]	704	111	111	410	111	**1 447**
Bond loans	375	1 000	350			**1 725**
Financial derivatives (interest rate swaps) [2]	2	(1)				**2**
Financial derivatives (currency futures) [2]	4					**4**
Other debt excl. financial derivatives	4 742	2	2	2	2	**4 751**
Total Group	**5 828**	**1 112**	**464**	**412**	**114**	**7 929**
Expected future interest payments [3]	76	50	23	14	1	**165**
Average interest rate						**2,63%**

1) The change in value of the loan in Japanese yen of MNOK 216 is offset in the table by currency swaps, ref. note 19 for further information.
2) Includes derivatives recognised as assets.
3) Based on interest rate level at 31.12.2019

Capital management

The Group has centralised the management of the capital structure and the overall responsibility for the Group's liquidity management. This shall secure an effective use of the Group's capital, financial safety and flexibility.

The Group's goal is to achieve maximum accessibility, flexibility and returns on the Group's liquid assets and at the same time limit credit risk. This is achieved by concentrating all available liquidity in the Group's cash pool, and by having a conservative investment profile, with emphasis on liquidity.

In order to secure the Group financial flexibility, targets for the liquidity reserve have been defined. The liquidity reserve comprises market-based investments and unutilised overdraft facilities less certificate loans, and shall constitute a minimum of 15 percent of the Group's revenue for the last 12 months. The Group's long-term liquidity reserve at 31 December 2019 was 6,4 billion kroner (6 billion kroner in 2018), corresponding to 26,6 percent of the Group's revenue.

The Group has long-term credit facilities constituting a satisfactory financing reserve. In addition, the Group has diversified its sources of capital and has bonds, private placement loans with international lenders as well as bilateral agreements with Nordic finance institutions. Subsidiaries are not permitted to raise external financing but receive funding from the Group through long-term intercompany loans or overdraft facilities and short-term credit facilities within the Group's cash pool system.

The Group measures capital utilisation by using the debt ratio, i.e., net interest-bearing debt divided by equity. Net interest-bearing debt comprises interest-bearing current and non-current liabilities less liquid assets in the form of cash, bank deposits and short-term investments.

In addition, net interest-bearing debt divided by operating result before depreciation (EBITDA) is used to measure whether the operating profit is adequate to service the Group's external debt. There were no changes in the Group's goals, principles or processes related to capital management during 2019.

Key figures for capital management

	2019	2019*	2018
Interest-bearing debt	7 567	3 419	3 926
Interest-bearing liquid assets	3 912	3 912	3 613
Net interest-bearing debt	3 655	(493)	312
Total equity	6 363	6 396	6 481
Total capital	19 867	16 002	
Debt ratio	**0,6**	**(0,1)**	**0,0**
Equity ratio	**32,0%**	**40,0%**	**40,3%**
Operating profit before depreciation (EBITDA)	2 361	1 395	1 185
Net debt/operating profit before depreciation (EBITDA)	**1,5**	**(0,4)**	**0,3**

*IFRS effects not included

Debt covenants

The Group has debt covenants in connection with external financing. Compliance with the covenants is calculated on the basis of the Group's accounting figures without effects from IFRS 16 Leases.

The Group's overdraft facility of MEUR 350 has a clause stating that net interest-bearing debt cannot exceed 3,5 times 12 months' rolling operating result before depreciation (EBITDA). As of 31 December 2019, net interest-bearing debt was -0,4 times EBITDA without IFRS 16 effects (- 0,3 in 2018).

In addition, Posten Norge has loan agreements with clauses requiring an equity ratio of 20 percent at a minimum. As at 31 December 2019, the Group had an equity ratio of 40 percent without IFRS 16 effects (40 percent in 2018).

The following covenants also apply to the majority of the loan agreements:

"Change of control": a minimum of 51 percent public ownership

"Negative pledge": a prohibition to mortgage assets

"Cross default": a default in one agreement means that all agreements are deemed in default.

Violating the terms of covenants can result in a demand to repay all interest-bearing debt or to renegotiate the loan agreements.

There are no clauses regarding annual regulations of the levels of debt covenants in the loan agreements. The level of the financial key ratios in the covenants is followed up and reported to management on a regular basis.

The Group has throughout 2019 and at the end of the year complied with the covenants in the loan agreements.

NOTE 19 DERIVATIVES AND HEDGING

All derivatives are used in the hedging of currency and interest rate risk. The value of the derivatives fluctuates in relation to the underlying prices, and the note shows the fair value of open derivatives at the balance sheet date (ref. section 16 «Financial instruments» in the Group's accounting principles).

2019	Assets	Liabilities	Nominal value[1]
a) Cash flow hedging			
Interest-rate swaps NOK	5	(4)	1 283
b) Hedging of net investment			
Forward currency contracts SEK	3	(7)	653
c) Other financial hedges (derivatives not included in hedge accounting according to IFRS)			
Interest-rate swaps NOK	1	(4)	248
Forward currency contracts SEK		(1)	50
Forward currency contracts EUR	1		7
Combined interest-rate/currency swaps	216		447
Total	**226**	**(17)**	

1) Amounts in transaction currencies

2018	Assets	Liabilities	Nominal value[1]
a) Cash-flow hedging			
Interest-rate swaps NOK	3	(2)	1 383
Forward currency contracts EUR		(2)	8
b) Hedging of net investment			
Interest-rate swaps SEK		(25)	653
c) Other financial hedges (derivatives not included in hedge accounting according to IFRS)			
Interest-rate swaps NOK	1	(10)	248
Forward currency contracts SEK		(5)	113
Forward currency contracts EUR			7
Combined interest-rate/currency swaps	210		447
Total	**213**	**(46)**	

1) Amounts in transaction currencies

The derivatives in the table above are classified by type of hedging for accounting purposes, and the objective of the derivatives is described below.

Information on fair value

The fair value of forward currency contracts is determined by applying the forward exchange rate on the balance sheet date.

The fair value of interest rate and currency swaps is primarily determined by discounting future cash flows at discount rates derived from observable market data.

For all derivatives, the fair value is confirmed by the finance institutions with which the company has made agreements.

a) Cash flow hedging

Interest rate swaps

At the end of 2019, the Group had a bilateral loan of MNOK 100. In order to secure fixed interest rate terms, a fixed interest rate swap for a corresponding amount and maturity was made in September 2015.

In 2015, Posten Norge entered into a fixed interest rate swap of MNOK 175 related to an underlying bond loan of MNOK 375 with a term of 5 years. The same year, Posten Norge raised a bond loan of 7 years of MNOK 350 at a fixed coupon that in its entirety was swapped to floating interest in the same transaction. MNOK 88 was swapped back to fixed interest in 2015 and MNOK 100 in 2017.

In 2017, Posten Norge raised a bond loan of MNOK 1 000 with maturity on 28 September 2021. The loan has a floating reference interest rate and was partly hedged by a fixed interest swap of MNOK 250. Posten Norge also entered into an amortising bilateral loan with floating interest rate terms and maturity on 16 December 2024. In 2018, approximately half of the loan was hedged with two fixed interest rate swaps with a future start date in 3 years. Accordingly, the loan has floating interest rate terms for 3 years and fixed interest rate terms for the last 4 years.

Almost all critical terms (the dates for interest determination, calculation methods, reference interest rate etc.) related to the derivatives described above are in accordance with underlying loan agreements. The cash flows of the interest rate swaps will therefore mainly correspond with the interest payments on the loans. Hence, there are no significant sources for hedging ineffectiveness.

Hedge reserve in equity

The Group's statement of changes in equity shows net movements in hedge reserves.

b) Hedging of net investment in foreign entities

Posten Norge uses forward currency contracts for hedging investments in foreign subsidiaries and has entered into rolling forward contracts totalling MSEK 653 in 2018 (MSEK 653 in 2018). The changes in the value of the contracts including realised losses/gains on roll-over are recognised in other comprehensive income and offset the translation differences from the investments until the investments are disposed of. In 2019, this constituted a gain of MNOK 27 (MNOK 43 in 2018). If the hedges become ineffective, the change in value is recognised in the income statement. In 2019, no hedging ineffectiveness was recognised in the income statement (MNOK 1 in 2018).

c) Other financial hedges (derivatives not included in hedge accounting according to IFRS)

Forward contracts SEK and EUR

Posten Norge uses forward currency contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Rolling forward contracts constituted MSEK 50 and MEUR 7 as at 31 December 2019. The changes in value are recognised in the income statement and will offset changes in the loans taken through the income statement caused by currency fluctuations.

Combined interest rate and currency swaps

In 2008 and 2013, the Group entered into long-term loan agreements with Japanese life insurance companies of 3 and 5 billion Japanese yen respectively, at fixed interest rate terms. At the same time, combined interest rate and currency swap agreements were made, effectively giving the Group loans in Norwegian kroner with floating interest.

Posten Norge has made use of the «fair value option» in IFRS 9 for measuring these loans. Changes in interest rates or exchange rates resulting in changes in the value of the Japanese yen denominated loans measured in Norwegian kroner are offset by changes in the value of the combined interest rate and currency swaps.

As at 31 December 2019, the two loans from the Japanese life insurance companies were recognised at a total value of MNOK 663 (MNOK 657 in 2018), where the value changes from the borrowing date constituted MNOK 216 (MNOK 210 in 2018). This value change corresponds to the interest and currency swap agreements, and the derivatives are recognised as an asset.

An interest rate swap has also been established related to the entire loan of 3 billion Japanese yen, converting this loan to a fixed interest loan. In addition, an interest swap for approximately one third of the loan of 5 billion Japanese yen has been made, which partly converted the loan to fixed interest. The interest rate swaps have the same maturity dates as the loans, but do not qualify for hedge accounting. In the table of derivatives and hedging relationships, they are included in the line 'Interest rate swaps' at a negative fair value of MNOK 3 as at 31 December 2019.

Upon entering into the loan agreement of 5 billion Japanese yen in 2013 and the combined interest rate and currency swap, Posten Norge also made a CSA (Credit Support Annex) agreement. This agreement defines how two swap counterparties will act when the value of a swap changes in favour of one of the parties during the swap period. A deposit shall be paid/received to reduce the credit risk if the swap's value exceeds the threshold value (MEUR 2). The swap's value is measured monthly, and if the value in one of the parties' favour is larger than MEUR 2, the excess value shall be paid into the counterparty's account. It has also been determined that the minimum amount for such a payment is MEUR 0,5. As at 31 December 2019, Posten Norge had received MEUR 10 from the counterparty. This is recognised as a current liability in the balance sheet.

NOTE 20 EQUITY

The shares in the parent company Posten Norge AS are owned in full by the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries. In Norwegian groups of companies, it is the share capital in the parent company that is significant, and equity is the basis and limitation for distributing dividends (ref. section 20 «Equity» in the Group's accounting principles).

As at 31 December 2019, the share capital consisted of 3 120 000 shares with a nominal value of NOK 1 000 each.

In accordance with the dividend policy, dividends shall constitute 50 percent of group profit after tax.

Before the annual dividend is determined, an independent evaluation of the financial situation in the Group and its future prospects shall be made. The proposed dividend for the accounting year 2019 is MNOK 6,5.

The Annual General Meeting in June 2019 agreed the distribution of a dividend of MNOK 124, corresponding to the Board's proposal in the 2018 financial statements. The dividend was paid in July 2019.

The owner's return on capital requirement is 9 percent after tax.

NOTE 21 GUARANTEES/ASSETS PLEDGED AS SECURITY

The Group has provided various guarantees, including rental guarantees, contract guarantees, debt guarantees, and other payment guarantees, in connection with current operations. The Group has not pledged property of any significant value.

	2019	2018
Guarantees for group companies	832	948
Other guarantees	22	252
Total guarantees	**854**	**1 200**

Guarantees for group companies' debt primarily consisted of guarantees provided by Posten Norge AS to its subsidiaries in Norway and Sweden related to the rental of premises and vehicles. In addition, Bring Frigo AB provided guarantees to its subsidiaries related to the rental of premises. Posten Norge AS has also given Nordea a guarantee indemnifying the bank for any payments in connection with bank guarantees provided for the Group's subsidiaries. Bring Cargo AS has guaranteed fuel purchases for the subsidiary Bring Trucking a.s. The reduction in guarantees for group companies is mainly due to the fact that Posten's guarantees for the pension scheme of Bring Frigo AB have expired, in addition to a reduction in guarantees concerning rental of premises provided by Bring Frigo AB for a subsidiary. In 2019, a guarantee for the rental of premises was provided for Netlife Gruppen.

Other guarantees comprise guarantees concerning vehicle leasing and rental contracts provided in the sale of Bring Citymail Sweden AB, together with pension guarantees in Sweden. Other guarantees are reduced because guarantees provided for EVRY ASA in connection with a former IT agreement have expired.

NOTE 22 LEASES

The note shows the effects of the Group's lease agreements on the Group's financial position and earnings, both as lessee and lessor. The Group implemented the accounting standard IFRS 16 Leases effective from 1 January 2019, and no comparable figures have been prepared (ref. section 21 «Leasing» in the Group's accounting principles).

1. The Group as lessee

The Group's lease agreements primarily concerned the lease of office premises, buildings and vehicles.

Most of the right-of-use assets concerned the lease of the Group's main office in Posthuset, warehouse buildings and thermo warehouses. In addition, the Group had almost 7 000 lease agreements concerning vehicles.

The following amounts concerning lease agreements are recognised in the balance sheet:

	2019
Property	3 026
Vehicles	793
Machines	2
Total right-of-use assets	**3 821**

Additions of right-of-use assets in 2019 amounted to MNOK 829.

	2019
Long-term lease obligations	3 376
Short-term lease obligations	793
Total lease obligations	**4 168**

	2019
Less than 1 year	918
1-2 years	778
2-3 years	650
3-4 years	505
4-5 years	407
5-10 years	1 101
10-20 years	401
More than 20 years	17
Total non-discounted lease obligations at 31.12.	**4 777**

The following amounts concerning lease agreements are recognised in the income statement:

	2019
Depreciation property	497
Depreciation vehicles	412
Depreciation machines	1
Total depreciation	**910**
Write-downs property	31
Total write-downs	**31**
Interest costs on lease obligations	145
Expenses related to short-term lease agreements	125
Costs related to lease agreements concerning assets of low value, not short-term	18
Income from operational subleases of right-of-use assets	25
Gains/(losses) from sales and rent-back transactions	52

Total outgoing cash flows related to lease agreements in 2019 were MNOK 1 203, of which MNOK 890 concerned payments of lease obligations, and the rest was payments of interest, short-term lease agreements and lease agreements of low value.

Options to renew a lease agreement

The Group's property lease agreements have lease periods normally varying between 3 and 25 years. Several of the agreements have a renewal option that can be exercised during the agreement's last period. When the agreement is made, the Group considers whether it seems reasonable that the option to renew will be exercised. The Group's potential future lease payments connected with renewal options not included in the lease obligation amounted to MNOK 1 413 (gross) as at 31 December 2019. Approximately half of this amount concerns three of the Group's logistics terminals.

Sales and lease-back agreements

In December 2019, the Group sold a property in the Swedish logistics business. The sale comprised a site including a terminal and a thermo warehouse. The buyer has planned a future development of parts of the area. At the same time as the sale, an agreement to lease back the terminal and the thermo warehouse was made. The cash effect of this transaction was MSEK 75.

2. The Group as lessor

Sublease agreements concerning thermo warehouses in Denmark were terminated in 2019. At the end of 2019, the Group had some minor rental agreements related to office buildings and properties not in use by the Group. There were also various agreements relating to vehicles, primarily short-term contracts.

None of these agreements are considered significant for the Group.

NOTE 23 CHANGES TO GROUP STRUCTURE

The note provides information about significant changes in Group structure including the acquisition and disposal of companies and businesses (ref. section 5 «Consolidation principles» in the Group's accounting principles).

The following changes in the Group's structure have taken place in 2019:

Companies established and acquired in 2019

In 2019, Posten Norge AS acquired 34 percent of the shares in Norbjørn AS. Norbjørn AS owns the supply ship MS Norbjørn engaged in sea transport between the mainland and Svalbard. The purchase secured control of transport on this route and supports the Group's competitiveness in the area.

As part of the reorganisation of the Group and establishing a new group structure, several smaller companies in Norway, Sweden and Denmark were established or acquired in November and December 2019. There were no operations in any of these companies as at 31 December 2019. The companies will be used in business combinations in the beginning of 2020 in line with the new group structure and will then take over parts of existing operations from other group companies.

Posten Norge AS has transferred its shares in Bring Express Norge AS, Bring Express Sverige AB and Neaktiva AB to the newly established companies Posten and Bring Holding 1 AS and Posten and Bring Holding 2 AS through contributions in kind.

The following companies were sold out of the Group or liquidated in 2019

There were no significant sales of operations out of the Group during 2019.

The company Fetch AS (dormant) was liquidated in 2019.

Other changes to group structure in 2019

In 2019, a business transfer of significant transport equipment was made by Bring Cargo AS to Bring Transportløsninger AS.

NOTE 24 RELATED PARTIES

Two parties are related if one party can influence the other party's decisions. Relations with related parties are considered to be normal in business.

Posten Norge AS is the parent company and has direct and indirect control of approximately 80 companies, mainly in the Nordics. Directly owned subsidiaries are shown in note 9 in the financial statements for Posten Norge AS.

The Group has ownership shares in associated companies, accounted for in accordance with the equity method. In 2019, there were no significant transactions with associated companies, or major balances with them as at 31 December 2019.

Internal trade in the Group is carried out in accordance with separate agreements and at arm's length terms. Shared costs in Posten Norge AS are distributed among the group companies in accordance with various formula which vary depending on the type of cost.

Some of the board members had board or executive positions in other enterprises. Some of the members of group management had board positions in other enterprises. The Group is not aware of transactions where these positions could have had any influence.

NOTE 25 REGULATORY ISSUES

Regulatory issues describe relevant matters and regulations not mentioned in other notes.

REGULATORY ISSUES

Postal regulations

Postal regulations comprise the Postal Services Act with associated regulations and the delivery requirements of the licence awarded to Posten.

In spring 2019, the Norwegian Parliament approved changes to the Postal Services Act allowing for Posten's transition to mail distribution every other day. In line with this, Posten's ordinary distribution of mail to letter boxes will be reduced to every other weekday from July 2020.

Basic bank services in the rural postal network

Posten is obliged to offer basic bank services in the rural postal network, ref. the act Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett. The obligation only includes the rural postal network, but Posten also offers banking services in the rest of Posten's service network (post offices and Post-in-Shops). DNB has decided to let the agent agreement with Posten for bank services expire on 31 December 2019. However, the parties agreed on a winding-up agreement for 2020, with an option to terminate on 1 July 2020. In February 2020, DNB informed Posten that they will withdraw from the agreement from 1 July 2020. A solution for the rural postal network will nevertheless continue for the rest of 2020.

Government procurements and product accounts

According to the Postal Services Act, Posten shall maintain product accounts for regulatory purposes. The accounts shall be submitted to the Norwegian Communications Authority annually. Posten's appointed auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

Posten's net costs related to the duty to deliver postal services that are commercially non-viable shall, pursuant to the Postal Services Act, be covered by government procurements granted over the state budget. This also applies for basic bank services through Posten's rural postal network. The annual advance grant to government procurements is adjusted the following year based on a recalculation of the requirement in connection with the product accounts. The recalculation shall secure against over or under compensation.

The payments for government procurements of commercially, non-viable postal services to Posten for 2019 amounted to MNOK 534. This was in line with Posten's advance calculation.

The result effect of the final settlement of government procurements of commercially non-viable postal and banking services for 2018 constituted MNOK 88 in 2019, including interest of MNOK 3. The amount constituted additional payment to Posten due to higher net costs for the services than calculated in the basis for the advance payment. This was in line with the Norwegian Parliament's resolution.

In total, MNOK 619 of governments procurements of commercially non-viable mail and banking services were recognised as income.

Future prospects

For 2020, the Norwegian Parliament granted MNOK 449 to government procurements of commercially non-viable postal services. The amount is in line with Posten's advance calculations and based on mail distribution every other day from 1 July 2020, as approved by the Norwegian Parliament's amendment of the Postal Act.

Distribution every other day will, however, not be adequate to ensure adequate profitability. The postal services must be further adjusted in line with changed market conditions and customer needs. In the proposed state budget for 2020, the Ministry of Transport and Communications therefore notified that research into the future service level will be carried out in 2020 to give the best possible basis for future restructuring of the postal services. For Posten it is vital that the government reimburses Posten for the net costs of the commercially non-viable services if no room is allowed for continual adjustment to the service level in line with falling mail volumes and changes in customer needs.

In connection with the transition to mail distribution every other day, the Ministry of Transport and Communication carried out a tender for the distribution of newspapers from July 2020 to areas where there is no alternative newsletter distribution. Competing against two other bidders, Posten won the tender for weekdays.

In the autumn of 2019, the Norwegian Parliament approved the proposal to introduce VAT on all e-commerce import of goods, regardless of value, from 2020. In that connection, a simplified registration and reporting solution (VOEC – VAT on E-commerce) was established for foreign suppliers for calculating and paying VAT on goods up to a value of NOK 3 000 from 1 April. Posten expects that the VAT duty will have a negative effect on import volumes.

The Universal Postal Union (UPU) held an extraordinary congress in Geneva on 24 – 26 September 2019 following USA's notification that they would withdraw from the organisation if regulations were not changed to the effect that the USA could claim to have their costs covered for deliveries of web products from abroad, and that competition for such goods should be neutral. The congress passed a special solution for the USA combined with an escalation of the payments Posten will receive for deliveries from abroad in the period 2020-2025.

NOTE 26 EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events taking place between the end of the reporting period and the date when the financial statements are approved for publication. They can be events providing new knowledge about matters existing at the end of the reporting period, or events concerning matters arising after the reporting period.

Events providing new knowledge about matters existing at the end of the period

Sale of thermo business

In December 2019, Posten Norge agreed the sale of the thermo business Bring Frigo in Norway. The sale was approved by the Norwegian Competition Authority in January and carried out on 1 February 2020, without significant effect for the financial statements.

Events concerning matters arising after the reporting period

Pandemic COVID-19

In March 2020, the World Health Organization (WHO) declared COVID 19 (the Corona virus) to be a pandemic. The pandemic spread from China to large parts of the world, including Europe and Norway, and affects all parts of society strongly. Strict restrictions for the population in Norway and the other Nordic countries were implemented. The situation will result in lower activity and volume falls for both segments, and impact the Group's turnover and operations negatively. In the Mail segment, both addressed and unaddressed volumes can be affected. In the Logistics segment, it is particularly parcels volume that can be affected, but other logistics operations may also be affected.

The Group is financially solid, with a liquidity reserve of more than 5 billion kroner including credit facilities, of which 3 billion is in highly liquid money market investments.

The Group's estimates used in impairment tests may change. It is assumed that this will be of a temporary character and that turnover and results in the long term will not change significantly. The tests carried out in 2019 show considerable added-value for most of the cash-generating entities. Only in the event of a long-lasting fall in turnover and results will the need for write-downs increase. Note 8 has more information about the Group's impairment tests and sensitivity.

Income statement

Amounts in MNOK

	Note	2019	2018
Revenue		**13 202**	**13 130**
Costs of goods and services		3 063	3 051
Payroll and personnel expenses	1	6 620	6 621
Depreciation	7,8,21	1 034	323
Write-downs of intangible assets and tangible fixed assets	7,8,21	24	12
Other operating expenses	3	1 904	2 783
Operating expenses		**12 644**	**12 790**
Other expenses	4	(874)	(180)
Income from sale of shares in associated companies	9	19	
Operating result		**(297)**	**160**
Financial income	5	314	497
Financial expenses	5	501	267
Net financial income/(expense)		**(187)**	**231**
Result before tax		**(484)**	**391**
Tax expense	6	(35)	119
Result for the year		**(449)**	**272**

In line with IFRS 16 Leases, the 2018 figures have not been restated.

Statement of comprehensive income

Amounts in MNOK

	Note	2019	2018
Result for the year		**(449)**	**272**
Pension remeasurement	2,6		80
Items that will not be reclassified to income statement			**80**
Cash flow hedging		2	
Items that will be reclassified to income statement		**2**	
Changes in income tax rate	6		(3)
Other comprehensive income		**2**	**77**
Total comprehensive income/(loss)		**(447)**	**349**

Balance sheet

Amounts in MNOK

	Note	31.12.2019	31.12.2018
ASSETS			
Intangible assets	7	1 125	1 162
Deferred tax assets	6	158	90
Tangible fixed assets	8	933	987
Right-of-use assets	21	7 452	
Investments in subsidiaries	9	3 562	3 401
Investment in associated companies	9	258	296
Interest-bearing non-current receivables	11,12	1 474	1 545
Other financial non-current assets	11,18	125	216
Non-current assets		**15 088**	**7 697**
Inventories		6	9
Interest-free current receivables	11,13,18	1 798	1 680
Interest-bearing current receivables	11,12	2 086	2 184
Liquid assets	11,14	3 819	3 515
Current assets		**7 709**	**7 389**
Assets		**22 797**	**15 086**
EQUITY AND LIABILITIES			
Share capital	19	3 120	3 120
Other equity		2 431	2 584
Equity		**5 551**	**5 704**
Provisions for liabilities	**10**	**825**	**653**
Long-term lease obligations	11,21	7 302	
Interest-bearing non-current liabilities	11,15,18	2 210	2 982
Interest-free non-current liabilities	11,16,18	6	14
Non-current liabilities		**9 518**	**2 996**
Short-term lease obligations	11,21	580	
Interest-bearing current liabilities	11,15,18	3 138	2 739
Interest-free current liabilities	10,11,16,18	3 130	2 936
Tax payable	6	54	57
Current liabilities		**6 902**	**5 733**
Equity and liabilities		**22 797**	**15 086**

In line with IFRS 16 Leases, the 2018 figures have not been restated.

26 March 2020

Andreas Enger (chair)

Anne Carine Tanum (deputy chair)

Tina Stiegler — Henrik Höjsgaard — Finn Kinserdal — Liv Fiksdahl

Odd Christian Øverland — Lars Nilsen — Ann Elisabeth Wirgeness — Tove Gravdal Rundtom

Tone Wille (CEO)

Statement of cash flows

The Company prepares the statement of cash flows in accordance with the indirect method, i.e., cash flows from investments and financing activities are reported gross, whereas the accounting result is reconciled against net cash flows from operating activities.

Amounts in MNOK

	Note	2019	2018
Profit/(loss) before tax		(484)	391
Taxes paid in the period	6	(57)	(43)
Loss from sales of non-current assets and shares		(9)	(86)
Ordinary depreciation and write-downs	7,8,21	1 058	335
Write-down of shares in subsidiary	9	424	279
Reversal of received dividend from subsidiary			(174)
Financial items without cash effect		176	4
Changes in accounts receivable and payable		219	(138)
Change in other working capital		(152)	(110)
Change in other accruals1)		349	(169)
Change in balance group account		298	(227)
Interest received		200	105
Interest paid		(410)	(88)
Cash flows from operating activities		**1 612**	**80**
Investments in tangible fixed assets	7,8	(275)	(435)
Cash effect from purchases of shares	9	(148)	
Cash effect from investments in associated companies	9	(16)	
Proceeds from sales of tangible fixed assets	8	22	152
Cash effect from sale of shares			(13)
Cash effect from sale of associated companies		73	7
Dividends received from subsidiaries			174
Changes in loans to subsidiaries	9	265	(214)
Changes in financial non-current assets		(2)	(8)
Cash flows used in investing activities		**(81)**	**(338)**
Payments of lease liabilities	21	(603)	
Proceeds from borrowings	15		500
Repayment of borrowings	15	(500)	(375)
Dividend paid	19	(124)	(194)
Cash flows used in financing activities		**(1 227)**	**(69)**
Change in cash and cash equivalents during the year		**304**	**(327)**
Cash and cash equivalents at the start of the year		3 515	3 842
Cash and cash equivalents at the end of the year	**14**	**3 819**	**3 515**

In line with IFRS 16 Leases, the 2018 figures have not been restated. In the 2019 figures, effects from payment of lease liabilities have been reclassified from operating activities to financing activities pursuant to the new accounting standard IFRS 16 Leases.
1) Compared with last year, the change is mainly due to the provision for restructuring. Last year's change was affected by a reversal of pension income without cash effect.

Statement of changes in equity

Amounts in MNOK

	Share capital	Share premium reserve	Hedge reserve	Retained earnings	Other equity	Total equity
Equity at 31.12.2018	**3 120**	**992**	**(3)**	**1 595**	**2 584**	**5 704**
Effect of change of principle (IFRS 16)				6	6	6
Equity at 01.01.2019	**3 120**	**992**	**(3)**	**1 601**	**2 589**	**5 709**
Result for the year				(449)	(449)	(449)
Other comprehensive income			2		2	2
Total comprehensive result			**2**	**(449)**	**(447)**	**(447)**
Dividend				(124)	(124)	(124)
Other changes in equity[1]				412	412	412
Equity at 31.12.2019	**3 120**	**992**	**(1)**	**1 439**	**2 431**	**5 551**

1) Gain on transaction with related party at fair value

	Share capital	Share premium reserve	Hedge reserve	Retained earnings	Other equity	Total equity
Equity at 01.01.2018	**3 120**	**992**	**(3)**	**1 347**	**2 335**	**5 455**
Profit for the year				272	272	272
Other comprehensive income			(1)	78	77	77
Total comprehensive result			**(1)**	**350**	**349**	**349**
Dividend				(194)	(194)	(194)
Other changes in equity[1]				94	94	94
Equity at 31.12.2018	**3 120**	**992**	**(3)**	**1 595**	**2 584**	**5 704**

1) Gain on transaction with related party at fair value

Posten Norge AS

Posten Norge AS was established as a company on 1 December 1996 and is today a Norwegian-registered limited liability company with the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries as its sole shareholder. Posten Norge AS is a Nordic mail and logistics group developing and delivering overall solutions within mail and logistics in the Nordics. Posten Norge AS' address is Biskop Gunnerus gate 14, 0001 Oslo, Norway.

Accounting principles

Posten Norge AS' financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC), set by the International Accounting Standards Board and approved by the EU.

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities (including derivatives) that have been measured at fair value.

The financial statements are presented in Norwegian kroner (NOK), rounded to the nearest million, if not otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

The table below gives an overview of relevant accounting principles for the Group, with references to the applicable notes and accounting standards.

ACCOUNTING PRINCIPLES	ASSOCIATED NOTE(S)	IFRS/IAS STANDARD
1. Changes in accounting principles and disclosures		IAS 8
2. Issued and amended standards not yet effective or lacking approval by the EU		IAS 8
3. Accounting estimates	Note 2 Pensions Note 4 Other income and expenses Note 6 Taxes Note 7 Intangible assets Noe 10 Provisions for liabilities Note 21 Leases	IAS 12, IAS 19, IAS 36, IAS 37, IFRS 16
4. Foreign currency translations		IAS 21
5. Revenue from contracts with customers		IFRS 15
6. Pensions	Note 2 Pensions	IAS 19
7. Taxes	Note 6 Taxes	IAS 12
8. Intangible assets	Note 7 Intangible assets	IAS 38
9. Tangible fixed assets	Note 8 Tangible fixed assets	IAS 16
10. Investments in subsidiaries and associated companies	Note 9 Investments in companies and businesses	IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28
11. Write-downs of non-financial assets	Note 7 Intangible assets Note 8 Tangible fixed assets Note 9 Investments in companies and businesses Note 21 Leases	IAS 36
12. Provisions for liabilities	Note 4 Other income and expenses Note 10 Provisions for liabilities	IAS 19, IAS 37
13. Contingent liabilities and assets	Note 10 Provisions for liabilities	IAS 37
14. Financial instruments	Note 5 Financial income and financial expenses Note 11 Overview of financial assets and liabilities Note 12 Interest-bearing non-current and current receivables Note 13 Interest-free current receivables Note 14 Liquid assets Note 15 Interest-bearing non-current and current liabilities Note 16 Interest-free non-current and current liabilities Note 17 Financial risk and capital management Note 18 Derivatives and hedging	IFRS 7, IFRS 9, IFRS 13, IAS 32

ACCOUNTING PRINCIPLES	ASSOCIATED NOTE(S)	IFRS/IAS STANDARD
15. Accounts receivable	Note 13 Interest-free current receivables	IFRS 7, IFRS 9, IFRS 13, IFRS 15, IAS 32
16. Cash and cash equivalents	Note 14 Liquid assets	IFRS 7, IFRS 9, IFRS 13, IAS 32
17. Loans	Note 15 Interest-bearing non-current and current liabilities Note 16 Interest-free non-current and current liabilities	IFRS 7, IFRS 9, IFRS 13, IAS 32
18. Equity	Statement of changes in equity Note 19 Equity	IAS 1
19. Leasing	Note 21 Leases	IFRS 16
20. Events after the balance sheet date	Note 23 Regulatory issues Note 24 Events after the reporting period	IAS 10

1. Changes in accounting principles and disclosures

The accounting policies applied are consistent with previous years. In addition, the Company implemented the following new standards published by the IASB and approved by the EU, relevant for the business and effective from the accounting year starting on 1 January 2019.

In addition to IFRS 16 Leases described below, the Company has implemented some amended standards and interpretations. The implementation of these amended standards and interpretations has not resulted in significant changes to the financial statements.

IFRS 16 Leases

IFRS 16 Leases replaced IAS 17 Leases and associated interpretations. The standard requires that the lessee recognises lease contracts in the balance sheet, whereby the value in use of 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.

For the lessor, IFRS 16 is more or less a continuation of existing principles in IAS 17, and a lessor shall still classify lease agreements as either operational or financial leases.

The Company's choice of implementation method

The Company implemented IFRS from 1 January 2019 by applying the modified retrospective approach without restating comparable figures. The Company has recognised the transition effects of the standard as an adjustment of the opening balance in retained earnings. Right-of-use assets and lease obligations were mainly measured at the same amounts.

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

- A single discount rate 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 Company has excluded direct 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 Company has taken information on options into account
- The Company has not recognised short-term lease agreements and lease agreements concerning assets at low values where the lease payments are expensed directly.

Consequences for the financial reporting

IFRS 16 effect on the balance sheet

The implementation of IFRS 16 has resulted in an increase in total capital and a reduction in the Company's equity ratio. The implementation effects as at 1 January 2019 were as follows:

	31.12.2018	IFRS 16 effects	01.01.2019
ASSETS			
Non-current assets	7 697	7 803	15 500
Current assets	7 389	26	7 415
Assets	**15 086**	**7 829**	**22 915**
EQUITY AND LIABILITIES			
Equity	5 704	6	5 710
Provisions for liabilities	653	(18)	635
Non-current liabilities	2 996	7 271	10 268
Current liabilities	5 733	570	6 303
Equity and liabilities	**15 086**	**7 829**	**22 915**

The table below shows a reconciliation of lease obligations as at 1 January 2019:

RECONCILIATION OF FUTURE MINIMUM LEASE OF LEASE LIABILITIES	01.01.2019
Future minimum lease commitments related to non-cancellable lease agreements as at 31.12.2018[1)]	10 686
+ Adjustment of future minimum lease commitments on the implementation of IFRS 16	471
- Exception for short-term lease agreements	(25)
- Exception for assets of lower value	(15)
- Discounting by applying the marginal interest rate	(3 261)
Lease liabilities at the implementation date	**7 856**
Weighted average marginal interest rate	**3,8%**

1) Includes subleases as well as options whose exercise is assumed to be reasonably certain

IFRS 16 effect on the income statement

Lease payments that under IAS 17 were included in other operating expenses are pursuant to IFRS 16 classified as depreciation and finance costs. The Company's operating result before depreciation is positively affected, whereas depreciation costs increase, and net finance items are negatively affected.

	Excl. IFRS 16*	IFRS 16 effects	Year 2019
Revenue	**13 239**	**(36)**	**13 202**
Cost of goods and services	3 063		3 063
Payroll expenses	6 620		6 620
Depreciation	327	707	1 034
Write-downs of intangible assets and tangible fixed assets	24		24
Other operating expenses	2 809	(919)	1 891
Operating expenses	**12 843**	**(212)**	**12 631**
Other expenses	(830)	(18)	(848)
Share of profit from associated companies	19		19
Operating result	**(415)**	**158**	**(257)**
Net financial costs	92	(279)	(187)
Result before tax	**(323)**	**(122)**	**(445)**
Tax expense	(6)	(27)	(33)
Result after tax	**(317)**	**(95)**	**(412)**

* The income statement as if the new standard IFRS 16 had not been implemented.

IFRS 16 effect on cash flows
The accounting change means that the lease payments are shown as cash flows used in financing activities on the line "Payment of lease liabilities". Before the implementation of IFRS 16, they were part of cash flows from operating activities.

	Excl. IFRS 16*	IFRS 16 effects	Year 2019
Cash flows from operating activities	1 009	603	1 612
Cash flows used in investing activities	(81)		(81)
Cash flows used in financing activities	(624)	(603)	(1 227)
Change in cash and cash equivalents during the year	**304**		**304**
Cash and cash equivalents at the beginning of the year	3 515		3 515
Cash and cash equivalents at the end of the year	**3 819**		**3 819**

* Cash flows as if the new standard IFRS 16 had not been implemented.

2. Issued and amended standards not yet effective or lacking approval by the EU

The following standards and statements that are relevant for Posten Norge AS have been issued but have yet to take effect or lacked approval by the EU for the financial year 2019:

Amended IAS 1 related to the classification of loans as short-term or long-term debt
The change in IAS 1 Presentation of Financial Statements applies for financial statements starting after 1 January 2022. The changes do not imply significant changes compared with the Company's present implementation of IAS 1.

3. Accounting estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions affecting revenues, expenses, assets and liabilities, the accompanying notes and the disclosure of contingent liabilities. Management carries out significant accounting considerations (judgments) in applying the Company's accounting policies. Material critical accounting judgments will be described. Sources of estimation uncertainty and assumptions concerning the future that represent a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

3.1 Estimated impairment of assets
Impairment exists when the carrying value of an asset or cash generating unit (see definition in section 11) exceeds its recoverable amount. Calculations of recoverable amounts require the use of estimates. There is uncertainty related to assumptions and parameters in connection with the estimation of future cash flows when evaluating impairment and the choice of discount rate in the calculation of the present value of the cash flows. These estimates are particularly relevant when assessing goodwill and other intangible assets. Details of the key assumptions used to determine the recoverable amount of a cash-generating unit, including sensitivity analyses, are provided in note 7.

3.2 Pensions
There is also uncertainty related to the estimation of pension liabilities. The present value of the pension liabilities depends on a number of factors determined by actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension liabilities.

Assumptions used in the calculation of net pension cost (income) include the discount rate. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension liabilities. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Details are given in note 2.

3.3 Provisions
In determining the fair value of provisions for restructuring expenses and other provisions, assumptions and estimates are made in relation to discount rates, the expected settlement value and settlement date. Additional information is given in note 10.

3.4 Deferred tax assets
Deferred tax assets are carried in the balance sheet when it is probable that the Company will have sufficient profits to utilise the tax benefit. Management's judgment is required to determine the size of the tax benefit to be utilised, based on when future taxable profits can be expected and their value, together with tax planning strategies. See note 6 for further details.

3.5 Lease agreements
In accordance with IFRS 16, it is the non-cancellable lease period (including the period of notice) and any options reasonably certain to be exercised that are recognised in the lease liability. Several of the Company's significant lease agreements, particularly within property, include options for renewals of the agreements. The Company applies judgment in determining the lease period. See note 21 for further details.

4. Foreign currency translation

4.1 Functional currency and presentation currency
The financial statements are presented in Norwegian kroner (NOK), which is also the Company's functional currency.

4.2 Transactions and balance sheet items
Transactions in foreign currencies are translated into the functional currency at the exchange rate on the transaction date.

On the balance sheet date, monetary balances in foreign currencies are translated at the exchange rate applicable on the balance sheet date. Foreign exchange gains and losses resulting from the settlement and translation of monetary items are recognised as finance income and finance costs, respectively.

Non-monetary items in foreign currencies measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value is determined.

5. Revenue from contracts with customers

The recognition of income shall reflect the transfer of goods or services to the customer. Income is recognised when a customer achieves control over goods or services and thereby can determine the use of them and receive the benefits from the goods or services.

According to the contracts applied, the Company's current delivery obligations are short-term (less than one year). Accordingly, the Company does not provide information about balance sheet items related to current deliveries.

Sales revenue is measured at the fair value of the consideration net of value added tax and discounts.

Revenue is mainly generated by transport services, the sale of postal services and banking services:

Transport services comprise national and international transport, mainly the transport of parcels and goods and can include a number of associated additional services but are mainly considered to be one delivery obligation. The services are taken to income over time, as the customer is considered to benefit from the fact that the goods are coming increasingly nearer the delivery point. The majority of the transport services are delivered within 1-7 days, and provisions are made for uncompleted transport.

Letter services comprise the delivery of letter products and are primarily recognised over time. Letter services often have, however, very short delivery time, 1-2 days, and the recognition of income is therefore normally made when the letter is delivered to the post office/ in the letter box. Letter services also comprise the sale of stamps, franking and international mail. The sale of stamps is considered to be advance payments for the sale of letter products and is recognised as income when the service delivery takes place. Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption, and other postage sales are recognised when letter products are delivered. International mail comprises income from foreign postal services in accordance with ordinary terminal fee agreements. This is currently recognised on the basis of the calculation of volumes and preliminary prices and adjusted the following year when final prices are received from the International Post Cooperation.

Fees for banking services are recognised on the basis of performed banking services.

In addition, Posten is paid for government procurements of commercially non-viable postal services recognised over time (monthly), and limited to an amount equalling the current year's estimated additional expenses regarding licensing requirements.

6. Pensions

The Company has both defined contribution and defined benefit pension plans. The net pension expenses for the defined benefit pension plans comprise the pension contributions of the period, including future salary increases and the interest expense on the estimated pension liability, less the contributions from employees and estimated yield on the pension assets. For defined contribution plans, the premium less the employees' contribution is recognised as an expense when incurred.

The liability recognised in the balance sheet for the defined benefit pension plans is the present value of the defined benefit liability at the end of the reporting period, less the fair value of plan assets. The gross liability is calculated by independent actuaries applying the "projected unit credit" method. When pension assets exceed pension liabilities, prepaid pensions are classified as a long-term asset in the balance sheet if it is likely that the excess value can be utilised or repaid. The recognition of pension funds is limited to the present value of all financial benefits that materialise in terms of refunds from the plan or reductions in future contributions to the plan.

Net pension expenses are classified as payroll expenses in the income statement, except the interest element, which is classified as finance income/finance expenses. The effect on previously earned rights resulting from changes in the schemes' yields is recognised immediately in the income statement. Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur and will not be reclassified to profit or loss in future periods.

7. Taxes

The tax expense comprises tax payable for the period and changes in deferred tax liabilities/assets. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

Tax payable is calculated on the basis of the taxable income for the year. The net deferred tax liability/ asset is computed on the basis of temporary differences between the carrying amount and tax values of assets and liabilities and tax losses carried forward at the end of the financial year, with the exception of:

- deferred tax liabilities arising from initial recognition of taxable non-depreciable goodwill
- deferred tax arising from a first-time recognition of an asset or liability in a transaction that is not a business combination and which on the transaction date impacts neither the accounting profit nor taxable income (taxable loss).

Tax increasing and tax reducing temporary differences that are reversed or can be reversed are offset against each other. A deferred tax asset is recognised when it is probable that the Company will have sufficient taxable profits to utilise the tax asset. Deferred tax liabilities and deferred tax assets that can be recognised in the balance sheet are stated at their nominal value and netted.

If authorities notify a change in the previous year's tax return, the change will normally be recognised as part of the current year's taxes.

8. Intangible assets

Intangible assets are recognised in the balance sheet if probable future economic benefits can be proven and attributed to the asset, and the cost of the asset can be reliably measured. Intangible assets are recognised in the balance sheet at their acquisition cost net of any accumulated depreciation and impairment. Acquisition costs also include in-house payroll costs if the recognition criteria are met.

Goodwill and other intangible assets with indefinite useful lives are not amortised but assessed for impairment annually (section 11 «Write-downs of non-financial assets « has a more detailed description). Intangible assets with definite lives are amortised linearly over their estimated useful economic life. Amortisations start from the date when the intangible asset is available for its intended use. Intangible assets not yet available for use are also tested for impairment.

8.1 Intangible assets: Development costs

The Company's development costs mainly relate to the development of IT systems intended for internal use. Development costs are recognised in the balance sheet if all of the following criteria are met:

- The product or process is clearly defined, and cost elements can be identified and measured reliably
- The product's technical solution has been demonstrated
- The product or process will be sold or used in the business
- It is probable that the asset will generate future economic benefits
- Adequate technical, financial and other resources are available to complete the project.

Only when all the criteria are met can the expenses relating to development work be recognised in the balance sheet. Otherwise the costs will be expensed as incurred.

8.2 Intangible assets: Goodwill

Goodwill arises on acquisitions of businesses and constitutes the excess value between the consideration and fair value of identifiable assets and liabilities at the time of acquisition.

9. Tangible fixed assets

Tangible fixed assets are recognised in the balance sheet at their acquisition cost net of accumulated depreciation and impairment. The acquisition cost of fixed assets includes costs directly attributable to the acquisition, construction or installation of the assets. For larger investments involving a long manufacturing period, interest is capitalised as part of the acquisition cost. The acquisition cost of fixed assets is broken down when the fixed asset consists of components that have different useful economic lives. Costs relating to normal maintenance and repairs are expensed when incurred. Costs relating to replacements and renewals which significantly increase the useful economic life of the fixed assets are recognised in the balance sheet.

Tangible fixed assets are depreciated down to their residual values on a straight-line basis over their estimated useful economic life. Depreciation starts from the date when the tangible fixed asset is available for its intended use. Land is not depreciated.

The assets' residual values (if any), depreciation method and useful lives are reviewed annually.

10. Investments in subsidiaries and associated companies

Posten Norge AS accounts for investments in subsidiaries and associated companies at historical cost.

11. Write-downs of non-financial assets

A write-down requirement exists if the carrying amount of a valuation unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less sales costs and value in use, where value in use is the present value of estimated cash flows relating to future use. If cash flows relating to an individual asset are independent of cash flows relating to other assets, the individual asset constitutes a valuation unit. If not, a valuation unit is identified at a higher level and is called a cash-generating unit. A cash-generating unit shall be defined consistently over time. A cash-generating unit is defined as the smallest identifiable group of assets generating incoming cash flows and shall essentially be independent of incoming cash flows from other assets or groups of assets.

The Company calculates future cash flows based on estimated results (forecasts and long-term plans) over a period of three years, adjusted for depreciation, investments and changes in working capital. The extrapolation period contains an extrapolation of the cash flows after the forecast period, using a constant growth rate. The present value of future cash flows is calculated using a weighted required rate of return of total capital and is calculated before tax.

With the exception of goodwill, write-downs recognised in prior periods are reversed if new information indicates that an impairment no longer exists or has been reduced. However, a write-down reversal cannot be so large as to take the asset value over the value the asset would have had if no write-down had been recognised.

11.1 Impairment: Goodwill and other assets with indefinite useful lives

Goodwill, intangible assets with indefinite useful lives and intangible assets under development are subject to an impairment test annually, irrespective of whether any indications of impairment exist.

11.2 Impairment: Other assets with definite useful lives

An impairment test on other assets with definite useful lives is made when there are indications of impairment.

12. Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or actual) as a result of a past event, it is probable (more probable than not) that the liability will result in a financial settlement, and the amount can be reliably measured. Provisions are reviewed on each balance sheet date, and their level reflects the best estimate of the liability. When the effect of the time value of money is material, the liability is recognised at the present value of future cash flows. Details on provisions for pension liabilities are provided in section 6.

12.1 Provisions: Restructuring

Restructuring expenses are costs incurred by the Company based on a decision that entails a significant change in the Company's defined business areas, either concerning the scope of the activities or the manner in which the business is operated. Provisions for restructuring are expensed when the programme has been determined and announced, and the costs are identifiable, quantifiable and not covered by corresponding revenues.

12.2 Provisions: Onerous contracts

A provision for onerous contracts is recognised when the Company's expected income from a contract is lower than the unavoidable expenses incurred to meet the obligations of the contract. As a main rule, the Company defines unavoidable expenses as direct costs related to the loss and does not include indirect costs in the estimated provision. A provision is generally made when a reliable estimate of the obligation amount can be made.

13. Contingent liabilities and assets

Contingent liabilities include:

- possible liabilities resulting from past events whose existence depends on future events
- liabilities that have not been recognised because it is not probable that they will result in payments
- liabilities that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements unless they have been acquired in a business combination. Such liabilities are provided for. Significant contingent liabilities are disclosed, unless it is unlikely that the liability will result in payments.

Contingent assets are not recognised in the financial statements but disclosed if it is probable that the Company will benefit from them.

14. Financial instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the instrument's contractual terms. Financial instruments are derecognised when the contractual rights or obligations have been fulfilled, cancelled or transferred, or have expired.

Financial instruments are initially measured at fair value at the settlement date, normally at transaction price. Subsequent measurements depend on the classification of the financial asset or liability. The classification is determined by the Company's business model for managing financial instruments and the characteristics of the cash flows of each instrument.

Financial assets are classified as subsequently measured at amortised cost, fair value over comprehensive income or fair value over profit and loss. Financial liabilities are classified as subsequently measured at either amortised cost or fair value over profit and loss.

The Company's financial assets mainly comprise debt instruments (receivables), and the Company has no significant equity instruments. The receivables' cash flows only include the principal and any interest, and all receivables are held only to receive contractual cash flows (no intention of sale exists). The receivables are classified as subsequently measured at amortised cost.

None of the Company's financial liabilities is held for trading purposes. With the exception of loans in foreign currency (Japanese yen), the fair value option has not been applied, nor do the liabilities contain embedded derivatives. Accordingly, the Company's financial obligations are mainly classified as subsequently measured at amortised cost. The Company has applied the opportunity to use fair value options (FVO) for financial liabilities in foreign currency (Japanese yen), as such a classification significantly reduces any inconsistency in the measurement between the obligation and related derivatives. Significant changes due to the Company's own credit risk are recognised in other comprehensive income.

Financial instruments are classified as non-current when their expected realisation date is more than 12 months after the balance sheet date. Other financial instruments are classified as current.

14.1 Financial instruments: Hedging

The Company uses derivatives to manage currency and interest rate risk.

The Company's criteria for classifying a derivative as a hedging instrument, and either the whole or parts of an individual item or a group of items as a hedging object, are as follows:

1. the derivative is applied to hedge an expected transaction or a recognised asset or obligation;
2. the hedge is earmarked and documented;
3. the requirement for hedge effectiveness is met.

Hedge effectiveness is analysed on an ongoing basis and is met when:

1. there is a financial relation between the hedge object and instrument, i.e., the Company normally expects that the values systematically change in line with changes in the underlying risk;
2. credit risk does not dominate changes in value;
3. the degree of hedging reflects the actual quantity hedged and is applied to hedge.

Hedge accounting ceases when:

a. the hedging instrument expires, is sold, terminated or exercised;
b. the hedge no longer meets the criteria for hedge accounting as described above.

14.1a Cash flow hedging

The effective part of changes in fair value of a hedging instrument in a qualifying cash flow hedge is recognised in other comprehensive income. The ineffective part of the hedging instrument is recognised directly in the income statement.

If the hedged cash flow results in the recognition of an asset or liability, the gains and losses previously recognised in other comprehensive income are reclassified and recognised together with the asset or liability. For other cash flow hedges, gains and losses previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the same period as the cash flow constituting the hedged item is recognised. When a hedging instrument ceases to be highly effective, hedge accounting is prospectively discontinued. In this case, the accumulated gain or loss on a hedging instrument in equity will not be reversed until the hedged transaction actually occurs. If it is no longer expected that the hedged transaction will occur, previously accumulated gains or losses on the hedging instrument in equity will be reversed and recognised in the income statement immediately.

14.1b Fair value hedging

Derivatives that qualify as fair value hedges are measured at fair value, and changes in fair value are recognised in the income statement. Correspondingly, changes in fair value related to hedged risk in the hedged item are recognised in the income statement.

14.14.2 Financial instruments: Derivatives that are not hedging instruments

Derivatives not classified as hedging instruments are measured at fair value in the income statement. Changes in fair value of such derivatives are recognised in the income statement.

14.3 Impairment: Financial instruments

For financial assets measured at amortised cost, the Company makes a provision for expected credit loss.

The Company either recognises the next twelve months' expected losses or the expected lifetime losses if there has been a significant increase in credit risk after the initial recognition of the financial asset. The method is primarily applied for the financing of and lending to the Company's subsidiaries. The assessment of change in credit risk is made in each reporting period. The risk drivers for internal loans include short-term and repeated defaults, extension of the limits of the Group cash pool and instalment payment delays.

The Company's other financial assets mainly comprise receivables, including trade receivables, without significant financing components. For financial assets without significant financing components, a simplified model is applied whereby expected credit loss over the entire lifetime is recognised (by using simple methods to estimate credit loss). The simplified model does not require any follow-up of changes in credit risk.

If an accrued (actual) credit loss is established because the Company cannot reasonably expect to recover the entire or parts of a financial asset, the financial asset's gross balance sheet value is directly reduced.

Write-downs of financial assets measured at amortised cost are recognised in the income statement.

15. Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less provisions for losses. The Company uses a simplified method for provisions for expected credit losses on accounts receivable and measures the loss provision at an amount equivalent to the expected lifetime credit loss. Accrued (actual) credit losses reduce the accounts receivable's balance sheet value directly.

16. Cash and cash equivalents

Cash and cash equivalents include liquid assets such as cash in hand and bank deposits. Cash and cash equivalents are short-term liquid investments that can be converted into a known amount in cash within three months and are subject to insignificant risk.

17. Loans

Loans are initially recognised at fair value when paid, net of transaction costs incurred. In subsequent periods, the loans are recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial obligation is measured initially less repayments (instalments, interest and service charges etc.), including effective interest.

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Accounting principles

18. Equity

18.1 Equity: Hedge reserve

The hedge reserve includes the total net change in fair value of the hedging instrument in a cash-flow hedge until the hedged cash flow occurs or is no longer expected to occur.

18.2 Equity: Costs relating to equity transactions

Transaction costs directly related to equity transactions are recognised directly in equity net of taxes. Other transaction costs are recognised in the income statement.

19. Leasing

19.1 Posten Norge AS as lessee

IFRS 16 Leases requires that the lessee capitalises lease agreements in order to reflect the value of the right-of-use asset and the corresponding lease obligation in the balance sheet. The lease obligation 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 is depreciated, whereas the lease obligation is reduced by instalment payments.

Lease agreements that can be defined as "low value assets" are not capitalised. Short-term lease agreements, where the non-cancellable lease period is less than 12 months are also directly expensed. The Company has chosen not to apply IFRS 16 for intangible assets.

Several of the Company's lease agreements include other services and components such as joint costs, fuel and charges. Non-leasing components are separated from the lease agreement and recognised as operating costs.

Assessment of agreements in the Company which comply with the standard's definition and requirement for recognition

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 Company mainly concern contracts for buildings and terminals, in addition to the Company's car fleet.

These will generally be encompassed by the definition in the standard and classified as leases.

The Company has performed a review of various contracts and in particular assessed the treatment of them, in addition to agreements with transporters (transport agreements). Most of the transport agreements in the Company are either 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 Company's significant lease agreements, especially within real estate, include options for extending the lease agreements. IFRS 16 requires that the non-cancellable lease period (including the period of notice) and any options reasonably certain to be exercised be recognised in the lease liability. The Company assumes that "reasonably certain" is a probability level significantly higher than 50 percent.

In the consideration of whether the exercise of an option is reasonably certain, especial weight has been given to whether the asset is important for operations and part of the Company's strategic plans.

The Company has also taken into account an option's exercise date as the degree of certainty reduces the further off the exercise date is.

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 subject to index or interest rate variations, but not lease payments that vary depending on the use of the asset.

Lease payments also include residual value guarantees, purchase options and any termination expenses. Wear and tear and any damage caused during ordinary use of the leased asset is 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 Company's incremental borrowing rate is consistently applied and reflects:

1. the loan interest for the asset class in question;
2. the length of the lease period.

19.2 Posten Norge AS as lessor

Classification of leases

For contracts where the Company is lessor, each lease agreement is classified as either operating or finance. A lease agreement will be classified as a finance lease if it in all material respects transfers all risks and rewards of the ownership of an underlying asset. A sublease is considered a finance lease if the asset, or parts of it, is subleased for the major part of the remaining lease period in the main agreement.

Finance leases

For financial lease agreements, the Company recognises a sublease in the balance sheet at the implementation date at an amount corresponding to the net investment in the lease agreement. The lease agreement's implicit interest rate shall be applied at the initial measurement of the net investment. For subleases, the discount rate in the main agreement can be applied if the sublease agreement's implicit interest rate cannot be easily determined.

Lease payments included in the measurement comprise fixed payments and any payments subject to index or interest rate variations, but not lease payments that vary depending on the use of the asset. In addition, lease payments include residual value guarantees, purchase options and any termination costs.

When a sublease is classified as a financial lease agreement, the Company derecognises the right-of-use asset and recognises the net investment as a sublease receivable. Any difference between the value of the right-of-use asset and the sublease receivable is recognised directly in the income statement.

At subsequent measurements, the Company recognises finance income on the sublease receivable based on a pattern reflecting a periodic return.

Operating leases

For operating leases, the Company recognises lease payments as other income, mainly linearly, unless another systematic basis better reflects the pattern whereby the benefit of the underlying asset is reduced. The Company recognises expenses incurred in the earning of the lease income as costs.

20. Events after the reporting period

New information about the Company's positions on the balance sheet date is considered in the financial statements. Events taking place after the balance sheet date that do not affect the Company's position on the balance sheet date, but will do so in the future, are disclosed if significant.

NOTE 1 PAYROLL EXPENSES AND OTHER REMUNERATION

The note shows the payroll expenses for employees and expensed remunerations to the Board, executives and auditor of Posten Norge AS. Information about bonuses, pension schemes for executives and the statement on executives' remunerations is included in note 2 for the Group.

	2019	2018
Salaries	5 309	5 423
Social security tax	701	717
Pension expenses	436	312
Other benefits	173	169
Payroll expenses	**6 620**	**6 621**
Number of full-time equivalent positions	10 268	10 643
Number of employees 31.12[1]	10 422	10 935

1) The number of employees is the number of permanent and temporary employees that generated salary expenses in December.

Social security tax on pensions is classified as pension expenses (details in note 2)

	2019	2018
Board fees	**2 662**	**2 522**
Fees for the statutory audit	1 551	1 646
Fees for other attestation services	676	527
Fees for tax advisory services	146	394
Fees for other non-audit services	366	710
Total auditors' fees	**2 739**	**3 277**

(All amounts in TNOK and exclusive of social security tax and VAT)

Auditors' fees concerned the audit firm EY. Details on remuneration to the Board and executives are given in the consolidated accounts' note 2.

Bonus schemes

The CEO's bonus scheme was terminated on 1 January 2019. Posten Norge AS has a bonus scheme for other members of Group management.

In addition, Posten Norge AS has bonus-based remuneration for divisional and regional management, other key employees and sales personnel. Bonus payments are based on defined criteria for the entire Group, targets for the Group as well as individual goals. Upper limits have been set for bonus payments in the various schemes.

Pension schemes

Senior personnel mainly have the same pension schemes and pension terms as other employees in the Company, ref. note 2 for the Group and "Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries" in the same note.

Individuals employed after 31 December 2006 belong to a self-insured defined contribution scheme. For employees with salaries exceeding 12 G, the annual contributions are limited to 25 percent of the pension basis in excess of 12 G. This scheme was closed in February 2015.

Loans and guarantees

No loans or guarantees were given to members of Group management.

NOTE 2 PENSIONS

The Company has both defined contribution and defined benefit plans. The defined benefit schemes are predictable for the employee as the benefits have been agreed in advance. The premium payments depend on factors such as the members' service time, age and salary level. In the contribution schemes, the payments are determined as a percentage of the employee's salary. The size of the pension assets determines how much pension the employee is entitled to, and consequently the employees bear the return risk on what has been paid into the scheme. More information is available in section 3 "Accounting estimates" and section 6 "Pensions" in the Company's accounting principles.

	2019	2018
Pension costs		
Present value of the pensions earned for the year	115	113
Net interest expense on net liability	23	16
Plan changes recognised in the income statement	3	(104)
Gross pension costs incl. social security tax (benefit based)	**142**	**24**
Employee contributions	(1)	(1)
Interest element reclassified to finance items	(20)	(14)
Net pension costs incl. social security tax (benefit based)	**121**	**10**
Defined contribution pension schemes	418	406
Employee contributions	(102)	(104)
Total pension expenses included in the operating profit for the year	**436**	**312**
Net pension liabilities		
Estimated accrued secured liabilities	(23)	(24)
Estimated value of the pension assets	22	24
Net estimated secured pension liabilities	**(1)**	
Estimated accrued unsecured pension liabilities	(592)	(608)
Net pension liabilities in balance sheet	**(592)**	**(608)**
Changes in liabilities		
Net liabilities at 1.1.	(608)	(840)
Gross pension expenses	(142)	(24)
Premium payments and benefits paid	157	154
Contributions from scheme members	1	1
Repayment of previously paid-in pension premium		(2)
Changes in pension estimates recognised in other comprehensive income		104
Net pension liabilities at 31.12.	**(592)**	**(608)**

	2019	2018
Main categories of pension assets at fair value		
Equity instruments (shares, bonds)	3	4
Debt instruments	14	16
Property	3	3
Other assets	2	1
Total pension assets	**22**	**24**
Pension estimate gain at 01.01.	**453**	**349**
Changes in pension plan, pension liabilities		124
Changes in discount rate, pension liabilities	(13)	7
Changes in other financial assumptions, pension liabilities	13	(7)
Changes in demographic assumptions, pension liabilities	7	(6)
Changes in other factors, pension liabilities	(6)	(17)
Changes in other factors, pension assets	(1)	2
Gain for the year in total comprehensive income		**104**
Pension estimate gain at 31.12.	**453**	**453**
Defined contribution pension schemes		
Number of members	13 946	14 484
Share of salary	5,7-21,3%	5,7-21,3%
Defined benefit pension schemes		
Actuarial assumptions		
Discount rate	2,3%	2,6%
Expected salary regulation	2,25%	2,75%
Expected G regulation	2,0%	2,5%
Expected pension regulation	1,5-2,5%	1,5-2,5%
Expected yield	2,3%	2,6%
Expected voluntary retirement (below 50 years)	4,0%	3,5%
Expected voluntary retirement (over 50 years)	1,5%	1,0%
Expected use of AFP	40-60%	40-60%
Demographic assumptions on mortality rate	K2013	K2013

Contribution schemes

The bulk of the Company's pension costs concern contribution pensions and disability pensions where the amount paid to the pension supplier annually is expensed in the income statement. The employees contribute through salary deductions.

For 2019, the contribution rates were 5,7 percent for salaries up to 7,1 of the national insurance basic amount (G) and 21,3 percent for salaries in the interval 7,1 to 12 G.

AFP (early retirement) scheme

On 1 January 2011, the Company went over to a new AFP scheme (the joint scheme for AFP in the private sector, ref. note 3 for the Group).

Employees who are still members of the Norwegian Public Service Pension Fund (SPK) have retained their rights in accordance with the AFP scheme in the public sector.

Defined benefit schemes

The majority of the Company's benefit schemes relate to the fact that Posten Norge AS withdrew from the Norwegian Public Occupational Pension Fund (SPK) in January 2006, giving those employed at the transition date the right to various compensation and guarantee arrangements.

In 2010, it was determined that the public service pensions should be coordinated with the private benefit scheme (AFP), which would reduce the pension from SPK for a significant number of employees in Posten. For this reason, a compensation scheme was agreed, and an obligation recorded in the balance sheet. In 2018, the rules were changed with the consequence that the coordination became much less extensive. Due to this, Posten reduced the pension obligation related to the coordination by MNOK 20 in 2019 and MNOK 228 in 2018.

The Company has a disability pension without a paid-up policy, providing benefits corresponding to the maximum amount allowed pursuant to the Occupational Pension Act and is accounted for as a contribution scheme. The Company also has significant obligations concerning salaries in excess of 12 G. Pension obligations related to salaries in excess of 12 G and early retirement pensions are financed by the Company's operations.

Posten Norge AS' benefit pension schemes were closed on 31 December 2005, with the exception of plans for senior employees that were closed on 31 December 2006. Consequently, the liabilities connected with most of the schemes will be terminated over time. The pension assets in the schemes are managed by the life insurance companies.

Assumptions

For 2019, changes have been made to the financial assumptions, mainly in accordance with recommendations from the Norwegian Accounting Standards Board (NRS). Posten Norge AS uses covered bonds (OMF) as its basis for the discount rate and set the rate to 2,3 percent in 2019 compared with 2,6 percent in 2018.

The change in discount rate was offset by the difference between estimated and actual take-up tendency, meaning that this year's change in actuarial assumptions was almost nil. The main reason for the change in estimate variations for 2018 concerned a plan change, larger AFP withdrawals and a lower withdrawal age than expected.

The retirement age for Norwegian employees is generally 67 years.

Sensitivity

The table below shows estimated effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2019 with the assumption that all other premises are unchanged.

	Discount rate		Pension regulation		Voluntary retirement	
Change (percentage points)	+1%	-1%	+1%	-1%	+1%	-1%
Change in gross pension liabilities (reduction)/increase	(40)	49	21	(18)	(3)	19
Percentage change	-7%	9%	4%	-3%		3%

NOTE 3 OTHER OPERATING EXPENSES

Other operating expenses are costs not directly related to the sale of goods and services, salaries and personnel costs or depreciation/impairment.

	2019	2018
Cost of premises	311	975
Other rental expenses	72	261
IT services	676	652
Other external services	279	324
Repair and maintenance of equipment	99	109
Tools, fixtures, operating materials	96	91
Marketing	98	87
Travel expenses	67	69
Insurance, guarantee and compensation expenses	54	53
Accounting and payroll services	33	35
Telephone costs	35	30
Other expenses	83	97
Operating expenses	**1 904**	**2 783**

In line with IFRS 16 Leases, the 2018 figures have not been restated.

The significant reduction in cost of premises concerned the leasing of premises, mainly due to the introduction of IFRS 16, whereby lease agreements are capitalised. This also applies for the reduction in other rental expenses, primarily leasing of vehicles.

The increase in IT services was due to high project activities, mainly relating to operating improvements of existing systems.

The reduction in other external services was primarily due to reduced use of temporary personnel in mail distribution.

Other expenses included freight, stationery, IT equipment, publications, membership dues, losses on receivables and other operating expenses.

NOTE 4 OTHER INCOME AND EXPENSES

Other income and expenses comprise significant income and costs of limited predictive value, and include restructuring costs, write-downs of shares and gains and losses on sales of tangible fixed assets (see sections 3 «Accounting estimates» and 12 «Provisions» in the Company's accounting principles).

	2019	2018
Restructuring expenses	(443)	(6)
Gains on sale of tangible fixed assets	8	86
Losses on subleases and termination of lease agreements	(18)	
Other expenses	(421)	(260)
Other expenses	**(874)**	**(180)**

Restructuring costs

In 2019, Posten Norge AS made provisions for costs related to restructuring of the mail business and staff and support functions in connection with a new group structure.

Changes in the Postal Act were approved by the Norwegian Parliament in June 2019, and the Board decided to reduce the number of distribution days from five days a week to every other day from 1 July 2020. Posten estimated that this will lead to a workforce reduction of approximately 1 200 man-labour years, and the provision for this restructuring in 2019 was MNOK 271. In the Mail segment, an additional MNOK 119 was provided for the restructuring of route preparation. Provisions for reorganising staff and support functions in the Company amounted to MNOK 44. Other restructuring costs constituted MNOK 9.

Total provisions for restructuring are shown in note 10.

Gains on sale of tangible fixed assets

Net gains on sale of tangible fixed assets in 2019 primarily concerned the sale of vehicles, furniture and fixings etc. as part of normal operations.

The effect of IFRS 16 is shown in note 21.

Gains on sale of tangible fixed assets in 2018 mainly related to the sale of Posten Eiendom Svanholmen AS.

Oher income and expenses

Other income and expenses in 2019 mostly concerned write-downs of shares in subsidiaries of MNOK 424, primarily shares in Bring Frigo AB (MNOK 225), Netlife Gruppen AS (MNOK 120) and Bring Cargo International A/S (MNOK 72). Additional information on write-downs of shares is given in note 9.

Other income and expenses in 2018 included write-downs of shares in subsidiaries of MNOK 279, a reversal of some of the loss in connection with the sale of Bring Citymail Sweden of MNOK 32 and a provision for loss in the logistics business of MNOK 20.

NOTE 5 FINANCIAL INCOME AND FINANCIAL EXPENSES

The note gives an overview of the Company's financial income and expenses, including income and costs related to the Company's financing, interest costs on lease obligations, currency effects from receivables and debt in foreign currencies, in addition to gains and losses from financial derivatives (ref. section 14 «Financial instruments» in the Company's accounting principles).

	2019	2018
Interest income from group companies	75	58
Interest income	114	48
Interest income on financial subleases	11	
Currency gains	50	77
Gain on derivatives	63	136
Dividends received		174
Other financial income	1	5
Financial income	**314**	**497**
Interest expenses to group companies	17	12
Interest expenses	102	90
Interest expenses on group lease obligations	211	
Interest expenses on lease obligations	80	
Currency losses	51	68
Loss on derivatives	15	30
Loss on loans at fair value through profit and loss[1)]	6	50
Other financial expenses	19	17
Financial expenses	**501**	**267**
Net financial income/(expense)	**(187)**	**231**

In line with IFRS 16 Leases, 2018 figures have not been restated.
1) Change in value on loans in Japanese yen where the "fair value option" has been applied, corresponding with value changes in combined interest rate and currency swaps recognised as «Gain on derivatives». Note 18 has more information.

Interest income from group companies mainly related to loans and the group cash pool. Interest income in 2019 was mainly from market-based investments and interest funds. Interest income on financial subleases is a consequence of the new accounting standard IFRS 16 Leases (ref. note 21).

Net currency gains and net gains on derivatives primarily concerned gains and losses as a result of the currency development between Norwegian and Swedish kroner, and between Norwegian kroner and euros. Note 18 has details on derivatives.

Interest expenses mainly concerned long-term financing. In 2019, the interest expenses comprised interest costs on pension obligations constituting MNOK 23 for the Company. Interest expenses on lease obligations are a consequence of the new accounting standard IFRS 16 Leases (ref. note 21).

The Group's note 18 has details of the Group's financial risk and capital management.

NOTE 6 TAXES

The note details the authorities' taxation of the profit in the Company. The tax expense is calculated on the basis of the accounting result and is split into the period's tax payable and change in deferred tax/deferred tax assets. Deferred tax liabilities/assets arise when the accounting and taxable accruals differ (ref. also section 3 «Accounting estimates» and section 7 «Taxes» in the Company's accounting principles).

	2019	2018
Income tax		
Tax payable	33	57
Change in deferred tax/(deferred tax assets)	(68)	61
Tax expense	**(35)**	**119**
Tax payable for the year	54	57
Adjustments of payments in previous years	(22)	
Tax payable	**33**	**57**
Effective tax rate in %	**7%**	**30%**
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit before tax	(484)	391
22% tax (23% in 2018)	(107)	90
Write-downs of shares in subsidiaries	93	64
Other non-deductible expenses	9	24
Non-taxable income	(9)	(60)
Effect of change in tax rate recognised in income statement		1
Adjustment previous years	(22)	
Tax expense	**(35)**	**119**

	2019	2018
Changes in pension estimate		24
Cash flow hedging	1	
Effect of change in tax rate		3
Change in deferred tax recognised in comprehensive income for the year	**1**	**27**

The effective tax rate was 7 percent, mainly caused by write-downs of shares of MNOK 424 (tax effect MNOK 93), and other non-deductible costs. Non-taxable income primarily included gains on sale of shares. The adjustment from previous years of MNOK 22 was due to the fact that tax on a gain concerning a business combination that should have been recognised in equity was recognised in the income statement. This was corrected in 2019.

Changes in deferred tax assets

	01.01.2019	Recognised in OCI	Recognised in income statement	Effect of change in tax rate	31.12.2019
Tangible fixed assets	53		13		67
Gains and losses	2		(2)		
Receivables	(4)		63		59
Currency			3		3
Pensions	(134)		3		(131)
Contribution fund	8				8
Provisions	(7)		(63)		(68)
Financial instruments	(10)	1	7		(1)
Lease agreements			(95)		(95)
Total deferred tax/(tax assets) in the balance sheet	**(90)**	**1**	**(68)**		**(158)**

	01.01.2018	Recognised in OCI	Recognised in Effect of change income statement in tax rate	Recognised in OCI[1)]	31.12.2018
Tangible fixed assets	14		42	(2)	53
Gains and losses	1				2
Receivables	(5)		1		(4)
Currency	3		(3)		
Pensions	(193)	24	29	6	(134)
Contribution fund	23		(15)		8
Provisions	(13)		7		(7)
Financial instruments	(8)		(2)		(10)
Total deferred tax/(tax assets) in the balance sheet	**(178)**	**24**	**60**	**4**	**(90)**

1)The column includes the effect of change in tax rate recognised in the income statement and in other comprehensive income of MNOK and MNOK 3, respectively

Deferred tax assets increased by MNOK 68 mainly as a consequence of the implementation of IFRS 16 Leases, where the net increase in deferred tax assets was MNOK 30. The amount comprises increases due to net lease agreements, financial sublease receivables and provisions. Note 21 has details on lease agreements. Other increases of deferred tax assets were mainly caused by provisions for restructuring (note 10). Increased deferred tax related to tangible fixed assets of MNOK 13 was due to different depreciation profiles between accounting and tax.

There has been no change in the tax rate from 2018.

NOTE 7 INTANGIBLE ASSETS

Intangible assets are non-physical assets and mainly concern capitalised IT development, including specially adapted software, and goodwill in connection with acquisitions of businesses. Intangible assets and goodwill are subject to significant estimation uncertainty (ref. section 3 «Accounting estimates» and section 8 «Intangible assets» in the Company's accounting principles).

	IT systems	Projects in progress	Goodwill	Sum
Carrying amount 01.01.2019	**291**	**349**	**522**	**1 162**
Additions	84	12		96
Additions internally developed intangible assets		18		18
Amortisation for the year	(127)			(127)
Write-downs for the year	(8)	(15)		(23)
Adjustments to cost price/scrapping	(1)			(1)
Group transfers	122	(122)		
Carrying amount on 31.12.2019	**361**	**242**	**522**	**1 125**
Acquisition cost 01.01.2019	2 091	355	522	2 968
Accumulated amortisation and impairment 01.01.2019	(1 800)	(6)		(1 806)
Acquisition cost 31.12.2019	2 248	263	522	3 027
Accumulated amortisation and impairment 31.12.2019	(1 887)	(21)		(1 902)
Carrying amount 31.12.2019	**361**	**242**	**522**	**1 125**
Depreciation method	Straight-line			
Useful life	3 - 10 years			

	IT systems	Projects in progress	Goodwill	Sum
Carrying amount 01.01.2018	**359**	**215**	**556**	**1 129**
Additions	26	154		180
Additions internally developed intangible assets		29		29
Amortisation for the year	(122)			(122)
Write-downs for the year	(6)			(6)
Group transfers	(15)		(34)	(49)
Transfers from projects in progress	50	(50)		
Carrying amount on 31.12.2018	**291**	**349**	**522**	**1 162**
Acquisition cost 01.01.2018	2 087	221	556	2 864
Accumulated amortisation and impairment 01.01.2018	(1 728)	(6)		(1 734)
Acquisition cost 31.12.2018	2 091	355	522	2 968
Accumulated amortisation and impairment 31.12.2018	(1 800)	(6)		(1 806)
Carrying amount 31.12.2018	**291**	**349**	**522**	**1 162**
Depreciation method	Straight-line			
Useful life	3 - 10 years			

IT systems

Total intangible assets related to IT systems recognised in the balance sheet at 31 December 2019 constituted MNOK 361, of which MNOK 170 concerned group-shared ERP and HR systems, EPM system and data warehouse solutions. Digital web solutions for customers and a group-shared CRM system had a book value of MNOK 52 and the Group's duty system MNOK 30. In addition, solutions for secure digital mail, address and route registers, production support systems and several projects on web solutions were carried in the balance sheet.

For intangible assets with definite useful economic lives, the amortisation period for the Group was 3-10 years in 2019 (the same as in 2018) depending on the useful economic life of each individual component based on an individual assessment. In the income statement, the amortisation for the year is included in the line for depreciation and amortisation.

Projects in progress

Projects in progress at 31 December 2019 amounted to MNOK 242, of which approximately MNOK 150 concerned projects for developing a new group-shared transport control system. In addition, development related to reporting and production support systems, as well as updates and improvements to the management of the Group's infrastructure were carried in the balance sheet.

Write-down of IT systems and projects in progress

In 2019, IT systems and projects in progress were written down by a total of MNOK 23, of which MNOK 15 concerned projects in progress, a consequence of the fact that a small part of the Group's operations is expected not to use the new system for transport control. There were no significant write-downs of IT systems or projects in progress in 2018.

Goodwill

Goodwill is allocated to cash-generating units based on an assessment of incoming cash flows related to the business or business group (operating segment) to which the goodwill pertains. If the cash flows of a business or business group are independent of cash flows related to other entities, the individual business/business group constitutes the cash-generating unit, and the goodwill is allocated to this entity. If not, goodwill is allocated to a cash-generating unit at a higher level. Goodwill in Posten Norge AS amounted to MNOK 552 as at 31 December 2019 (MNOK 522 in 2018) and concerned e-commerce and logistics only.

Additions and disposals of goodwill

There were no additions or disposals in 2019. Posten Norge AS' Home Delivery business was transferred to the subsidiary Bring Express Norge AS on 1 January 2018. The transaction resulted in a group transfer of goodwill of MNOK 34.

Impairment of goodwill

Goodwill is subject to annual impairment tests. If there are any indications of impairment during the year, goodwill is tested when such indications occur. The Company uses the value in use as the recoverable amount for goodwill.

Forecasts (operating result)
Future cash flows are calculated on the basis of estimated results over a period of three years, adjusted for depreciation, investments and changes in working capital. Forecasts and long-term plans are prepared and approved by management based on the most recently available general economic indicators and market expectations, considered against strategic goals, historical and other factors.

In the cash-generating entity E-commerce and Logistics, profit margins are characterised by strong competition and price pressure. Several initiatives to increase cost-effectiveness in the segment are under way. Hence, the Group's forecasts for the Logistics segment include profitability improvements. Significant cost elements are external service costs that are affected by price negotiations and inflation. Market trends in Norway affect the Logistics segment in Posten Norge AS. This is reflected in the growth rates of the division.

Other assumptions (growth and required rate of return)
The extrapolation period contains a calculation of cash flows after the forecast period, using a constant growth rate. The size of the growth rate for E-commerce and Logistics segment is stated in the table below. Growth rates do not exceed the long-term average rate in the areas where E-commerce and Logistics operate.

The present value of future cash flows is calculated using a weighted required rate of return for total capital in the Group for each segment before tax. The required rate of return for equity is calculated by using the capital asset pricing model (CAPM). The required rate of return for debt is estimated on the basis of long-term risk-free interest rates with the addition of a credit margin derived from the Group's marginal long-term interest rate on loans. The required rate of return is assessed each year for significant changes in factors that affect the requirement. The required rate of return for E-commerce and Logistics is stated in the table below.

Overview of goodwill and key assumptions:

		Discount rate before tax (WACC)		Long-term growth rate	
	Goodwill	2019	2018	2019	2018
E-commerce and Logistics	522	8,4%	9,4%	2%	2%
Total Company	**522**				

Results of the impairment tests in 2019
Based on the criteria described above, no need for any write-down of goodwill was identified in 2019 (the same as in 2018).

Sensitivity analyses
Sensitivity analyses have been performed on key assumptions for the cash generating units in the Company. Assumptions analysed were growth (reduced to 1 and 0 percent), the required rate of return (increase of 0,5 and 1 percentage points) and operating result (EBIT) margin (reduced by 10 to 50 percent). No increased write-down requirements were identified. The value in use is assessed to be considerably higher than the carrying value for the cash-generating unit.

NOTE 8 TANGIBLE FIXED ASSETS

Tangible fixed assets comprise various types of property and operating equipment needed for the type of business conducted by the Company. The largest values are represented by mail and logistics terminals (ref. section 9 «Tangible fixed assets» in the Company's accounting principles).

	Machinery	Vehicles, furniture, equipment	Buildings and property	Plant under constr., machinery and installations	Plant under constr., buildings	Total
Carrying amount 01.01.2019	**478**	**369**	**51**	**88**	**1**	**987**
Additions	11	60	7	79	4	161
Disposals		(15)				(15)
Depreciation for the year	(74)	(116)	(11)			(200)
Write-downs for the year		(1)				(1)
Adjustment to cost price/ scrapping		1				1
Transfers from assets under construction	122	29	5	(151)	(5)	
Carrying amount 31.12.2019	**537**	**328**	**52**	**16**	**1**	**933**
Acquisition cost 01.01.2019	1 231	1 148	127	88	1	2 594
Accumulated depreciation and write-downs 01.01.2019	(753)	(779)	(76)			(1 607)
Acquisition cost 31.12.2019	1 256	1 010	127	16	1	2 410
Accumulated depreciation and write-downs 31.12.2019	(719)	(682)	(75)			(1 476)
Carrying amount 31.12.2019	**537**	**328**	**52**	**16**	**1**	**933**
Depreciation method	Straight-line	Straight-line	Straight- line			
Useful life	3-20 years	3-15 years	3-20 years			

	Machinery	Vehicles, furniture, equipment	Buildings and property	Plant under constr., machinery and installations	Plant under constr., buildings	Total
Carrying amount 01.01.2018	**423**	**400**	**54**	**97**	**2**	**976**
Additions	40	77	2	101	7	226
Disposals		(8)				(8)
Depreciation for the year	(68)	(122)	(11)			(201)
Write-downs for the year	(4)	(1)				(5)
Group transfers	(1)					(1)
Transfers from assets under construction	88	23	7	(111)	(7)	
Carrying amount 31.12.2018	**478**	**369**	**51**	**88**	**1**	**987**
Acquisition cost 01.01.2018	1 318	1 135	140	97	2	2 692
Accumulated depreciation and write-downs 01.01.2018	(895)	(734)	(87)			(1 716)
Acquisition cost 31.12.2018	1 231	1 148	127	88	1	2 594
Accumulated depreciation and write-downs 31.12.2018	(753)	(779)	(76)			(1 607)
Carrying amount 31.12.2018	**478**	**369**	**51**	**88**	**1**	**987**
Depreciation method	Straight-line	Straight-line	Straight- line			
Useful life	3-20 years	3-15 years	3-20 years			

Additions to tangible fixed assets

Approximately MNOK 50 of total additions of MNOK 161 concerned machinery for mail and parcels handling related to the mail and logistics terminals in Oslo, Stavanger and Hamar. The rest was ICT, transport equipment and furniture.

NOTE 9 INVESTMENTS IN COMPANIES AND BUSINESSES

In the financial statements of Posten Norge AS, investments in subsidiaries and associated companies are recognised at historical cost (ref. section 10 «Investments in subsidiaries and associated companies» in the Company's accounting principles).

Investments in subsidiaries

Subsidiary	Acquired/ establishedd	Address	Primary activity	Voting and owner Ownership share 31.12.19	Book value 31.12.19	Book value 31.12.18
Bring Cargo AS	10.06.2004	Oslo	Transport	100%	1 137	1 137
Posten & Bring Holding 1 AS	07.10.2019	Oslo	Transport	100%	546	
Posten & Bring Holding 2 AS	07.10.2019	Oslo	Transport	100%	537	
Posten Eiendom Robsrud AS	08.06.2006	Oslo	Property	100%	480	480
Bring Frigo AB	20.01.2006	Sweden	Transport	100%	131	290
Bring Cargo International AB	23.03.2011	Sweden	Transport	100%	233	233
Netlife Gruppen AS	31.07.2016	Oslo	Dialogue services	79%	85	202
Bring Parcels AB	1999/2008	Sweden	Transport	100%	91	91
Bring Mail Nordic AB	01.09.2005	Sweden	Mail	100%	86	86
Bring Warehousing AS	12.04.2000	Oslo	Third-party logistics	100%	62	62
Posten Eiendom Alnabru AS	01.01.2008	Oslo	Property	100%	57	57
Bring Transportløsninger AS	30.06.2016	Oslo	Transport	100%	47	47
Bring Linehaul AS	2000/2009	Jaren	Transport	100%	37	37
Bring Express Suomi OY	01.07.2003	Finland	Express	100%	26	31
Espeland Transport AS	30.06.2016	Alvdal	Transport	100%	8	8
Bring Shared Services AB	07.06.2011	Sweden	Shared services	100%	1	1
Bring Cargo International A/S	18.11.2010	Denmark	Transport	100%		
Bring Frigo AS	01.01.2006	Oslo	Transport	100%		
Bring Cargo Inrikes AB	30.11.2012	Sweden	Transport	100%		
Posten Eiendom AS	08.06.2006	Oslo	Property	100%		
Posten Eiendom Bodø AS	04.05.2015	Oslo	Property	100%		
Posten Eiendom Molde AS	04.05.2015	Oslo	Property	100%		
Bring Logistik AB	31.10.2011	Sweden	Shared services	100%		
Bring AS	08.03.2005	Oslo	None	100%		
Bring Cargo International Norge AS	24.09.2019	Oslo	Transport	100%		
Bring Equipment AS	31.10.2019	Oslo	Transport	100%		
Sold, liquidated and merged companies						
Bring Express Norge AS 1)	12.11.1997	Oslo	Transport			497
Bring Express Sverige AB 2)	24.05.1991	Sweden	Transport			142
Neaktiva 1 AB 2)	01.05.1991	Sweden	Holding			
Fetch AS	31.07.2017	Oslo	Transport			
Total investments in subsidiaries					**3 562**	**3 401**

1) The company was sold to the newly established subsidiary Posten & Bring Holding 2 AS
2) The company was sold to the newly established subsidiary Posten & Bring Holding 1 AS

In connection with the new group structure, Posten Norge AS established the companies Posten & Bring Holding 1 AS and Posten & Bring Holding 2 AS in 2019. The shares in the subsidiaries Bring Express Norge AS, Bring Express Sverige AB and Neaktiva AB were transferred to Posten & Bring Holding 1 AS in return for contributions in kind.

Fetch AS was liquidated in 2019.
See also note 23 in the Group accounts.

Capital contribution and write-downs of shares

For those companies where the carrying value of the shares exceeded the value in use of net assets, shares in subsidiaries were written down. Capital contributions were also given to some companies and accounted for as additions to the investment. The table below shows write-downs and capital contributions in 2019 and 2018.

2019	Write-down	Capital contributions and contributions in kind
Bring Frigo AB	270	67
Bring Cargo International A/S	72	72
Netlife Gruppen AS	49	
Bring Express Suomi OY	5	
Espeland Transport AS	2	
Posten & Bring Holding 1 AS		546
Posten & Bring Holding 2 AS		537
Total	**398**	**1 222**

2018	Write-down	Capital contributions
Bring Frigo AB	126	
Bring Frigo AS	59	
Bring Warehousing AS	52	
Bring Transportløsninger AS	16	
Espeland Transport AS	15	
Bring Cargo International A/S	7	
Bring Express Suomi OY	5	
Bring Citymail Sweden AB		159
Total	**279**	**159**

With the exception of contributions in kind given to the newly established companies Posten & Bring Holding 1 AS and Posten & Bring Holding 2 AS, the capital contributions were required because of the companies' weak equity. The amounts were written down at the end of the year.

Investments in associated companies

Company	Acquired	Address	Primary activity	Voting and owner-ship 31.12.19	Book value 31.12.19	Book value 31.12.18
Danske Fragtmænd A/S	04.07.2013	Denmark	Transport	26,0%	242	296
Norbjørn AS	17.12.2019	Tromsø	Sea transport	34,0%	16	
Total					**258**	**296**

In 2018, the agreement for the exercising of a sales option on the shares in Danske Fragtmænd A/S from 2017 was replaced by a new agreement. The new agreement has a repurchase period of 5 years. Interest shall be paid. In 2019, 5,7 percentage points of the shares in Danske Fragtmænd A/S were sold back and Posten Norge AS's ownership share reduced from 31,7 to 26 percent. The sale generated a gain of MNOK 18.
In 2019, Posten Norge AS purchased 34 percent of the shares in Norbjørn AS. Norbjørn AS owns the supply ship MS Norbjørn which is engaged in sea transport between the mainland and Svalbard. The purchase secured control of the transport on this route and supports the Group's competitiveness in the area.

NOTE 10 PROVISIONS FOR LIABILITIES

The Company's provisions comprise provisions related to restructuring, pensions and other types of provisions (ref. also section 3 «Accounting estimates», section 12 «Provisions» and section 13 «Contingent liabilities and assets» in the Company's accounting principles).

	Restructuring	Pension	Other	Total
Balance 01.01.2018	**137**	**840**	**14**	**992**
Provisions made during the year	8		22	31
Reversals of previous year's provisions	(2)			(2)
Provisions utilised during the year	(64)		(8)	(72)
Change in pension liabilities during the year		(232)		(232)
Balance 31.12.2018	**79**	**608**	**28**	**715**
Effects of change of principle (IFRS 16)	(30)		(3)	(33)
Provisions made during the year	452			452
Reversals of previous year's provisions	(9)		(1)	(10)
Provisions utilised during the year	(79)		(12)	(92)
Change in pension liabilities during the year		(16)		(16)
Balance 31.12.2019	**413**	**592**	**11**	**1 016**
Short-term part of provisions	189		2	191
Long-term part of provisions	224	592	9	825

Restructuring

MNOK 437 of the year's provision of MNOK 452 concerned personnel related measures and MNOK 15 concerned premises. MNOK 34 of utilised provisions during the year were payments for route preparation and MNOK 26 for a single common addressed-mail flow. The implementation of IFRS 16 resulted in an adjustment of MNOK 30 in loss provisions against right-of-use assets.

The liabilities as at 31 December were:

	2019	2018
Personnel related measures	410	50
Rental of vacant premises		27
Other measures	3	3
Restructuring	**413**	**79**

The disbursements are expected to be MNOK 189 in 2020 and MNOK 224 in in later years.

Pensions

Pensions are described in note 2.

Disputes

In 2017, Posten received a claim for compensation related to changes in purchase volumes from a supplier. The matter was settled in 2019 without any significant effect on the financial statements.

No other disputes with any significant risk exposure for the Company have been noted in 2019.

NOTE 11 OVERVIEW OF FINANCIAL ASSETS AND LIABILITIES

The note gives an overview of the Company's classification of financial assets and liabilities and their carrying amounts (ref. section 14 «Financial instruments» in the Company's accounting principles.)

			At fair value			At amortised cost		
2019	Note	Valuation hierarchy level	Fair value over profit and loss (FVO)	Derivatives at fair value over profit and loss	Derivatives at fair value over OCI	Receivables	Other financial liabilities	31.12.2019
Assets								
Interest-bearing non-current receivables	12					1 474		1 474
Other financial non-current assets	18	2		118	4	3		125
Interest-free current receivables	13,18	2		100	4	1 694		1 798
Interest-bearing current receivables	12					2 086		2 086
Liquid assets	14					3 819		3 819
Financial assets								**9 303**
Liabilities								
Long-term lease obligations	21						7 302	7 302
Interest-bearing non-current liabilities	15,18	2	415				1 794	2 210
Interest-free non-current liabilities	16,18	2			4		2	6
Short-term lease obligations	21						580	580
Interest-bearing current liabilities	15	2	247				2 890	3 138
Interest-free current liabilities, incl. taxes payable	6,16,18	2		12			3 161	3 174
Financial liabilities								**16 409**
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(663)	205	4			(454)
Total value hierarchy level 3 (net)								

2018	Note	Valuation hierarchy level	At fair value: Fair value over profit and loss (FVO)	At fair value: Derivatives at fair value over profit and loss	At fair value: Derivatives at fair value over OCI	At amortised cost: Receivables	At amortised cost: Other financial liabilities	31.12.2018
Assets								
Interest-bearing non-current receivables	12					1 545		1 545
Other financial non-current assets	18	2		210	3	3		216
Interest-free current receivables	13,18					1 680		1 680
Interest-bearing current receivables	12					2 184		2 184
Liquid assets	14					3 515		3 515
Financial assets								**9 141**
Liabilities								
Interest-bearing non-current liabilities	15,18	2	657				2 325	2 982
Interest-free non-current liabilities	16,18	2		10	2		2	14
Interest-bearing current liabilities	15						2 739	2 739
Interest-free current liabilities incl. taxes payable	6,16,18	2		30	2		2 961	2 993
Financial liabilities								**8 729**
Total value hierarchy level 1 (net)								
Total value hierarchy level 2 (net)			(657)	169	(2)			(489)
Total value hierarchy level 3 (net)								

The tables above are the basis for further information about financial assets and liabilities with references to the subsequent notes. In addition to showing the classification categories pursuant to IFRS 9, the tables also show on which level the Company's financial instruments at fair value have been assessed.

Information on fair value

Applied methods for determining fair value are defined in three categories reflecting varying levels of valuation uncertainty, based on the measurement method's objectivity:
Level 1: Use of listed prices in active markets
Level 2: Use of valuation methods with observable market data as input
Level 3: Use of valuation methods where input is based on a significant degree of non-observable market data

No financial assets or liabilities have been reclassified in 2019 in such a way that the valuation method has been changed from amortised cost to fair value, or vice versa. There were no transfers between level 1 and level 2 of fair value measurements in 2019, and no registrations of financial assets or liabilities in or out of level 3.

Fair value of financial instruments measured at fair value in the balance sheet

The fair value of the Company's derivatives and loans in foreign currency (Japanese yen), where the fair value option (FVO) pursuant to IFRS 9 has been applied, was measured on the basis of sources described in level 2. Note 18 has details.

Fair value of financial instruments measured at amortised cost in the balance sheet

Information about fair value shall be provided in accordance with the disclosure requirements of IFRS 7, even though the assets or liabilities are not measured at fair value in the balance sheet.

The fair value of receivables and other financial liabilities at 31 December 2019 was approximately the same as book value (amortised cost).

NOTE 12 INTEREST-BEARING NON-CURRENT AND CURRENT RECEIVABLES

Non-current and current receivables mainly comprise loans from Posten Norge AS to other group companies. The first year's instalment of interest-bearing non-current receivable is included in interest-bearing current receivables (ref. section 14 «Financial instruments» in the Company's accounting principles). The note also includes current and non-current financial sublease receivables.

	2019	2018
Non-current loans to group companies	1 204	1 533
Non-current sublease receivables	257	
Other non-current receivables	13	11
Interest-bearing non-current receivables	**1 474**	**1 545**
Current loans to group companies	2 026	2 149
Current sublease receivables	24	
Other current receivables	35	35
Interest-bearing current receivables	**2 086**	**2 184**

Starting in the accounting year 2019, IFRS 16 Leases has been implemented in the accounts. Note 21 has additional information.

The reduction in interest-bearing non-current receivables is mainly due to changes in loans to Posten's property companies. A reclassification of the first year's instalment has also been made to interest-bearing current receivables.

Current loans to group companies include receivables concerning the group cash pool system and the first year's instalment of non-current loans.

NOTE 13 INTEREST-FREE CURRENT RECEIVABLES

The note gives an overview of the Company's interest-free current receivables, including trade receivables, together with the ageing of receivables and the provision for losses (ref. section 15 «Accounts receivable» in the Company's accounting principles).

	2019	2018
Accounts receivable	1 019	1 078
Receivables from group companies	167	187
Accrued income	348	257
Prepaid expenses	118	110
Receivables from employees	1	1
Short-term derivatives	104	
Other receivables	41	47
Interest-free current receivables	**1 798**	**1 680**
Accounts receivable by due date:		
Not due	850	977
0 - 30 days	140	82
30 - 60 days	9	16
60 - 90 days	14	1
Over 90 days	12	8
Provisions for losses on receivables	(7)	(6)
Total accounts receivable	**1 019**	**1 078**
Expected credit losses		
Balance at 01.01	6	8
Provisions made during the year	22	24
Actual losses recognised against provisions	(19)	(14)
(Over)/underfunded accruals in previous years	(2)	(12)
Balance at 31.12	**7**	**6**
Total actual losses on receivables	**19**	14
Provisions for losses on receivables by:		
General provision	7	6

The Company's carrying amount of interest-free current receivables was approximately the same as their fair value as at 31 December 2019. The Company had no significant credit risk relating to one individual contracting party, or to several contracting parties that could be regarded as one group due to similarities in credit risk. The Company has guidelines to ensure that credit sales are carried out only to customers with adequate payment ability and that outstanding amounts do not exceed established credit limits. The Company applies the simplified method for provisions for expected credit losses on accounts receivable and measures the provision at an amount corresponding to the expected credit loss during their lifetime. This is derived from a combination of individual assessments and a general assessment based on due date analyses and historical data.

Accrued income mainly includes income related to foreign postal services. Short-term derivatives are described in note 18. Other receivables primarily comprised receivables connected with social security refunds and receivables associated with bank services and Post-in-Shops.

NOTE 14 LIQUID ASSETS

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (ref. section 16 «Cash and cash equivalents» in the company's accounting principles).

	2019	2018
Cash and cash equivalents	441	241
Short-term investments	3 378	3 274
Liquid assets	**3 819**	**3 515**

The improved liquidity is mainly due to higher supplier payables compared with 2018 together with lower operating investments.

A corporate cash pool in Nordea is used in Norway, Sweden, Denmark and the UK, where in accordance with the agreements Posten Norge AS is the group account holder. The banks can settle withdrawals and deposits against each other, and the net position will accordingly represent the balance between the bank and the group account holder. As at 31 December 2019, Posten had unused credit facilities on the cash pool account in Nordea of MNOK 500.

The Company's short-term investments consisted of investments in liquid interest funds at low risk. The investments constituted an important part of the Company's liquidity reserve. Note 17 has information on market-based investments and interest funds.

A considerable part of the cash and cash equivalents is connected to liquidity needs in the sales network. Through a cash account agreement with DNB, Posten Norge is obliged, at any time, to hold sufficient cash to serve the bank's customers. Cash holdings as at 31 December 2019 amounted to MNOK 58 (the corresponding amount in 2018 was MNOK 65) and is based on a requirement to meet 95 percent of historical net withdrawals. The remuneration for this service was recognised in revenue, and interest from cash holdings is part of finance income.

The Company has a bank guarantee In Nordea, limited to MNOK 550, to cover the employees' withheld tax.

NOTE 15 INTEREST-BEARING NON-CURRENT AND CURRENT LIABILITIES

Interest-bearing non-current and current liabilities comprise debt to credit institutions, bond loans, certificate loans and other interest-bearing debt. Non-current liabilities are split between fixed interest and floating interest. Planned down payments and the first year's instalment of interest-bearing non-current liabilities are included in interest-bearing current liabilities (ref. section 14 «Financial instruments» and section 17 «Loans» in the Company's accounting principles).

Interest-bearing non-current liabilities

	2019	2018
Liabilities at fixed interest		
Liabilities to credit institutions	139	484
Bond loans	438	613
Total non-current liabilities at fixed interest	**577**	**1 097**
Liabilities at floating interest		
Liabilities to credit institutions	721	772
Bond loans	913	1 113
Total non-current liabilities at floating interest	**1 633**	**1 885**
Interest-bearing non-current liabilities	**2 210**	**2 982**

Interest-bearing current liabilities

	2019	2018
First year's instalment on non-current liabilities	778	100
Certificate loans	400	800
Liabilities to group companies	1 960	1 839
Interest-bearing current liabilities	**3 138**	**2 739**

Posten Norge AS did not raise any new long-term loans in 2019. Ordinary instalments on loans amounted to MNOK 100.

As at 31 December 2019, Posten Norge AS had non-current liabilities (including the first year's instalment on long-term debt) at fixed interest rates amounting to MNOK 1 099. They had a weighted average interest rate of 2,8 percent and mature in the period 2020 - 2023. Posten Norge AS also had non-current liabilities at floating interest amounting to MNOK 1 889 (including the first year's instalment on long-term debt) at a weighted average interest rate of 2,6 percent as at 31 December 2019, maturing in the period 2020-2024.

As at 31 December 2019, Posten Norge AS had certificate loans totalling MNOK 400. The certificate loans were classified as current interest-bearing liabilities, and the outstanding balance was reduced by MNOK 400 from 2018.

Liabilities to group companies concerned the group cash pool.

Group note 18 «Financial risk and capital management» has details on the instalment profiles for liabilities.

Reconciliation of liabilities from financing activities

	2019	2018
Liabilities at 1.1	**3 882**	**3 707**
Cash flows from financing activities	(500)	125
Change in fair value	6	50
Liabilities at 31.12.	**3 388**	**3 882**

NOTE 16 INTEREST-FREE NON-CURRENT AND CURRENT LIABILITIES

Interest-free liabilities mainly comprised short-term items such as trade accounts payable, other provisions concerning salaries, public charges and other incurred expenses (ref. section 14 «Financial instruments» in the Company's accounting principles).

	2019	2018
Non-current derivatives	4	13
Other non-current liabilities	2	2
Interest-free non-current liabilities	**6**	**14**
Provisions for payroll expenses and public charges	1 424	1 444
Accounts payable	441	302
Provisions for accrued expenses	509	491
Prepaid revenue	366	342
Debt to group companies	76	168
Restructuring	189	55
Current derivatives	12	33
Other current liabilities	113	101
Interest-free current liabilities	**3 130**	**2 936**

Provisions for salary expenses and public charges mainly comprised provisions for holiday pay, earned but unpaid salaries and public dues such as social security tax, employees' tax withheld and VAT. The reduction in 2019 was primarily a result of fewer employees in 2019.

The provision for accrued expenses included provisions for remuneration for "Post-in-Shop" services, expenses to foreign postal businesses together with maintenance and service related to the Company's vehicle fleet.

Prepaid revenue is primarily connected to the advance billing of franking machines and unused sold stamps.

Note 10 has details on restructuring costs.

Other current liabilities mainly comprised securities for financial instruments.

NOTE 17 FINANCIAL RISK AND CAPITAL MANAGEMENT

Posten Norge has a centralised finance function with the principal objective of securing the Group's financial flexibility, as well as monitoring and managing financial risk.

The Group's note 18 describes the Group's financial risks and applies to Posten Norge AS, including market risk (currency and interest rate risk), credit risk and liquidity risk. The Company uses derivatives to reduce market risk, and Group note 18 provides detailed information about derivatives and hedging (see also section 14 «Financial instruments» in the Company's accounting principles).

NOTE 18 DERIVATIVES AND HEDGING

All derivatives are used in the hedging of currency and interest rate risk. The value of the derivatives fluctuates in relation to the underlying prices, and the note shows the fair value of open derivatives at the balance sheet date (ref. section 14 «Financial instruments» in the Company's accounting principles).

2019	Assets	Liabilities	Nominal value[1]
a) Cash flow hedging			
Interest-rate swaps NOK	5	(4)	1 283
b) Other financial hedges (hedges not included in hedge accounting according to IFRS)			
Interest-rate swaps NOK	1	(4)	248
Forward currency contracts SEK	3	(8)	703
Forward currency contracts EUR	1		7
Combined interest-rate/currency swaps	216		447
Total	**226**	**(17)**	

1) Amounts in transaction currency

2018	Assets	Liabilities	Nominal value[1]
a) Cash-flow hedging			
Interest-rate swaps NOK	3	(2)	1 383
Forward exchange contracts EUR		(2)	8
b) Other financial hedges (hedges not included in hedge accounting according to IFRS)			
Interest-rate swaps NOK	1	(10)	248
Forward exchange contracts SEK		(30)	766
Forward exchange contracts EUR			7
Combined interest-rate/currency swaps	210		447
Total	**213**	**(46)**	

1)) Amounts in transaction currency

The derivatives in the table above are classified by type of hedging for accounting purposes, and the objective of the derivatives is described below.

Information on fair value

The fair value of forward currency contracts is determined by applying the forward exchange rate on the balance sheet date.

The fair value of interest rate and currency swaps is primarily determined by discounting future cash flows at discount rates derived from observable market data.

For all derivatives, the fair value is confirmed by the finance institutions with which the Company has made agreements.

a) Cash flow hedging

Interest rate swaps
At the end of 2019, the Company had a bilateral loan of MNOK 100. In order to secure fixed interest rate terms, a fixed interest rate swap for a corresponding amount and maturity was made in September 2015.

In 2015, Posten Norge AS entered into a fixed interest rate swap of MNOK 175 related to an underlying bond loan of MNOK 375 with a term of 5 years. The same year, Posten Norge AS raised a bond loan of 7 years of MNOK 350 at a fixed coupon that in its entirety was swapped to floating interest in the same transaction. MNOK 88 was swapped back to fixed interest in 2015 and MNOK 100 in 2017.

In 2017, Posten Norge AS raised a bond loan of MNOK 1 000 with maturity on 28 September 2021. The loan has a floating reference interest rate and was partly hedged by a fixed interest swap of MNOK 250. Posten Norge also entered into an amortising bilateral loan at floating interest rate terms and maturity on 16 December 2024. In 2018, approximately half of the loan was hedged with two fixed interest rate swaps with a future start date in 3 years. Accordingly, the loan has floating interest rate terms for 3 years and fixed terms for the last 4 years.

Almost all critical terms (the dates for interest determination, calculation methods, reference interest rate etc.) related to the derivatives described above are in accordance with underlying loan agreements. The cash flows of the interest rate swaps therefore mainly correspond with the interest payments on the loans. Hence, there are no significant sources for hedging ineffectiveness.

Hedge reserve in equity
The Company's statement of changes in equity shows net movements in hedge reserves.

b) Other financial hedges (derivatives not included in hedge accounting according to IFRS)

Forward contracts SEK and EUR
The Company uses forward currency contracts in Swedish kroner and euros to hedge currency loans given by the Company to foreign subsidiaries. Rolling forward contracts constituted MSEK 50 and MEUR 7 as at 31 December 2019. The changes in value are recognised in the income statement and will offset changes taken through the income statement caused by currency fluctuations.

Investments in foreign subsidiaries are hedged at group level by forward currency contracts in Posten Norge. As at 31 December 2019, the Company had forward contracts amounting to MSEK 653 (MSEK 653 in 2018).

Combined interest rate and currency swaps
In 2008 and 2013, the Company entered into long-term loan agreements with Japanese life insurance companies of 3 and 5 billion Japanese yen, respectively, at fixed interest rate terms. At the same time, combined interest rate and currency swap agreements were made, effectively giving the Company loans in Norwegian kroner with floating interest.

Posten Norge AS has made use of the «fair value option» (FVO) in IFRS 9 for measuring these loans. Changes in interest rates or exchange rates resulting in changes in the value of the Japanese yen denominated loans measured in Norwegian kroner are offset by changes in the value of the combined interest rate and currency swaps.

As at 31 December 2019, the two loans from the Japanese life insurance companies were recognised at a total value of MNOK 663 (MNOK 657 in 2018), where the value changes from the borrowing date constituted MNOK 216 (MNOK 210 in 2018). This value change corresponds to the interest and currency swap agreements, and the derivatives are recognised as an asset.

An interest rate swap has also been established related to the entire loan of 3 billion Japanese yen, converting this loan to a fixed interest loan. In addition, an interest swap for approximately one third of the loan of 5 billion Japanese yen has been made, which partly converted the loan to fixed interest. The interest rate swaps have the same maturity dates as the loans, but do not qualify for hedge accounting. In the table of derivatives and hedging relationships, they are included in the line 'Interest rate swaps' at a negative fair value of MNOK 3 as at 31 December 2019.

Upon entering into the loan agreement for 5 billion Japanese yen in 2013 and the combined interest rate and currency agreement, the Company also made a CSA (Credit Support Annex) agreement. This agreement defines how two swap counterparties will act when the value of a swap changes in favour of one of the parties during the swap period. A deposit shall be paid/received in order to reduce the credit risk if the swap's value exceeds the threshold value (MEUR 2). The swap's value is measured monthly, and if the value in one of the parties' favour is larger than MEUR 2, the excess value shall be paid into the counterparty's account. It has also been determined that the minimum amount for such a payment is MEUR 0,5. As at 31 December 2019, the Company had received MEUR 10 from the counterparty. This is recognised as a current liability in the balance sheet.

NOTE 19 EQUITY

The shares in Posten Norge AS are owned in full by the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries (ref. section 18 «Equity» in the Company's accounting principles).

As at 31 December 2019, the share capital consisted of 3 120 000 shares with a nominal value of NOK 1 000 each.

In accordance with the dividend policy, dividends shall constitute 50 percent of group profit after tax. Before the annual dividend is determined, an independent evaluation of the financial situation and the future prospects in the Group and Posten Norge AS shall be made. The proposed dividend for the accounting year 2019 is MNOK 6,5.

The Annual General Meeting in June 2019 agreed the distribution of a dividend of MNOK 124, corresponding to the Board's proposal in the 2018 financial statements. The dividend was paid in July 2019.

NOTE 20 GUARANTEES/ASSETS PLEDGED AS SECURITY

The Company has provided various guarantees, including rental guarantees, contract guarantees, debt guarantees, and other payment guarantees, in connection with current operations. The Company has not pledged property of any significant value.

	2019	2018
Guarantees for group companies	677	656
Other guarantees	9	241
Total guarantees	**686**	**897**

As at 31 December 2019, Posten Norge AS provided delivery guarantees to Statoil Petroleum AS for Bring Cargo AS and to Dansk Retursystem for Bring Cargo International A/S. No amounts are attached to these guarantees (ref. the Group's note 21 Guarantees/assets pledged as security).

NOTE 21 LEASES

The note shows effects of the lease agreements on Posten Norge AS' financial position and earnings, both as lessee and lessor. The Company implemented the accounting standard IFRS 16 Leases effective from 1 January 2019, and no comparable figures have been prepared (ref. also section 19 «Leasing» in the Group's accounting principles).

1. Posten Norge AS as lessee

The Company's lease agreements primarily comprised the lease of office premises, buildings and vehicles.

The most significant lease agreements concerned Østlandsterminalen at Robsrud, Posten and Bring's logistics centre at Alnabru which comprises three terminals for freight, parcels and refrigerated/frozen goods, and Posthuset, Biskop Gunnerusgate 14 A.

In addition, Posten Norge AS had almost 4 000 lease agreements for vehicles.

The following amounts concerning lease agreements are recognised in the balance sheet:

	2019
Property	7 058
Vehicles	394
Total right-of-use assets	**7 452**

Additions of right-of-use assets in 2019 amounted to MNOK 745.

	2019
Long-term lease obligations	7 302
Short-term lease obligations	580
Total lease obligations	**7 882**

	2019
Less than 1 year	877
1-2 years	786
2-3 years	712
3-4 years	625
4-5 years	566
5-10 years	2 613
10-20 years	3 483
More than 20 years	1 413
Total non-discounted lease obligations at 31.12.	**11 075**

The following amounts concerning lease agreements are recognised in the income statement:

	2019
Depreciation property	499
Depreciation vehicles	208
Total depreciation	**707**
Interest costs on lease obligations	291
Expenses related to short-term lease agreements	45
Costs related to lease agreements concerning assets of low value, not short-term	13
Income from subleases of right-of-use assets	19

Total outgoing cash flows related to lease agreements in 2019 were MNOK 976, of which MNOK 603 concerned payments of lease obligations, and the rest was payments of interest, short-term lease agreements and lease agreements of low value.

Options to renew a lease agreement

The Company's property lease agreements have lease periods normally varying between 3 and 25 years. Several of the agreements have a renewal option that can be exercised during the agreement's last period. When the agreement is made, the Company considers whether it seems reasonable that the option to renew will be exercised. The Company's potential future lease payments not included in the lease obligation connected with renewal options amounted to NOK 5,9 billion (gross) as at 31 December 2019, of which NOK 4,9 billion concerned lease agreements made with other companies in the Posten Group, as some properties are owned through investments in subsidiaries. The largest amounts concern Østlandsterminalen at Robsrud, Posten and Bring's logistics centre at Alnabru and the terminal at Berger.

2. Posten Norge AS as lessor

In 2017, Posten Norge AS entered into an agreement with Bergerterminalen AS to lease a newly built terminal at Berger. The building is used for warehousing, and in 2019 was subleased to the subsidiary Bring Warehousing AS. The sublease agreement has primarily the same terms as the principal agreement.

The Company had no other significant lease agreements.

Finance lease agreements

	2019
Loss from change in sublease agreements	(16)
Finance income on sublease receivables	11
Total loss from finance lease agreements	**(5)**

Maturity of the Company's non-discounted lease payments:

	2019
Less than 1 year	34
1-2 years	34
2-3 years	34
3-4 years	34
4-5 years	34
More than 5 years	166
Total non-discounted lease payments at 31.12.	335
Unearned finance income related to outstanding lease payments	(53)
Net sublease receivables at 31.12,	**282**

NOTE 22 RELATED PARTIES

Two parties are related if one party can influence the other party's decisions. Relations with related parties are considered normal in business.

The Company's related parties are primarily subsidiaries in the Group with which Posten Norge AS has transactions. Posten Norge AS is the parent company and has direct and indirect control of approximately 80 companies, primarily in the Nordics. Directly owned subsidiaries are shown in note 9. In addition, Posten Norge AS has interests in associated companies (see note 9). The table below shows transactions with subsidiaries and other related parties.

Internal trade in the Group is carried out in accordance with separate agreements and at arm's length terms. Shared costs in Posten Norge AS are shared among the group companies in accordance with various formulæ which vary depending on the type of cost.

	2019	2018
Purchases of goods and services from		
Subsidiaries	530	559
Sales of goods and services to		
Subsidiaries	1 525	1 426
Lease payments for property to		
Subsidiaries	390	364
Lease payments for property from		
Subsidiaries	75	68

The balance sheet included the following amounts resulting from transactions with related parties:

	2019	2018
Finance sublease receivables	282	
Accounts receivable	138	160
Other receivables	3 259	3 710
Lease obligations	5 660	
Accounts payable	26	30
Other payables	2 010	1 978
Net	**(4 017)**	**1 862**

Other receivables and other liabilities

Other receivables and other liabilities mainly concerned the cash pool system and loans to subsidiaries (ref. notes 12 and 15).

Some of the board members have board or executive positions in other enterprises. Some of the members of group management in Posten Norge AS have board positions in other enterprises. Posten Norge AS is not aware of transactions where these positions could have had any influence.

NOTE 23 REGULATORY ISSUES

Regulatory issues describe relevant matters and regulations not mentioned in other notes.

REGULATORY ISSUES

Postal regulations

Postal regulations comprise the Postal Services Act with associated regulations and the delivery requirements of the licence awarded to Posten.

In spring 2019, the Norwegian Parliament approved changes to the Postal Services Act allowing for Posten's transition to mail distribution every other day. In line with this, Posten's ordinary distribution of mail to letter boxes will be reduced to every other weekday from July 2020.

Basic bank services in the rural postal network

Posten is obliged to offer basic bank services in the rural postal network, ref. the act Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett. The obligation only includes the rural postal network, but Posten also offers banking services in the rest of Posten's service network (post offices and Post-in-Shops). DNB has decided to let the agent agreement with Posten for bank services expire on 31 December 2019. However, the parties agreed on a winding-up agreement for 2020, with an option to terminate on 1 July 2020. In February 2020, DNB informed Posten that they will withdraw from the agreement from 1 July 2020. A solution for the rural postal network will nevertheless continue for the rest of 2020.

Government procurements and product accounts

According to the Postal Services Act, Posten shall maintain product accounts for regulatory purposes. The accounts shall be submitted to the Norwegian Communications Authority annually. Posten's appointed auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

Posten's net costs related to the duty to deliver postal services that are commercially non-viable shall, pursuant to the Postal Services Act, be covered by government procurements granted over the state budget. This also applies for the statutory obligation to provide basic bank services through Posten's rural postal network. The annual advance grant to government procurements is adjusted the following year based on a recalculation of the requirement in connection with the product accounts. The recalculation shall secure against over or under compensation.

The payments for government procurements of commercially, non-viable postal services to Posten for 2019 amounted to MNOK 534. This was in line with Posten's advance calculation.

The result effect of the final settlement of government procurements of commercially non-viable postal and banking services for 2018 amounted to MNOK 88 in 2019, including interest of MNOK 3. The amount constituted additional payment to Posten due to higher net costs for the services than calculated in the basis for the advance payment. This was in line with the Norwegian Parliament's resolution.

In 2019, a total of MNOK 619 of government procurements of commercially non-viable postal and bank services were recognised as income.

Future prospects

For 2020, the Norwegian Parliament granted MNOK 449 to government procurements of commercially non-viable postal services. The amount is in line with Posten's advance calculations and based on reduced mail distribution to every other day from July 2020, as approved by the Norwegian Parliament's amendment of the Postal Services Act.

Distribution every other day will, however, not be adequate to ensure adequate profitability. The postal services must be further adjusted in line with changed market conditions and customer needs. In the proposed state budget for 2020, the Ministry of Transport and Communications therefore notified that research into the future service level will be carried out in 2020 to give the best possible basis for required future restructuring of the postal services. For Posten it is vital that the government reimburses Posten for the net costs of the commercially non-viable services if no room is allowed for continual adjustment to the service level in line with falling mail volumes and changes in customer needs.

In connection with the transition to mail distribution every other day, the Ministry of Transport and Communication carried out a tender for the distribution of newspapers from July 2020 to areas where there is no alternative newsletter distribution. Competing against two other bidders, Posten won the tender for weekdays.

In the autumn of 2019, the Norwegian Parliament approved the proposal to introduce VAT on all e-commerce import of goods, regardless of value, from 2020. In that connection, a simplified registration and reporting solution (VOEC – VAT on E-commerce) was established for foreign suppliers for calculating and paying VAT on goods up to a value of NOK 3 000 from 1 April. Posten expects that the VAT duty will have a negative effect on the import volume.

The Universal Postal Union (UPU) held an extraordinary congress in Geneva on 24 – 26 September 2019 following the USA's notification that they would withdraw from the organisation if regulations were not changed to the effect that the USA could claim to have their costs covered for deliveries of web products from abroad, and that competition for such goods should be neutral. The congress passed a special solution for the USA combined with an escalation of the payments Posten will receive for deliveries from abroad in the period 2020-2025.

NOTE 24 EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events taking place between the end of the reporting period and the date when the financial statements are approved for publication. They can be events providing new knowledge about matters existing at the end of the reporting period, or events concerning matters arising after the reporting period.

Events providing new knowledge about matters existing at the end of the period

Sale of thermo business

In December 2019, Posten Norge AS agreed the sale of the Norwegian subsidiary Bring Frigo AS. The sale was approved by the Norwegian Competition Authority in January and carried out on 1 February 2020, without significant effect for the financial statements.

Events concerning matters arising after the reporting period

Pandemic COVID-19

In March 2020, the World Health Organization (WHO) declared COVID 19 (the Corona virus) to be a pandemic. The pandemic spread from China to large parts of the world, including Europe and Norway, and affects all parts of society strongly. Strict restrictions for the population in Norway and the other Nordic countries were implemented. The situation will result in lower activity and volume falls. Both addressed and unaddressed volumes can be affected.

The Company is financially solid, with a liquidity reserve of more than 5 billion kroner including credit facilities, of which 3 billion is in highly liquid money market investments.

The Company's estimates used in impairment tests may change. It is assumed that this will be of a temporary character and that turnover and results in the long term will not change significantly. The tests carried out in 2019 show considerable added value for the cash generating entity. The need for write-downs will increase only in the event of a long-lasting fall in turnover and results. Note 7 has more information about the Company's impairment tests and sensitivity.

ALTERNATIVE PERFORMANCE MEASURES (APM) APPLIED IN THE 2019 ANNUAL REPORT

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

In line with guidelines for "Alternative performance measures in financial reporting", the Group has clarified the definition of performance measures and other financial figures applied in the annual report, which are not part of the disclosed financial statements.

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

The alternative performance measures for 2018 have not been restated to account for the implementation of IFRS 16.

Details of the effects of the implementation of IFRS 16 Leases are given in section 1 "Changes in accounting principles and disclosures" in the Group's accounting principles.

Organic growth

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

	Year 2019	Year 2018
+ Revenue (current year)	24 212	23 894
- Revenue (last year)	23 894	24 678
= Nominal change in revenue	**317**	**(783)**

	Year 2019	Year 2018
+ Nominal change in revenue	317	(783)
+/- Impact exchange rates	(42)	64
+/- Acquisition of companies	(44)	
+/- Sale of companies*	251	1 306
+/- Change in government procurements	(83)	(193)
+/- IFRS 16 effects	31	
= Organic change in revenue	**430**	**394**

* Adjusted revenue for companies sold the preceding year

	Year 2019	Year 2018
+ Organic change in revenue	430	394
/ Adjusted revenue*	24 073	23 765
= Organic growth	**1,8%**	**1,7%**

* Adjusted revenue is revenue adjusted for currency effects, acquisitions, government procurements and IFRS 16 effects.

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

Group management follows the Group's financial situation by using common target figures (KPIs) and target figures showing income and expenses related to the Group's ordinary operations. The alternative target figures applied in the reports to Group management comprise earnings excluding items of a non-operating character.

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

The target figures are valuable for the users of Posten's financial information, including management, the Board and external parties. They give the users of the financial information the opportunity to assess the operating result on the basis of variable current items, as restructuring costs, gains and losses on the sale of non-current assets and other income and costs with limited predictive value are excluded. It is also assumed that the target figures contribute to a more comparable evaluation of the operating results of the Group's competitors.

	Year 2019	Year 2018
+ Revenue	24 212	23 894
- Costs of goods and services	10 340	10 270
- Payroll costs	8 846	8 853
- Other operating expenses	2 666	3 586
= EBITDA	**2 361**	**1 185**

	Year 2019	Year 2018
+ EBITDA	2 361	1 185
- Depreciation	1 552	654
= Adjusted operating profit	**808**	**531**

	Year 2019	Year 2018
+ Adjusted operating profit	808	531
/ Revenue	24 212	23 894
= Adjusted profit margin	**3,3%**	**2,2%**

	Year 2019	Year 2018
+ Adjusted operating profit	808	531
- Write-downs	172	158
+/- Other income and (expenses)	(479)	35
+ Share of profit or loss from associated companies	5	8
= Operating profit (EBIT)	**162**	**415**

	Year 2019	Year 2018
+ Operating profit (EBIT)	162	415
/ Revenue	24 212	23 894
= EBIT margin	**0,7%**	**1,7%**

Net interest-bearing debt (NIBD) and liquidity reserve

A primary objective of the Group's financial guidelines is to secure financial freedom of action for the Group. Such freedom makes it possible 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 individual projects triggering a need for special financing measures i.e. adequate resources to realise the Group's approved strategies.

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

Net interest-bearing debt comprises both short-term and long-term interest-bearing debt, less commercial financial investments and cash and cash equivalents.

The Group has covenants in connection with external financing. Compliance with the covenants is calculated on the basis of the Group's accounting figures, of which net liabilities/EBITDA is one. The debt ratio shows the share of equity related to both short- and long-term debt.

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

	31.12.2019	31.12.2019*	31.12.2018
+ Interest-bearing non-current liabilities	5 596	2 238	3 015
+ Interest-bearing current liabilities	1 971	1 180	910
- Commercial financial investments	3 378	3 378	3 274
- Cash	60	60	93
- Bank deposits corporate cash pool account	382	382	176
- Bank deposits	91	91	70
= Net interest-bearing debt/(receivable)	**3 655**	**(493)**	**312**

* Not including IFRS effects

	31.12.2019	31.12.2019*	31.12.2018
+ Net interest-bearing debt/(receivable)	3 655	(493)	312
/ Equity at the balance sheet date	6 363	6 396	6 481
= Debt ratio	**0,6**	**(0,1)**	**0,0**

* Not including IFRS effects

	31.12.2019	31.12.2019*	31.12.2018
+ Net interest-bearing debt/(receivable)	3 655	(493)	312
/ EBITDA	2 361	1 395	1 185
= Net interest-bearing debt/(receivable)/EBITDA	**1,5**	**(0,4)**	**0,3**

* Not including IFRS effects

	31.12.2019	31.12.2018
+ Commercial investments	3 378	3 274
+ Syndicate facility	3 452	3 482
- Certificate loans	400	800
= Long-term liquidity reserve	**6 430**	**5 956**

	31.12.2019	31.12.2018
Long-term liquidity reserve	6 430	5 956
Deposits on group account	381	176
Deposits outside group account	92	70
Bank overdraft not utilised	500	550
Short-term liquidity reserve	**7 404**	**6 752**

Invested capital and return on invested capital (ROIC)

The Group is creating value for the owners by investing cash today that contributes to increased cash flows in the future. Value is generated as long as the business is growing and achieves a higher return on its invested capital (ROIC) than the 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:

	31.12.2019	31.12.2018
+ Intangible assets	2 023	2 134
+ Tangible fixed assets	9 535	5 765
+ Current assets	7 574	7 431
- Total liquid assets	3 654	3 563
- Interest-bearing current assets	59	66
- Interest-free current liabilities	4 525	4 548
+ Taxes payable	83	97
+ Dividends and group contribution	8	
= Invested capital	**10 985**	**7 251**

*Rolling 12 months' figures

	31.12.2019	31.12.2018
+ Last 12 months' accumulated adjusted operating profit/loss	808	531
/ Invested capital	10 985	7 251
= Return on invested capital (ROIC)	**7,4%**	**7,3%**

Other alternative performance measures

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

	Year 2019	Year 2018
+ Total investments in owned operating equipment	646	979
- Investments due to acquisitions		17
= Investments before acquisitions	**646**	**962**

	31.12.2019	31.12.2018
+ Profit for the last 12 months after tax	13	248
/ Average equity at balance sheet date*	6 422	6 428
= Return on equity after tax (ROE)	**0,2%**	**3,9%**

*(Opening + closing balance)/2

	31.12.2019	31.12.2018
+ Equity at balance sheet date	6 363	6 482
/ Equity and liabilities (total capital)	19 867	16 071
= Equity ratio	**32,0%**	**40,3%**

Statement of the Board of Directors

We confirm that, to the best of our knowledge, the financial statements have been prepared in accordance with approved accounting standards and give a true and fair view of the Group and parent company's consolidated assets, liabilities, financial position and results of operations.

We also confirm that the Board of Directors' report provides a true and fair view of the development, performance and financial position of the business of the Group and the parent company, together with a description of the key risks and uncertainties that the Company is facing.

26 March 2020

Andreas Enger (chair)

Anne Carine Tanum (deputy chair)

Tina Stiegler

Henrik Höjsgaard

Finn Kinserdal

Liv Fiksdahl

Odd Christian Øverland

Lars Nilsen

Ann Elisabeth Wirgeness

Tove Gravdal Rundtom

Tone Wille (CEO)

Statsautoriserte revisorer
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Medlemmer av Den norske revisorforening

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Posten Norge AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Posten Norge AS som består av selskapsregnskap og konsernregnskap. Selskapsregnskapet og konsernregnskapet består av balanse per 31. desember 2019, resultatregnskap, oppstilling over totalresultat, oppstilling av endringer i egenkapital og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets og konsernets finansielle stilling per 31. desember 2019, og av deres resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet og konsernet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Sentrale forhold ved revisjonen

Sentrale forhold ved revisjonen er de forhold vi mener var av størst betydning ved revisjonen av årsregnskapet for 2019. Disse forholdene ble håndtert ved revisjonens utførelse og da vi dannet oss vår mening om årsregnskapet som helhet, og vi konkluderer ikke særskilt på disse forholdene. Vår beskrivelse av hvordan vi revisjonsmessig håndterte hvert forhold omtalt nedenfor, er gitt på den bakgrunnen.

Vi har også oppfylt våre forpliktelser beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet* når det gjelder disse forholdene. Vår revisjon omfattet følgelig handlinger utformet for å håndtere vår vurdering av risiko for vesentlige feil i årsregnskapet. Resultatet av våre revisjonshandlinger, inkludert handlingene rettet mot forholdene omtalt nedenfor, utgjør grunnlaget for vår konklusjon på revisjonen av årsregnskapet.

Implementering av IFRS 16 Leieavtaler

Konsernet har med virkning fra 1. januar 2019 implementert IFRS 16 Leieavtaler, etter modifisert retrospektiv metode. Leieforpliktelsen er ved implementeringstidspunktet innregnet med kr 4 356 millioner i konsernet og med kr 7 856 millioner i morselskapet. Balanseført leieforpliktelse pr. 31. desember 2019 er på kr 4 168 millioner i konsernet og på kr 7 882 i morselskapet. Tilsvarende er det aktivert rett-til-bruk eiendeler på kr 3 821 millioner i konsernet og kr 7 452 millioner i morselskapet pr 31. desember 2019.

Konsernet har et betydelig antall leiekontrakter, inngått av et stort antall juridiske enheter. Konsernets vurderinger av leieforpliktelse og tilhørende-rett-til-bruk eiendel medfører utøvelse av skjønn fra ledelsen om hvorvidt kontraktene tilfredsstiller standardens definisjon og krav til innregning, samt estimat av lengde på leieperioden, herunder vurdering av sannsynligheten for utøvelse av tilhørende opsjoner. Implementeringen krever prosesser for systematisering, vurdering, innregning og tilhørende klassifisering

av kontraktsforpliktelsene. Implementering av IFRS 16 Leieavtaler er derfor et sentralt forhold i revisjonen.

Våre revisjonshandlinger omfattet identifisering, forståelse, vurdering og testing av ledelsens prosesser og kontroller knyttet til implementeringen. Videre vurderte vi effektiviteten av konsernets prosesser for systematisering, vurdering, innregning og klassifisering av kontraktsforpliktelsene. Vi testet matematisk korrekthet i den anvendte modellen for beregning av forpliktelsen, og gjennomførte på stikkprøvebasis detaljtesting av input i modellen mot avtalevilkår i underliggende leieavtaler. Vi vurderte fullstendighet ved å analysere registrerte leieutbetalinger i modellen mot regnskapsførte leieutbetalinger i konsernet. Ved gjennomgangen reviderte vi også ledelsens anvendte forutsetninger for marginal lånerente og leieperiodens estimerte lengde forutsatt utøvelse av opsjoner.

Vi viser til regnskapsprinsippnoten punkt 1 om innregningsmetode og effekter, samt note 22 om leieavtaler i noter til konsernregnskapet. Tilsvarende viser vi til regnskapsprinsippnoten punkt 1 og note 21 om leieavtaler i noter til morselskapets regnskap.

Nedskriving av goodwill

Konsernet har balanseført goodwill på kr 1 250 millioner. Goodwill er i konsernregnskapet nedskrevet med kr 102 millioner for 2019.

Konsernets nedskrivingsvurderinger medfører utøvelse av skjønn fra ledelsen knyttet til blant annet estimater for fremtidige kontantstrømmer og fastsettelse av avkastningskrav. Som følge av vesentligheten av goodwill i regnskapet, svak inntjening i deler av logistikkvirksomheten og usikkerheten knyttet til estimerte fremtidige kontantstrømmer har konsernets nedskrivingsvurderinger av goodwill vært et sentralt forhold i revisjonen.

Vi evaluerte sentrale forutsetninger i ledelsens nedskrivingsmodeller, herunder vekst, omsetning, resultatmarginer og avkastningskrav basert på ledelsesgodkjente prognoser og tilgjengelig markeds- og bransjeinformasjon. Videre vurderte vi matematisk korrekthet av modellene og sensitiviteten i anvendte forutsetninger. Vi vurderte konsistensen i anvendelsen av sentrale forutsetninger og evaluerte konsernets treffsikkerhet i tidligere års nedskrivningstester.

Vi viser til regnskapsprinsippnoten punkt 3.1 om estimert verdifall av eiendeler og note 8 om immaterielle eiendeler.

Øvrig informasjon

Øvrig informasjon omfatter informasjon i selskapets årsrapport bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Styret og konsernsjef (ledelsen) er ansvarlig for den øvrige informasjonen. Vår uttalelse om revisjonen av årsregnskapet dekker ikke den øvrige informasjonen, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese den øvrige informasjonen med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom den øvrige informasjonen og årsregnskapet eller kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med International Financial Reporting Standards som fastsatt av EU. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde;
- innhenter vi tilstrekkelig og hensiktsmessig revisjonsbevis vedrørende den finansielle informasjonen til enhetene eller forretningsområdene i konsernet for å kunne gi uttrykk for en mening om konsernregnskapet. Vi er ansvarlige for å fastsette strategien for, følge opp og gjennomføre konsernrevisjonen, og vi har et udelt ansvar for konklusjonen på revisjonen av konsernregnskapet.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Vi avgir en uttalelse til styret om at vi har etterlevd relevante etiske krav til uavhengighet, og kommuniserer med dem alle relasjoner og andre forhold som med rimelighet kan tenkes å kunne påvirke vår uavhengighet, og der det er relevant, om tilhørende forholdsregler.

Av de forholdene vi har kommunisert med styret, tar vi standpunkt til hvilke som var av størst betydning for revisjonen av regnskapet for den aktuelle perioden, og som derfor er sentrale forhold ved revisjonen. Vi beskriver disse forholdene i revisjonsberetningen med mindre lov eller forskrift hindrer offentliggjøring av forholdet, eller dersom vi, i ekstremt sjeldne tilfeller, beslutter at forholdet ikke skal omtales i beretningen siden de negative konsekvensene ved å gjøre dette med rimelighet må forventes å oppveie allmennhetens interesse av at forholdet blir omtalt.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen og redegjørelsene om eierstyring og selskapsledelse

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen og i redegjørelsene om eierstyring og selskapsledelse om årsregnskapet, forutsetningen om fortsatt drift og forslaget til disponering av resultatet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

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ERNST & YOUNG AS

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