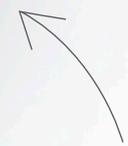


FINANCIAL REPORT 2016

MAIL

Share of Group revenue

37%



LOGISTICS

Share of Group revenue

63%

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Financial key figures

Revenue,
MNOK

24 772



Revenue, MNOK

2008	2009	2010	2011	2012	2013	2014	2015	2016
23 940	22 613	22 451	22 981	22 925	23 557	24 404	25 074	24 772

Operating profit before non-recurring items, MNOK

2008	2009	2010	2011	2012	2013	2014	2015	2016
275	820	952	1 051	1 116	1 125	933	686	645

Operating margin (before non-recurring items), per cent

2008	2009	2010	2011	2012	2013	2014	2015	2016
1,1%	3,6%	4,2%	4,6%	4,9%	4,8%	3,8%	2,7%	2,6%

Operating profit (EBIT), MNOK

2008	2009	2010	2011	2012	2013	2014	2015	2016
-14	296	1 638	956	632	641	844	239	178

R Profit before tax, MNOK

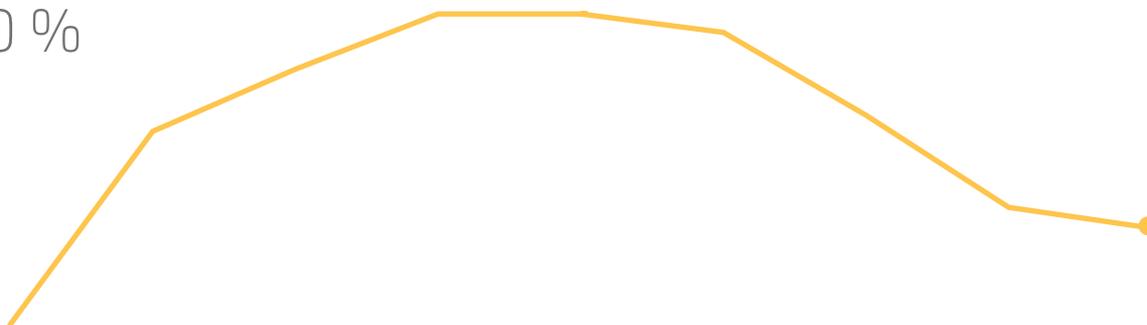
2008	2009	2010	2011	2012	2013	2014	2015	2016
-139	70	1 499	800	547	619	720	151	230

Financial key figures

Return on invested capital

(ROIC), per cent

9,0 %



Return on invested capital (ROIC), per cent

2008	2009	2010	2011	2012	2013	2014	2015	2016
4,8%	13,2%	15,9%	18,3%	18,3%	17,5%	13,9%	9,9%	9,0%

Return on equity after tax (ROE), per cent

2008	2009	2010	2011	2012	2013	2014	2015	2016
-4,0%	0,5%	19,0%	6,8%	7,1%	8,7%	7,3%	-1,0%	0,7%

Equity ratio, per cent

2008	2009	2010	2011	2012	2013	2014	2015	2016
26,4%	25,8%	34,3%	35,9%	37,5%	38,8%	37,9%	36,8%	38,6%

Debt ratio

2008	2009	2010	2011	2012	2013	2014	2015	2016
0,8	0,6	0,3	0,2	0,2	0,2	0,2	0,0	0,1

Revenue from foreign subsidiaries, MNOK

2008	2009	2010	2011	2012	2013	2014	2015	2016
6 192	6 066	6 283	6 190	6 911	7 717	8 195	9 623	9 962

About Posten and Bring

Posten Norge AS is a Nordic postal and logistics group that develops and delivers integrated solutions in postal services, communications and logistics in the Nordic region.



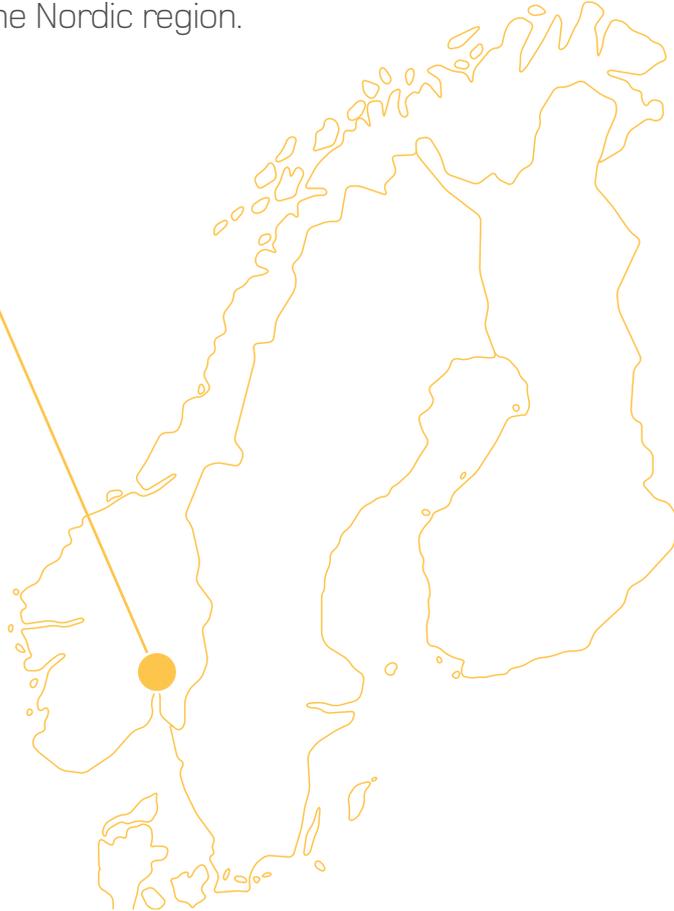
Posten Norge: Head office in Oslo, Posthuset

Presence: Norway, Sweden, Denmark, Finland, France, Greece, the Netherlands, United Kingdom, Italy, Belgium, China, Germany, Russia, Slovakia, and the United States.



PERMANENT EMPLOYEES
IN THE GROUP

16 992



Vision

Posten Norge will be the world's most future-oriented postal and logistics group.

Business concept

Posten Norge develops and delivers integrated postal, communications and logistics solutions, with the Nordic region as its home market.

Future developments

In 2017 Posten Norge and Bring will update the strategy for the Group. Our goals are to focus the business, orient it towards the customer, and improve profitability.

Our values

Through our values, we reflect a group that can be relied upon in all respects, and one for which we can be proud to work. These values help build our common culture and guide us in all our decisions. Established forms of cooperation between managers, employees, management organs, the owner and the authorities will reflect our values:

- Integrity
- Respect
- Cooperation
- Openness
- Courage

Main goals

Our main goals are based on the requirements and goals that have been set for our operations, and are:

- satisfied customers
- leading market positions
- profitable growth and competitive value growth
- attractive workplaces and a good working environment

Group structure

Posten Norge is organised into four divisions and four corporate staff units. Group management consists of the chief executive officer (CEO) and eight executive vice presidents.

Our brands



Posten Norge AS has two brands in the market: Posten for the consumer market and Bring for the business market.

Posten provides mail delivery to private customers throughout Norway, and is responsible for the post office network.

Bring is one of the Nordic region's largest suppliers of postal and logistics services.

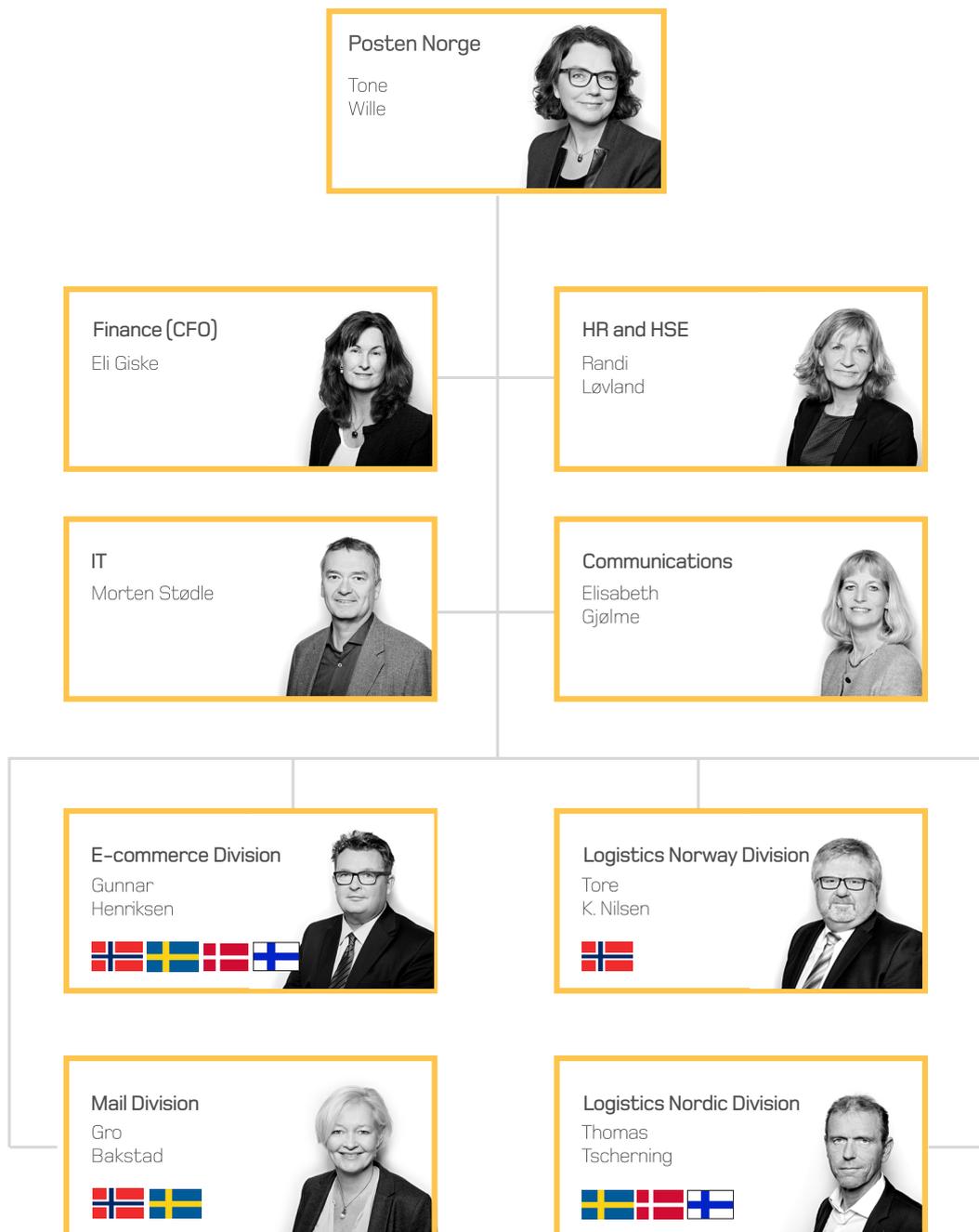


Get to know us even better at postennorge.no

Group structure

Posten Norge is organised into four divisions and four corporate staff units. Group management consists of the chief executive officer (CEO) and eight executive vice presidents.

Group management deals with matters and decisions relating to the Group's strategy, goals, follow-up of results, major investments, pricing strategies, and important issues relating to public relations, the market and customers, as well as issues of a fundamental and strategic nature. The executive vice presidents head divisions or corporate staff units, and report to the CEO.



Line responsibility

The four divisions are: Mail, Logistics Norway, Logistics Nordic and E-commerce. The divisions are central to the management of the Group and develop and implement business strategies that support the corporate strategy within their business areas. The divisions are responsible for developing and delivering services with the applicable level of service and quality.

Professional responsibility

The Group has established corporate staff units with responsibility for governance, joint functions and professional development within the areas of human resources, communications, finance and information technology. The corporate staffs develop and professionalise the various disciplines in the Group, serve as driving forces, and contribute to implementing business strategies.

The corporate staffs have a special responsibility to facilitate cooperation across the Group and the development of guidelines and best practices. Certain professional functions are centralised at the Group level and provide services to the divisions and business areas.

Two segments

For financial reporting, the Group has chosen to split the business into two segments, Mail and Logistics, in accordance with international financial reporting standards (IFRS) and best practice. The Mail segment consists of the Mail Division, while the Logistics segment consists of two logistics divisions and the E-commerce Division.

The Mail Division is responsible for traditional postal services in Norway (including universal service obligations) and Bring Citymail in Sweden. The division is also responsible for running dialogue services and the digital mail system Digipost. The Mail Division is restructuring and streamlining traditional postal services and developing new physical and digital services and infrastructure.

The Logistics Norway Division develops and delivers the Group's services within the Logistics segment in Norway. The division operates the domestic parcel and freight terminals and transports mail, parcels and freight. The division focuses particularly on realising economies of scale in its network, ensuring effective cooperation with the Mail, Logistics Nordic and E-commerce divisions, and developing integrated solutions to meet customers' needs. From 1 April 2017 the temperature-controlled transport business will be integrated with the logistics network in Norway to strengthen profitability and competitiveness.

The Logistics Nordic Division is responsible for the Group's logistics operations in Sweden, Denmark and Finland. The division focuses on parcels, home delivery, freight and temperature-controlled transport. The E-commerce Division represents an important growth area.

E-commerce Division: The division is tasked with supporting the Group's focus on online shopping and developing special expertise and new customised solutions for customers. The division serves the Group's largest customers in the B2C segment and is also responsible for services and concept development targeted at all e-commerce customers, as well as home delivery. The E-commerce Division has no production itself, but is responsible for ensuring an efficient interface with other divisions that provide services.

Corporate governance

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

An account of how sections 1-15 of the NUES recommendation have been complied with in Posten Norge is provided below. This includes both details of how the principles have been met, the reason for any non-compliance, if applicable, and how Posten Norge has rectified any non-compliance issues. The statement below complies with the NUES recommendation's structure.

The Norwegian state is the company's sole owner. Consequently, Posten Norge's corporate governance deviates from section 4 of the NUES recommendation on the equal treatment of shareholders and transactions with close associates, section 5 on freely negotiable shares, section 6 on general meetings, section 7 on nomination committees and section 14 on takeovers.

From 1 January 2017, responsibility for managing the state's ownership rests with the Ministry of Trade, Industry and Fisheries.

The Board shall, in accordance with the Norwegian Accounting Act, Section 3-3b also provide information on corporate governance. Section 16 contains a summary of where the information required by section 3-3b of the Accounting Act can be found.

Section 1 Statement of Corporate Governance

The Board considers it important to establish and further develop a high standard for corporate governance, equivalent to Norwegian standards for best practice, including the NUES recommendation (see nues.no).

Posten Norge is a limited liability 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 Norge believes there is a clear link between good corporate governance and creating value for the company's owner.

Through its operations, Posten Norge is a prominent social actor and has been given an important social mission with its licence from the Ministry of Transport and Communications – that of ensuring nationwide, high-quality and cost-effective postal services. This social mission also entails a particular responsibility with regard to how this mission is carried out.

The Group's shared core values thus create an important premise for its activities and the work of its board with regard to its employees and its operating environment, such as its customers, suppliers and business partners. The Group's shared values are integrity, respect, cooperation, openness and courage. In addition to this platform of shared values, ethical guidelines and management principles have been established.

Posten Norge considers it 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 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 Norge's good reputation and positive value growth for the Group. The Group's attitude towards corporate social responsibility is described in the Board of Directors' report and in the Group's sustainability report, in accordance with section 3-3b of the Norwegian Accounting Act. The documents are available on the Group's website postennorge.no.

Posten Norge's activities are labour-intensive. In total the Group employs around 17 000 full-time equivalents. Health, safety and the environment (HSE) is therefore a high priority within the Group's corporate responsibilities. The Group's ambition is to ensure that nobody is injured or becomes sick as a result of working in or for Posten Norge or Bring. The Group works continuously in a goal-oriented manner with preventative programmes that promote good health to reduce sickness absence, the number of employees who become unfit for work, and to avoid lost-time injuries.

The Group has developed ethical guidelines 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 ethical dilemmas. This will help to ensure that the Group is always aware of human rights, anti-corruption, working conditions, HSE, anti-discrimination and environmental conditions. The Group's integrity work is further described in the sustainability report.

Section 2 Operations

Posten Norge's universal service obligation is to ensure the provision of nationwide, high-quality and cost-effective postal services in Norway. This universal service obligation is described in the Postal Act and Posten Norge's licence issued by the Ministry for Transport and Communications. The current licence is valid from 1 January 2016 and until it is succeeded by agreements or decisions concerning the universal service obligations pursuant to section 6 of the Postal Act.

The Group operates postal and logistic operations on a commercial basis, as well as other activities directly related thereto.

All of these conditions are stated in section 3 of Posten Norge's articles of association. The complete articles of association are available on postennorge.no.

As well as meeting its universal service obligations, the Group shall also operate profitably on commercial terms, 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 unprofitable services that are part of the universal service obligations are to be financially compensated by the service requester.

Within this framework, Posten Norge has developed over the past decades 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 technological and structural changes. These changes present Posten Norge with significant challenges with regard to adapting to new customer requirements, competitiveness, market position and profitability.

The Board establishes goals and strategies, both on a group-wide level and for each segment, which support the Group's goals related to mail and logistics operations. Goals and strategies are set based on regular assessments and processes that are intended to ensure that the Group has a well-founded and operational strategy at all times.

The following fundamental principles form the basis

for the development of the Group:

- Posten Norge shall develop strong, profitable and sustainable market positions within the areas in which the Group operates.
- Posten Norge shall ensure a satisfactory return on all investments and competitive value growth over time.
- Posten Norge shall perform its social mission in accordance with the adopted licence requirements.
- Posten Norge's business shall be customer-oriented, effectively serve customers' requirements and be available where customers are located.
- Posten Norge shall have a balanced portfolio of activities that strengthens its capacity to serve customers' needs.
- Posten Norge shall be a trusted third party for its customers.
- Posten Norge shall ensure a unified corporate culture based on shared values, which also provide room for diversity.
- Posten Norge shall work to achieve cost advantages through efficiency measures, coordination of value chains, industrialisation, and continuously improving processes, as well as transparent and integrated governance.
- Posten Norge shall be an environmental leader and work actively to reduce the company's impact on the external environment.
- Posten Norge 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 value to customers and reduce the use of resources.

Section 3 Equity and dividends

Equity

The Group's equity as at 31.12.2016 was NOK 5 912 million, which results in a return on equity of 38.6 per cent of the Group's total assets. This level is deemed adequate with regard to the solidity the Group requires to implement its goals and strategies within an acceptable risk profile.

Dividends

Posten Norge's general meeting is not bound by the Board's proposal for the distribution of dividends, cf. section 20-4 (4) of the Limited Liability 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 Group profit after tax can be distributed as dividends. However, before the annual dividend is determined, 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 activities.

Section 4 Equal treatment of shareholders and transactions with close associates

Posten Norge has only one share class. All shares are owned by the Norwegian state.

Posten Norge and the state have regular ownership meetings. The articles of association also state that Posten Norge is obliged to present to the owner all matters deemed to be of major social or fundamental significance.

Posten Norge deviates from this section of the NUES recommendation. Due to the state ownership of

Posten Norge, the NUES recommendation on different share classes and share issues is not deemed to be relevant for Posten Norge.

Information regarding transactions with close associates is provided in the annual report; see note 24.

Section 5 Freely negotiable shares

All shares are owned by the Norwegian state. In accordance with section 3 of its articles of association, Posten Norge must operate as a limited liability company wholly-owned by the Norwegian state.

Posten Norge deviates from this section of the NUES recommendation. Due to state ownership, this section in the NUES recommendation is not deemed to be relevant for Posten Norge.

Section 6 General meeting

The Norwegian state, represented by the Minister of Trade and Industry, serves as the company's general meeting.

In accordance with the company's articles of association, the Annual General Meeting is to be held by the end of June each year.

Posten Norge deviates from this section of the NUES recommendation because section 20-5 (1) of the Limited Liability Companies Act states that the Ministry of Trade, Industry and Fisheries is responsible for issuing notification of both annual and extraordinary general meetings and for deciding the method of notification.

The Board, CEO, company auditor and the Office of the Auditor General are invited to the general meeting. The minutes from the Annual General Meeting are available from the company's website.

Section 7 Nomination committee

The Norwegian state is the sole shareholder, and the company therefore has no nomination committee. The Board is appointed by the general meeting in accordance with section 20-4 (1) of the Limited Liability Companies Act. Posten Norge deviates from this section of the NUES recommendation.

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 Norge. This means that all employees in the Norwegian part of the Group can be elected and have voting rights.

Section 8 Corporate assembly and board of directors – composition and independence

Corporate assembly

Posten Norge is subject to the main rule of the Limited Liability Companies Act that a corporate assembly must be appointed if a company has more than 200 employees. However, in accordance with section 6-35 of the Limited Liability Companies Act, an agreement has been entered into between the employees and the company that there is to be no corporate assembly in Posten Norge. The same agreement gives the right to expand employee representation on the Board from three to four representatives.

Board composition

In accordance with the articles of association, the Board shall consist of seven to ten members. Up to six of these are appointed by the general meeting. As the sole shareholder, the Norwegian state designates and selects all the shareholder-appointed board members. There are currently six shareholder-appointed board members. There are no deputies for the shareholder's representatives on the Board.

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

Board members are elected for terms of two years at a time. Continuity in the management of the company is ensured by only half of board members standing for election simultaneously.

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

In 2016 the Board consisted of five men and five women. One employee representative board member was replaced in 2016. Both genders were represented by 50 per cent in both the shareholder-appointed and employee-elected groups of board members throughout the year.

Board's independence

The Board continually assesses the independence of its members. All the shareholder-appointed representatives as at 31 December 2016 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 Norge.

Section 9 The work of the Board of Directors

The Board's duties

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

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

The guidelines for the CEO's work form part of the instructions to the Board.

Together these documents clarify the tasks and responsibilities of the Board and the CEO, including which matters shall, can and should be handled by the Board. This also includes the limits of the CEO's authority. Matters that regularly appear on the agenda of board meetings 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.

The Board's work and its meetings are led by the Board Chair and based on presentations by the CEO. The company expects these presentations to provide a good and satisfactory basis for considering matters. The Board has appointed a Vice Chair who functions as chair if the Board Chair cannot or ought not lead the work of the Board in specific matters.

The Board held eleven board meetings in 2016, of which five were extraordinary board meetings.

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

The Board's audit committee

The Board has established an audit committee consisting of two board members. The audit committee meets at least five times per year. The audit committee shall prepare matters for consideration by 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 met six times in 2016.

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

Board's remuneration committee

A remuneration committee has been established which consists of three board members and is led by the Board Chair. The remuneration committee holds regular meetings throughout the year. The committee prepares and recommends proposals to the Board related to remuneration of the CEO. The committee otherwise contributes to the thorough and independent handling of remuneration issues for executive management.

The audit committee met five times in 2016.

Section 10 Risk management and internal control

The Board emphasises the importance of a good and efficient control environment in addition to good control processes. The Board takes an active role in the work on risk management and internal control in the Group. This work is rooted in the company's articles of association, the board instructions and other internal governing documents, as well as through general laws and clear recommendations based on best practice.

The Group's governing documentation establishes 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 shall ensure ethical behaviour and fulfilment of corporate social responsibility.

Risk management and internal control depend on people. Managers on all levels are responsible for ensuring that risk management and good internal control systems are established within their own area, that these have the necessary effect, and that they are put into operation in an expedient manner. The Board ensures that risk management and internal controls are integrated into the core and support processes of the Group, and follows this up regularly.

An overall assessment of the Group's risk is conducted each year. This risk analysis is based on the Group's strategy, business plans and goals. The process is based on COSO's framework for risk management. The aim is to evaluate risks affecting strategy, finance, operations and reputation. The results of this process are consolidated to form an assessment of the main risks to which the Group is exposed. The Group also makes an annual assessment of risk appetite and risk capacity, which is described in the Group's

risk analysis. Risk is managed in the Group partly through the operational management, partly through preventive measures from central control functions, and partly through independent, external supervision. The annual risk assessment is followed up with measures to reduce the probability of and consequences from the individual risk factors and avoid events that can adversely affect the Group's operations and reputation.

The Group also has a process for internal control that was established to help ensure that there is adequate and effective internal control for specified risk areas. 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.

Posten Norge's consolidated financial statements are presented in accordance with the applicable IFRS regulations. The Group's financial reporting process for the financial accounts is described in the Group's governing documentation, which includes procedures and rules for monthly, quarterly and annual reporting. The Group's accounting principles 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 accounting department uses 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 principles and routines.

The Group has established an advisory investment committee which handles all matters entailing investments and sales, in accordance with specified authorisation limits.

A common ethical standard applies to all of the Group's employees. This is continually promoted. This standard is a part of the Group's integrity programme which shall help to ensure a high ethical standard when dealing with anti-corruption efforts, competitive practices, social dumping and the handling of information. Group suppliers and partners must sign the group's Ethical standard for suppliers upon signing any contract, and thus commit themselves to comply with the same ethical standards. In addition to this, suppliers are specifically assessed for risk and controls and audits are conducted.

Openness is one of the Group's core values and 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 questionable and/or illegal matters as soon as possible. This is a part of the individual's responsibility.

A reporting channel for misconduct (whistleblowing) has been established to ensure safe receipt and follow-up of reports. The reporting channel 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 reporting channel every six months.

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 profits or losses and none of the shareholder-appointed board members have a pension scheme or severance pay agreement with the company. Details of the remuneration for the board members in 2016 are presented in note 2 in the annual financial statements.

Section 12 Remuneration of the executive management

The Board has prepared a statement concerning the determination of salaries and other benefits for the CEO and other members of executive management. This statement is prepared in accordance with section 8 of the articles of association and builds upon the principles in the Government's guidelines for state ownership on this subject. The declaration has two main parts. Part one concerns the management remuneration policy that has been followed 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 Annual General Meeting.

The Board considers incentive systems to be an important tool for focusing management on increasing value creation in the company in line with the owner's interests. It is against this background that a bonus scheme was established for executive management in the Group. Payment under these schemes will be covered by the company's business.

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

Section 13 Information and communication

The Group follows an open and proactive communications strategy to support the Group's 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 Norge 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 Oslo Børs' information requirements.

These reports are made available on postennorge.no in both Norwegian and English.

The Board also emphasises the importance of good communication with the company's owner outside the general meeting. Please see section 4 for a more detailed description of this communication.

Section 14 Takeovers

Posten Norge deviates from this section of the NUES recommendation. Posten Norge's articles of association state that the company shall operate as a limited liability company wholly-owned by the Norwegian state, and the Board therefore deems this section of the NUES recommendation not to be relevant for Posten Norge.

Section 15 Auditor

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

The auditor takes part in board meetings that discuss 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 on the Group's accounting principles, 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 auditor to be used for other audit-related tasks in addition to the statutory audit. The Board informs the general meeting of the remuneration to the auditor.

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

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

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 about where the recommendations and rules 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 five instances of non-compliance described in detail in section 4 Equal treatment of shareholders and transactions with close associates, section 5 Freely negotiable shares, section 6 General meetings, section 7 Nomination committee, and section 14 Takeovers.
4. "a description of the main elements in the company's – and in 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 meeting.
6. "the composition of the board of directors, corporate assembly, committee of shareholders' representatives 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 Corporate assembly and 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 Corporate assembly and 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 Norge does not have articles of association or powers of attorney which give the Board the power to decide that the company shall buy back or issue shares or equity certificates. See the report's section 3 Equity and dividends and section 4 Equal treatment of shareholders and transactions with close associates.

Key Events



Posten Norge and Bring were official suppliers of postal and logistics services to the Youth Olympic Games in Lillehammer.

First quarter

- Statoil renews its agreement with Bring for transport and shipping services throughout Norway and internationally.
- In Sweden Bring Citymail enters into partnership with NTM Distribution to distribute mail and parcels together with morning newspapers.
- Posten Norge and Bring strengthen their Nordic and international offering of distribution and delivery of parcels under agreements with DHL and Posti.
- Posten Norge signs new agreements for 845 in-store post offices. Most of them continue to operate in the same locations, but some are taken over by new management.
- Posten Norge is the first postal company in the world to adopt RFID technology for tracking parcels that are sent together with regular letter mail. Online shoppers can now track their goods from the point of purchase until they arrive in the mailbox.
- Posten Norge and Bring are official suppliers of postal and logistics services to the Youth Olympic Games in Lillehammer.
- Posten Norge reduces mail deliveries to five days a week. The final date for Saturday deliveries is 27 February.
- A mail plane from West Atlantic, which operates the plane for Posten Norge, crashes on its way from Oslo to Tromsø. Two pilots die.



Posten Norge ranks 4th in the RepTrak reputation survey; a marked improvement on the previous year when it was ranked 20th.

Second quarter

- Elkjøp chooses Bring as its Nordic supplier of postal and logistics services.
- Posten Norge climbs 52 places on the Norwegian Customer Satisfaction Barometer, from 113th in 2015 to 61st in 2016.
- Bring Dialog and Netlife Research merge, with Posten Norge as majority owner.
- Posten Norge buys Espeland Transport in Alvdal. This complements the logistics operation and strengthens Bring's position in Hedmark.
- Posten Norge ranks 4th in the RepTrak reputation survey; a marked improvement on the previous year when it was ranked 20th. Posten Norge shows the best improvement of all the enterprises covered in this year's survey.
- The Government presents the white paper dealing with changes in the postal sector, and is ready to consider merging priority mail and non-priority mail into one class of mail with a two-day delivery time.
- Posten Norge is opening a new terminal in Mo i Rana to gather mail and parcel operations together.



Building work begins on Posten Norge and Bring's logistics centre in Sandnes. From the left: Martin Mæland (foreman in Risa), Arne Skrettingland (site manager in Risa), Siri Tansø (district manager in Posten Norge) and Jan Magne Fotland (construction manager in Prosjektil).

Third quarter

- Both Posten Norge and Bring rank among the top 15 in the Ipsos reputation survey. Posten ranks 14th (out of 100), climbing up eight places from 22nd last year. Bring, which is included in the survey for the first time, ranks 13th.
- Posten Norge wins two gold prizes in the Farmand Awards in the categories for Unlisted Companies and Best Web Publishing. This makes Posten Norge the company to have won the most awards in the history of the Farmand Awards.
- Building work begins on Posten Norge's new logistics centre in Sandnes.
- Posten Norge buys a plot of land in Kokstad in Bergen, where it plans to build a postal and logistics centre, the biggest of its kind in the region.
- Parts of the operations in Bring Freight Forwarding (formerly Bring Cargo Inrikes) in Sweden are discontinued.



Dag Mejdell resigns in October, after almost 11 years as CEO of Posten Norge.

Fourth quarter

- Black Friday results in a record number of parcels for Posten Norge and Bring. More than 100 additional staff are called in to work at the terminals in Norway. Three times as many trucks as normal arrive at Posten Norge's freight terminal in Oslo, and over 200 000 parcels are processed in the space of 24 hours.
- Never before have Norwegians sent so many Christmas parcels. Posten Norge and Bring distribute 3.7 million parcels in December.
- The number of Digipost users reaches 1.34 million in 2016. Most Norwegians choose Posten Norge's solution when they register for a secure digital mailbox.
- Posten Norge fails to win the competition for Saturday newspaper delivery in remote areas and discontinues Saturday newspaper deliveries from November.
- Posten Norge and Bring employees enjoy working in the company and are proud of their workplace. 93 per cent of the Group's employees complete the employee satisfaction survey. The level of overall satisfaction has risen steadily over many years, and rises again by one point from 80 in 2015 to 81 in 2016.
- The Storting (Norwegian parliament) considers the white paper on "the postal sector".
- Responsibility for Posten Norge will be transferred to the Ministry of Trade, Industry and Fisheries from 2017. The Ministry of Transport and Communications will continue to manage regulatory issues.
- Posten Norge is proud sponsor of the Norwegian women's handball team, winners of the 2016 European Women's Handball Championship.
- Bring buys 250 trucks, which will take to the roads in the course of 2017. The trucks are installed with Euro 6 engines.
- Bring orders the Nordic region's first large electric commercial vans, which will provide emission-free transportation of goods to businesses located in Oslo city centre.
- Dag Mejdell resigns after almost 11 years as CEO of Posten Norge.
- Tone Wille is appointed as the new CEO. She has worked in Posten Norge for 10 years, for the past five as executive vice president/CFO for accounting, finance, strategy and IT.
- Eli Giske is appointed CFO of Posten Norge.

Message from the CEO



A simpler life

Posten Norge has always been relevant and reliable, so the Group needs to change.

The year **Tone Wille** took over as CEO will be remembered as the year when mail volumes began to decline dramatically. Digitalisation of society is the well-known reason why people are choosing to communicate by methods other than letter mail. Estimates show that a further 95 per cent of the current mail volume can be digitalised. There is little the CEO of Posten Norge can do about that other than prepare the Group for a new era.

“**We have unique** presence, experience and expertise. Posten Norge has been important for communication and trade between people for 370 years. We bring these strengths with us to meet whatever awaits us in the new, digital age,” says Tone Wille.

“

No one likes to make mistakes, but we must be prepared to take more risks

And that is quite a lot, according to the relatively newly appointed CEO. The first few months in her new job have largely been spent forming a new strategy for the Group. As part of that process, the CEO is looking at what Posten Norge is doing today, what it should do in the future, and what can be left to others who might do it better. The plans are not yet ready, but Wille leaves no doubt that changes are in the air.

And those changes will focus sharply on customers. She hints at a simpler organisation that can more easily try out new offerings and adapt faster to a continuously changing market. This entails more pilot versions of services and greater tolerance for trial and error.

“No one likes to make mistakes, but we must be prepared to take more risks. We must create flexible and time-saving solutions for recipients, and find out whether or not they are willing to pay for those solutions. We must continue to be relevant,” says Wille.

She wants more services to be developed that meet people’s needs. What she is looking for is not simply a single brilliant idea, but rather an entire shift of focus towards the recipient perspective. Her view reflects an acknowledgement that so far the Group has been more concerned with the sender than with the recipient.

“There’s a time for everything. Focusing on those who pay for the services has been the right thing to do, and we will continue to look after senders. But at the same time we see that consumer preferences and recipient control are becoming increasingly important. We must understand the wants and needs of recipients, and how to make life easier for them,” she emphasises.

Right from day one, Wille has made it clear that digitalisation will be even more important for Posten Norge moving forward. Like leaders of most small and medium-sized companies, she is concerned with digital transformation. Posten Norge must keep pace with this trend and take advantage of new technology.

In her first interviews as CEO, she described digitalisation as both a threat and an opportunity for Posten Norge. She now sees many opportunities. She has personally found talking to the robot Siri very useful in her working day. She only has to say “Hello Siri!” and the female voice on her iPhone is at her service. Wille envisions that Posten Norge may also benefit from similar technology in the future.

Posten Norge already has good digital solutions such as tracking services and digital route books. The latter of these is a tool for mail carriers that replaces paper-based route books with an iPhone installed with a specially developed app on which all information is continuously updated. Another new app recently developed means that delivery staff no longer need to use PDAs when delivering parcels. Wille wants the organisation to develop even more solutions.



We must understand the needs and wants of recipients, and how to make life easier for them.

“We have a lot of great ideas, but we must improve our digital execution. We need to become more effective at creating new services which our customers find useful,” she says.

The Group also wants to engage in productive dialogue with relevant authorities about what future postal services should look like and how they will be financed. Posten Norge acquired a new owner at the turn of the year: the Ministry of Trade, Industry and Fisheries. The Ministry of Transport and Communications will continue to act as the regulatory authority.

The change entails no major changes for the Group. Wille met the Minister of Trade, Industry and Fisheries, the new owner, and discussed issues including future challenges and opportunities. The trend in mail volumes will not reverse, and estimates show that in 2019 every household in Norway will receive an average of three letters weekly.

“**My impression is** that knowledge about the dramatic changes in mail operations is not that widespread, but they form an important backdrop for defining what a universal service obligation should look like in the future. Market dynamics change fast, while political processes take time. We can't wait six years to make critical decisions, as in the past. We want to be an important and relevant business for a hundred years to come,” says the CEO.

This requires continuous restructuring, and flexibility on the part of Posten Norge to adapt. The strategy that is currently being laid out will not be carved in stone; it will be adapted to the market. If the market changes, the strategy will too. Everything is founded on experience, expertise and trust as well as on modern terminals and a distribution network with the best coverage in Norway.

Most important of all is our dedicated and engaged employees. The Group has a low rate of sickness absence and proud employees who are used to changes. In future, changes will occur more frequently than ever before. Although the CEO is concerned with implementing changes in an appropriate way, she points out that there will be less time to execute them than in the past. And that the Group may face some surprises, no matter how well it prepares.

“**When I took over** as CEO, I already had long experience of the Group and of working life. I talked to many people who offered me words of caution and advice before I began. All the same, it was quite a transition, but I've always enjoyed challenges. You almost have to if you want to work in Posten Norge in the coming years,” says Tone Wille.



We can't wait six years to make critical decisions, as in the past.



Directors' report 2016

In 2016 the Norwegian postal market was liberalised. Posten Norge achieved a relatively positive result, despite the impact on the logistics market from the continued decline in mail volumes, weak economic growth and reduced activity in the oil sector.

Posten Norge's revenue in 2016 amounted to NOK 24 772 million, which is NOK 302 million lower than the previous year. Profit before tax was NOK 230 million in 2016, representing an improvement of NOK 79 million on the previous year.

Operating profit was NOK 178 million, which is NOK 61 million lower than the previous year. Adjusted profit* amounted to NOK 645 million, representing a decrease of NOK 41 million on the previous year.

*(EBITE: operating profit adjusted for other income and expenses, income from associated companies and impairment)

Digitalisation in society is accelerating the decline in physical mail volumes. Weak economic growth, declining activity in the oil sector and strong price competition are challenging profitability in parts of the logistics operation. In Sweden, the domestic freight operation contributed negatively while the parcels operation contributed positively to the profit in 2016. E-commerce volumes showed solid growth of 15 per cent on the previous year. Online shopping from abroad showed the biggest increase.

Declining revenue in the logistics operation and an extensive need for restructuring in the mail operation place considerable pressure on Group profitability moving forward. The Board wants work to continue on restructuring and constant market adaptation in order to boost profitability.

The Group has begun work on formulating a strategy by, among other things, reviewing the Group's portfolio to focus the business, orient it towards the customer, and improve profitability. The logistics segment holds high potential in the e-commerce area, which is driving growth in parcels, freight and home deliveries.

In the Mail segment, addressed mail volumes have fallen by 54 per cent since 2000 and are expected to fall even faster in coming years. Posten Norge has adopted a proactive approach to this trend. Major restructuring and efficiency measures have been implemented, but scope for further adaptations is highly limited without making changes to the service offering. Going forward, Posten Norge will need greater flexibility to adapt its offering to meet current demand. At the same time, the Norwegian state must compensate for additional costs incurred for providing universal service obligations.

Delivery quality was high in 2016, and customer satisfaction levels improved. Efforts in the area of health, safety and working environment continued, and contributed to healthy, more satisfied employees. The Group's reputation was enhanced, and the focus on social responsibility supported sustainable development.

New regulatory framework

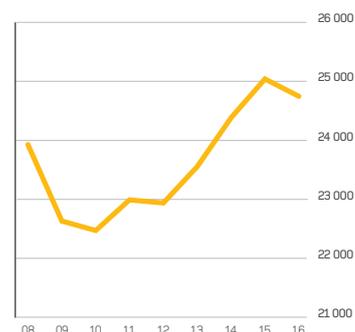
In 2016 the Storting (Norwegian parliament) considered the white paper dealing with the changes in the postal sector. The Storting is ready to consider a transition to one class of mail.

Management of the state's ownership in Posten Norge AS was transferred from the Ministry of Transport and Communications to the Ministry of Trade, Industry and Fisheries with effect from 1 January 2017. As the sectoral authority, the Ministry of Transport and Communications will continue to have a close relationship with Posten Norge through its management of postal legislation and public procurement of universal service obligations which are not commercially profitable.

REVENUE

MNOK

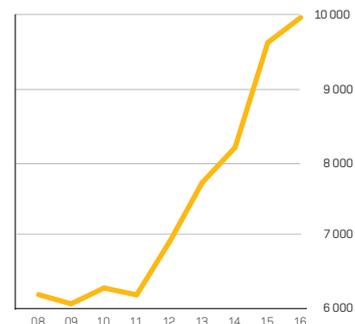
24 772



Revenue outside Norway

MNOK

9 962

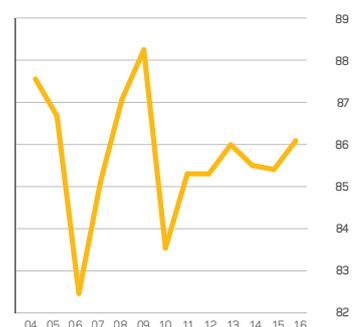


DELIVERY QUALITY

PRIORITY MAIL

per cent

86.1%



Achievement of the profitability targets set by the owner assumes the state's willingness to pay for commercially unprofitable universal service obligations.

MARKET TRENDS

Posten Norge's business consists of two segments: Mail and Logistics.

Of the Group's total operating revenue in 2016 of NOK 24 777 million, operations outside Norway accounted for NOK 9 962 million, which is NOK 339 million (3.5 per cent) higher than the previous year. Revenue outside Norway accounted for 40 per cent of total Group revenue, compared with 38 per cent in 2015.

Logistics is the largest segment

Logistics is the Group's largest segment, and accounted for 63 per cent of revenue in 2016 with revenue of NOK 16 525 million, which is NOK 252 million lower than the previous year.

Growth challenges are related to the weak economic trend in Norway, challenges in the oil sector, a negative volume trend for temperature-controlled transport in Norway, and weak growth for parcels in the domestic market. The parcels operation in Sweden showed increases in revenue and volume, while revenue for discontinued operations outside Norway decreased. Growth in private online shopping continued in 2016 and contributed to 15 per cent growth in the Group's total e-commerce volumes.

The company Espeland Transport AS was acquired to strengthen the freight offering in inland Norway.

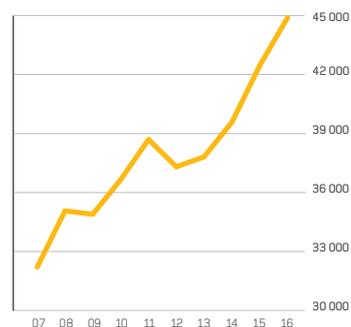
Decline in mail volumes

Revenue for the Mail segment in 2016 was NOK 9 839 million, which is NOK 230 million lower than the previous year. The Mail segment accounted for 37 per cent of Group revenue.

Digitalisation is leading to a sharp and accelerating decline in addressed mail volumes. In 2016 they fell by 10.9 per cent in Norway. The removal of Posten Norge's formerly exclusive right had no significant impact on the decline in volume. This trend is driven by digitalisation among our customers, and the largest decline occurred in the banking, insurance and public sectors. The volume of unaddressed deliveries showed a marginal decrease in 2016. In Sweden, Bring Citymail showed volume growth of 15.4 per cent in 2016.

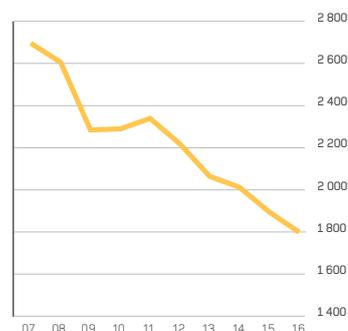
PARCEL VOLUME

millions
44 967



MAIL VOLUME

millions
1 808



More Digipost users

Digipost, Posten Norge's secure digital mailbox, showed a strong growth in 2016. The number of registered users increased to 1.34 million at year end from 0.6 million in the previous year. Simultaneously, 4 900 private enterprises and 300 public enterprises signed agreements to send digital mail. Around 10 million digital letters were sent in 2016. The solution was further developed with a secure digital signature feature and an invoicing system.

Strong networks

Posten Norge plays a prominent role in Norwegian society, and fulfils an important social responsibility through a nationwide, high-quality distribution network. The licence requirement for the overnight delivery of priority mail is 85 per cent per quarter. In 2016, 86.1 per cent of priority mail was delivered overnight. The other licence requirements for delivery quality were also met by good margins.

Posten Norge discontinued mail distribution on Saturdays from March 2016. The Ministry of Transport and Communications repealed Posten Norge's temporary delivery obligation to distribute newspapers on Saturdays from 1 November 2016.

Posten Norge has the distribution network with the best coverage in Norway which at year end comprised around 3 000 delivery outlets, including 1 318 in-store post offices, 33 regular post offices, 23 business centres and around 1 500 rural postal routes. In 2017 a further three regular post offices will be transformed into in-store post offices.

New agreements for in-store post offices were signed for 845 shops in 2016, a small number of which entailed relocating to new premises.

To strengthen the offering to online shoppers, Posten Norge adopted RFID technology for tracking small parcels sent in the mail network. This service allows online shoppers to track their goods all the way to their mailbox.

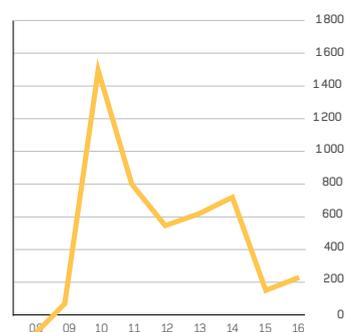
High levels of customer trust and satisfaction

Posten Norge enjoys a high level of trust in Norwegian society. Its good reputation was further enhanced in 2016. In RepTrak's reputation survey Posten Norge ranked 4th and showed the best improvement of all the enterprises covered in the survey. According to Ipsos, the Norwegian population has an increasingly positive perception of the Posten and Bring brands. Bring ranked 13th and Posten Norge 14th of approximately 100 of the largest enterprises surveyed in 2016.

PROFIT (LOSS) BEFORE TAX

MNOK

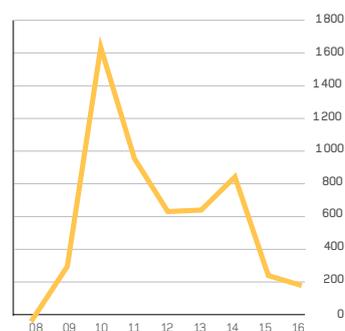
230



OPERATING PROFIT (LOSS) (EBIT)

MNOK

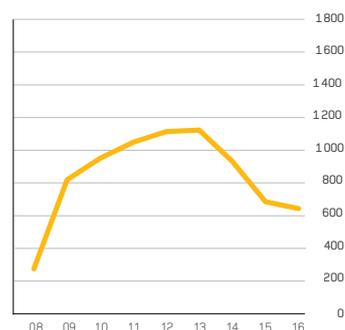
178



OPERATING PROFIT before non-recurring items

MNOK

645



Customer relations are good. According to the Norwegian Customer Satisfaction Barometer's 2016 survey, Posten Norge showed the best improvement in customer satisfaction and loyalty.

PROFITABILITY

Financial performance trend

Operating profit in 2016 amounted to NOK 178 million, which is NOK 61 million lower than the previous year. Impairment of NOK 313 million was recognised in 2016, and other expenses of NOK 169 million. Impairment was largely related to goodwill, and other expenses related largely to provisions for losses associated with lease agreements and restructuring expenses. Adjusted profit (EBITE*) in 2016 was NOK 645 million, which is NOK 41 million (or 6 per cent) lower than the previous year. Despite major restructuring and cost-efficiency measures, weak economic growth and reduced activity in the oil sector had a significantly negative impact on the logistics segment. In Sweden, the domestic freight operation negatively affected the result, whereas the parcels operation contributed positively.

Profitability challenges in Logistics

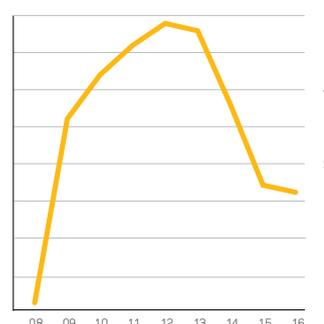
In 2016 the logistics segment showed an operating loss of NOK 334 million. Adjusted profit (EBITE) was NOK 49 million, which is NOK 22 million lower than in the previous year. Parcel and freight volumes increased, but the Group is facing heavy price pressures in the market due to increased competition. Several cost-efficiency measures were implemented to improve profitability. The winding up of the former Ekdahls in Sweden will contribute positively to profitability in 2017.

Investment in new logistics centres will support more cost-effective operations and improved profitability in the logistics segment. In 2016 a new logistics centre in Mosjøen and part of the new logistics centre in Alnabru in Oslo were opened. The logistics centre in Oslo will be completed in 2017, and new logistics centres will be opened in Trondheim and Narvik. In Sweden, Bring will open a joint terminal in Mölnlycke in Göteborg to strengthen the logistics offering.

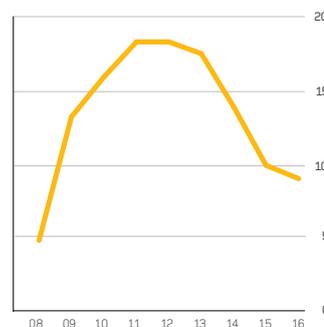
Effective cost control in Mail

In 2016 the Mail segment showed an operating profit of NOK 724 million. Adjusted profit (EBITE) of NOK 800 million was NOK 16 million lower than in the previous year. The Board is satisfied that cost-efficiency measures were implemented that compensated for much of the decline in volume.

OPERATING MARGIN
before non-recurring items
per cent
2.6%



RETURN ON
INVESTED CAPITAL (ROIC*)
per cent
9.0%



RETURN ON
EQUITY
after tax, per cent
0.7%



The most important measure was the discontinuation of Saturday deliveries, but measures were continuously implemented to improve and rationalise operations in the entire value chain.

The Norwegian state covers any additional costs incurred by Posten Norge for providing commercially unprofitable services under the universal service obligation. In 2016 the Storting appropriated NOK 403 million to this purpose, including NOK 40 million for Saturday delivery of newspapers, which was NOK 160 million lower than the estimated need.

Investments

Investments as a whole in 2016, excluding acquisitions, totalled NOK 1 243 million compared to NOK 1 159 million in 2015. The largest investments were related to new logistics centres in Oslo, Trondheim and Narvik.

Cash flow from operating activities in 2016 was NOK 945 million. The decrease from 2016 of NOK 268 million was mainly due to accelerated repayment of operating debt. Net cash flow from investing activities in 2016 was NOK -1 210 million. The investments were mainly related to ongoing operational investments and new logistics centres. Investments were also made in the business by acquiring the digital design agency Netlife Research and the logistics company Espeland Transport. In 2015, cash flow from investing activities included payments of NOK 1.7 billion from the sale of Posten Norge's shares in EVRY ASA.

Financial capacity

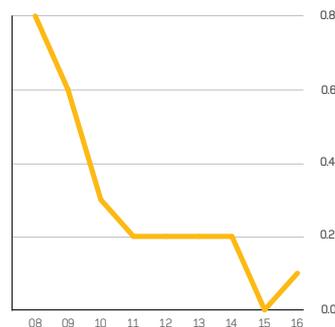
In 2016 the Group had net financial income of NOK 52 million compared with net financial expenses of NOK 88 million the previous year. The Group had long-term liquidity reserves on 31 December 2016 of NOK 5.3 billion compared with NOK 6.4 billion the previous year. These reserves consisted of invested funds and available credit facilities. The Group places importance on financial flexibility and the ability to take advantage of opportunities in the market.

The Group's equity is NOK 5 912 million. The Group has the capacity to undertake strategically important investments, and the Group's investment capacity is naturally dependent on future financial results. Posten Norge continued to implement measures in 2016 to reduce financial risk and increase its room to manoeuvre. There is a greater focus on capital management.

Credit and counterparty risk on the placement of surplus liquidity is deemed to be limited as Posten Norge's counterparties generally have high ratings.

Debt ratio

0.1



Debt covenants

Some of Posten Norge's loan agreements contain debt covenants that include limits in relation to key economic indicators (see notes 18 and 19 in the annual financial statements).

Risk

Risk management and internal control are integrated into the Group's business processes and are central elements of Posten Norge'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 Posten Norge's activities.

As part of its corporate governance, the Board of Directors emphasises good risk management and internal control. The Board of Directors reviews risk analyses of the Group's total risk every six months. Risk analysis is included in the Group's business processes. Emphasis is placed on a quantitative risk approach. Risk-mitigating measures are implemented to ensure that the company achieves its goals, and are regularly evaluated to ensure that they are having the desired effect and to identify any new risk factors. The Board and management actively follow up on the company's risk exposure within the areas of strategic, operating, financial and corporate reputation risk. The monitoring of information security and integrity has been strengthened.

Risk management and internal control processes are described in more detail in the company's corporate governance reporting.

Allocation of current year profit

In 2016 Posten Norge AS had a profit after tax of NOK 180 million and the Group a profit after tax of NOK 39 million.

The Norwegian state has a dividend policy whereby 50 per cent of Group 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 19 million be distributed for 2016. This year's profit will be transferred to other equity.

The final dividend amount will be determined at the 2017 Annual General Meeting. The annual financial statements have been prepared under the assumption that the business is a going concern.

The Board of Directors confirms that this assumption applies.

CORPORATE SOCIAL RESPONSIBILITY

Posten Norge is committed to long-term value creation through the sustainable and responsible management of the company's most important resources while meeting the owner's requirements and expectations.

The Board is proud of the good work the Group does in the area of CSR. The work has high priority and efforts are systematic and long-term in accordance with clear goals and plans. The efforts are achieving good results.

In the sustainability report for 2016, the Group has defined the concept of sustainability as long-term viability. The Group's most important resources to create value and thus ensure this viability are our employees, our relationships and partnerships, our networks and expertise, our adaptability and our financial capital. The sustainability report shows what value we have created in recent years and what footprint we have left in society. The report evaluates our work and provides direction for the future.

Good working environment

One of the Group's principal goals is to have attractive workplaces and a good working environment. Employees represent our most important resource. Activities promoting health are therefore a high priority and the Group's vision is for nobody to be injured or become sick as a result of working in Posten Norge.

The organisation survey in 2016 showed that employee satisfaction is at record levels and has risen to 81 (on a scale of 1-100) from 80 the year before. The factors that score highest are a focus on customers and results, and an attractive workplace.

After ten years of sustained decline in sickness absence, the Group had in 2016 a sickness absence rate of 6.1 per cent, which was 0.1 percentage points higher than the year before. Sickness absence in Posten Norge is still below the average in the Norwegian labour market.

The number of injuries fell sharply in 2016. There was a total of 278 injuries compared with 331 the year before. The injury frequency rate, expressed as the H2 value or the number of injuries per million hours worked, was 9.2 in 2016, compared to 10.9 in 2015.

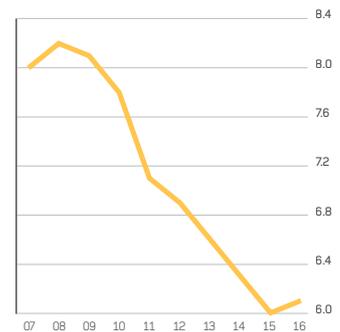
The Board is satisfied that the Group still puts health-promoting activities high on the agenda, and works in a long-term and systematic manner. The good results come from management's prioritisation of HSE and the excellent cooperation between management and employee representatives.

The Group's workforce was reduced by 845 full-time equivalents from 2015 to 2016. The Mail segment was reduced by 508 full-time

SICKNESS ABSENCE

Group per cent

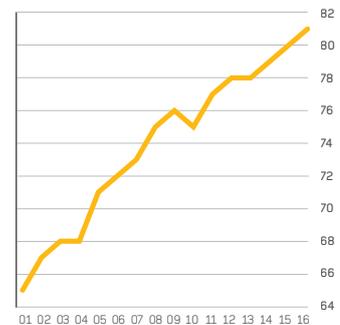
6.1%



EMPLOYEE SATISFACTION

scale from 1 to 100, where 100 is best

81



equivalents, mainly within mail sorting and production. The Logistics segment saw a reduction of 376 full-time equivalents, mostly in operations outside Norway.

Diversity

The Group reflects demographic trends in society with more than 70 nationalities represented among its employees. We have a goal to promote integration and increase the proportion of employees with immigrant background in staff units and management positions. Language training is a vital part of this work. A development and internship programme is offered to selected employees.

Pay and equality

The Group subscribes to the main principle that management pay should be competitive but not amongst the highest when compared to similar companies. Posten Norge AS is well within government guidelines for salary policies in state-owned enterprises. There are no significant pay differences between men and women that can be attributed to gender.

Salaries, other remuneration and accrued pensions for Group management of Posten Norge AS totalled NOK 33.6 million in 2016, compared with NOK 31.5 million the previous year.

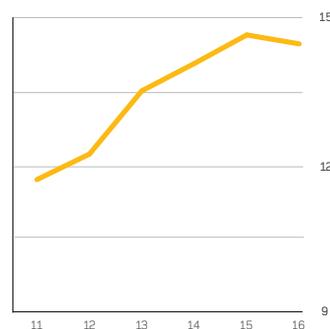
Posten Norge is concerned with equality at all levels. Posten Norge employed its first female CEO in 2016. The proportion of women in Posten Norge's Group management was 56 per cent at the end of 2016. The proportion of women among employees in the Group is 35 per cent, and among the Group's managers 29 per cent.

Employee and management development

Skills development is a major focus area through internal and external course offerings and workplace-based training. The Group has made a major investment in e-learning combined with other types of learning formats, including an introduction to HSE, information security, the Group's principles and environmental efforts. As a supplement to other internal training opportunities, courses are offered in Norwegian reading, writing and oral skills, as well as online apprentice courses to increase the number of employees with an apprenticeship certificate. In 2016 approximately 1 100 employees earned an apprenticeship certificate. There were a total of 76 apprentices in Posten Norge and Bring at the beginning of 2017, most of them in driving and logistics apprenticeships. Through the Group's scholarship programme, employees receive support to upgrade their formal qualifications.

Employees with immigrant background
per cent

14.47%



The Group works systematically on management development in order to strengthen its implementation ability and goal achievement. Using employee reviews and management evaluations as a basis, managers are objectively evaluated on their performance and potential. In parallel, work is carried out on succession planning and talent development, which the Board reviews annually.

Integrity

The Group sets strict standards of integrity for its own managers and employees and works to raise awareness and provide training. The same requirements apply to subcontractors and partners. The Integrity Programme, which was established in 2011, is based on the Group's ethical guidelines.

Prevention of criminal activity

The risk of criminal activity directed against Posten Norge is considered to be moderate. The Group has a zero-tolerance policy for internal fraud.

In 2016, eight employees were dismissed or summarily dismissed for internal fraud. There have been several roadside robberies of freight transports and burglaries in containers in railway areas. This type of crime affects customers and poses a threat to the trust placed in the Group and to its reputation.

In 2016 there were two robberies, one involving an in-store post office and the other a rural mail carrier. Posten Norge has prepared a risk analysis related to violence and threats against employees, in accordance with government requirements. The scope of ID fraud in the community is huge, and Posten Norge is active in prevention work.

In recent years, the Group has increased its focus on overall crisis management capability and operational readiness, including carrying out drills.

The Group works actively to prevent all types of crime and to solve cases. The level of security and contingency plans are viewed in the context of, among other things, the government's threat assessments and international efforts and prioritisations, for example under the auspices of the Universal Postal Union (UPU) and the International Civil Aviation Organization (ICAO).

Information security

The Group has not identified any serious security incidents in 2016 resulting from external attacks. We have registered a significant increase in phishing attacks and attempts at e-mail fraud against

our employees. Based on this, Posten Norge has focused heavily on topics related to social manipulation and fraud attempts via e-mail through internal awareness programs. So far we have not had any serious incidents as a result of this threat. Work on measuring safety culture has begun, and developments will be highlighted in the coming year.

Customers and supervisory authorities are placing increasingly stringent demands on control of information security, and Posten Norway acts accordingly with respect to our suppliers. Risk analyses and action plans to establish adequate information security in the IT portfolio, as well as testing for potential vulnerabilities, are the pillars of this work in which we cooperate closely with our suppliers.

Information security work is an integral part of the development and management of all IT systems. We work continually to identify, analyse and manage actual and potential incidents. These efforts give us a good foundation to meet the EU's stringent regulatory requirements for data privacy protection coming in 2018.

Environmentally effective operation

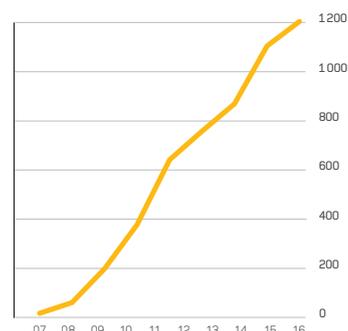
As one of the Nordic region's largest transport operators, the Group takes particular responsibility for reducing its environmental impact and works in a focused manner to ensure its operations have a positive environmental effect. Some of the most important measures to reduce climate impact include the use of environmentally friendly vehicles and fuel, transport optimisation, shifting freight from air to ground and from road to rail, efficient use of floor space and building expertise among managers and employees.

The overall objective is to reduce the Group's CO₂e emissions by 40 per cent by 2020, relative to 2008. The carbon footprint for 2016 shows a 10 per cent decrease from 2015, so the target has so far been met. A large proportion of the reduction in 2016, however, is due to the transition from diesel to the biofuel HVO (hydrogenated vegetable oil) for heavy vehicles. Reclassification of raw materials and an increased biofuels sales mandate have resulted in reduced availability and a doubling of the price for HVO in 2017. There is therefore great uncertainty about further investment and phasing out of fossil fuels for heavy vehicles.

Posten Norge is adopting and continuously evaluating new "green" vehicles and fuel solutions. In 2017, the Group will begin using the Nordic region's first large electric vans to deliver goods to companies in central Oslo emission-free. The new logistics centre in Trondheim, which opens in 2017, uses solar panels and a windmill that will provide energy for between 50 and 80 vehicles, and will be Europe's most modern and environmentally friendly terminal.

ELECTRIC VEHICLES

number
1 217



The work of the Board of Directors

The Board places importance on following Norwegian standards and best practices for corporate governance, based on Norwegian law and the government's policy on state ownership in force at any given time.

Each year the Board presents a statement on the company's corporate governance as part of the annual report. The Board of Directors also conducts an annual update of the content of the rules of procedure for the Board.

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, based on good insight into Posten Norge's strategies, business models and value chain. One of the Board's most important tasks is to appoint the CEO. In 2016 CEO Dag Mejdell resigned. After a thorough recruitment process, the Board decided to hire Tone Wille as the new CEO from 10 October 2016. Tone Wille previously held the position of Chief Financial Officer (CFO) of the Group.

The Board carries out an annual evaluation of its work, expertise and working methods, and discusses specific issues that require monitoring as well as the Board's own expertise development.

In 2016 the Board comprised an equal number of men and women. As of 1 January 2017, Siv Ryen Andersen resigned as employee-elected board member and was replaced by first deputy Erling A. Wold. This change reduced the proportion of female board members to 40 per cent.

The Group's head office is located in Oslo, and most of its operations are conducted in Norway, while the largest operations outside of Norway are found in Sweden.

Outlook

The Board expects that 2017 will be a challenging year with continued low economic growth in Norway. Prospects for growth in the rest of the Nordic region are more positive.

At the same time, the Board understands that the pace of technological development is gaining speed. Increased digitalisation is driving an accelerating decline in mail volumes, but also creating new opportunities to develop innovative business models and services, strengthen the dialogue with customers and streamline operations. The group is working on a new strategy to focus the business, orient it towards the customer, and improve profitability.

The Logistics segment will strengthen its competitiveness and profitability through efficiency improvements resulting from the new logistics network in Norway. In addition, work is progressing on new joint IT systems and operating models that will help harmonise services and simplify dialogue with customers. Temperature-controlled transport services will be integrated with the Norwegian logistics network from 2017 and will be an important part of the service offering in the future, with potential for growth. Increased e-commerce will continue to provide substantial opportunities in parcels, freight and home delivery.

Developments in the Mail segment are dramatic. There is no longer a market for the current universal postal service Posten Norge is obligated to provide. Major restructuring and efficiency improvements have been implemented, but there is limited room for further improvements without further changes in the service offering. In 2017 Posten Norge will prepare the transition to a single addressed mail stream from January 2018. To further match the service offering to the demand it is critical for Posten Norge to have a more flexible regulatory framework and more room to manoeuvre, while the state must compensate for the additional costs of meeting the universal service obligations. The Norwegian government has granted NOK 177 million to cover the additional costs for providing commercially unprofitable universal service obligations in 2017.

This is NOK 316 million lower than the estimated need, which will negatively affect the Group's financial performance in 2017. If the allocation is not adjusted in the revised national budget, the consequence will be that the Group will not be compensated for the cost of maintaining two addressed mail streams in 2017.

The Board is committed to raising the Group's capacity for innovation and digital drive to develop new growth areas and solutions to customers, both senders and recipients. Posten Norge has a good starting point with high credibility and digital trust.

The Group will continue to have full focus on the long-term and systematic work in the sustainability areas, focusing particularly on health, safety and the environment (HSE), diversity and the wider environment.

The Board thanks all of the employees of the Group for cooperating in and sharing responsibility for the development of Posten Norge and Bring.

16. mars 2017



Idar Kreutzer (leder)



Randi B. Sætershagen (nestleder)



Tove Andersen



Anne Britt Berentsen



Morten Karlsen Sørby



Terje Wold



Odd Christian Øverland



Ann-Elisabeth Wirgeness



Erling A. Wold



Lars Nilsen



Tone Wille (konsernsjef)

Income statement Posten Norge Group

Income statement

Amounts in MNOK

	Note	2016	2015
Revenue	1	24 772	25 074
Cost of goods and services		10 086	9 927
Payroll expenses	2	9 749	9 859
Depreciation and amortisation	8,9	694	788
Impairment	8,9	313	385
Other operating expenses	4	3 599	3 814
Operating expenses		24 440	24 773
Other income and (expenses)	5	(169)	(307)
Share of profit from investments in associated companies and joint ventures	10	15	245
Operating profit		178	239
Finance income	6	370	551
Finance expenses	6	318	639
Net finance income (expenses)		52	(88)
Profit before tax		230	151
Tax expense	7	191	212
Profit/(loss) for the year		39	(61)
Net income attributable to controlling interests		36	(62)
Net income attributable to non-controlling interests		4	1

Statement of total comprehensive income

Amounts in MNOK

	Note	2016	2015
Profit/(loss) for the year		39	(61)
Items not to be reclassified to profit or loss			
Pension			
Change in actuarial gains and losses	3	(74)	87
Tax	7	17	(21)
Total items not to be reclassified to profit or loss		(58)	66
Items to be reclassified to profit or loss			
Translation differences			
Result from hedging of investments in foreign entities	19	173	(140)
Tax	7	(43)	38
Translation differences from investments in foreign entities		(142)	141
Cash flow hedging			
Changes in value	19	10	(6)
Transferred to income statement	19	13	26
Tax	7	(6)	(5)
Total items to be reclassified to profit or loss		5	53
Share of other comprehensive income/(expenses) of investments in associated companies	10		(41)
Change in tax rate	7	3	1
Other comprehensive income/(expenses)		(50)	79
Total comprehensive income/(expenses)		(11)	18
Total comprehensive income/(expenses) is distributed as follows:			
Controlling interests		(15)	17
Non-controlling interests		4	1

Balance sheet

Amounts in MNOK

	Note	31.12. 2016	31.12. 2015
Assets			
Intangible assets	8	2 194	2 339
Deferred tax asset	7	396	379
Tangible fixed assets	9	5 866	5 574
Investments in associated companies and joint ventures	10	377	380
Other financial non-current assets	12,19	231	239
Non-current assets		9 063	8 910
Inventories		21	24
Interest-free current receivables	12,14,19	4 255	4 278
Interest-bearing current receivables	12,13	85	113
Liquid assets	12,15	1 875	2 773
Current assets		6 236	7 188
Assets		15 299	16 097
Equity and liabilities			
Share capital		3 120	3 120
Other equity		2 777	2 808
Non-controlling interests		14	(2)
Equity	20	5 912	5 926
Provisions for liabilities	11	1 588	1 450
Interest-bearing non-current liabilities	12,16,19	1 978	2 111
Interest-free non-current liabilities	12,17,19	29	36
Non-current liabilities		2 007	2 147
Interest-bearing current liabilities	12,16,19	415	896
Interest-free current liabilities	11,12,17,19	5 117	5 520
Tax payable	7	260	158
Current liabilities		5 793	6 574
Equity and liabilities		15 299	16 097

16 Mars 2017

Bar Krautzer (leder)


Tove Andersen


Tone Wille (konsernsjef)


Anne Britt Berentsen


Randi B. Sætershagen (nestleder)


Morten Karlsen Sarby


Terje Wold


Odd Christian Øverland


Ann-Elisabeth Wirgeness

Erling A. Wold

POSTEN NORGE • FINANSIELL RAPPORT

Lars Nilsen


Cash flow statement

The Group prepares the cash flow statement 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	2016	2015
Profit/(loss) before tax		230	151
Tax paid in the period	7	(156)	(190)
Gain from sales of non-current assets and subsidiaries		(6)	(8)
Ordinary depreciation and write-downs	8,9,10	1 007	1 173
Share of net income from associated companies and joint venture	10	(15)	(245)
Financial items with no cash effect		25	(63)
Changes in accounts receivable, inventories and accounts payable		(25)	70
Changes in other working capital		(182)	274
Changes in other current balance sheet items*		70	119
Interest received		65	21
Interest paid		(69)	(89)
Cash flows from operating activities		945	1 213
Investments in tangible non-current assets	8,9	(1 243)	(1 159)
Investments in shares	23	(112)	(123)
Proceeds from sales of tangible non-current assets		95	67
Proceeds from sale of shares		22	
Proceeds from sale of associated companies	23	5	1 711
Dividend received from associated companies	10	17	3
Changes in non-current receivables and financial assets		6	(14)
Cash flows from/(used in) investing activities		(1 210)	485
Proceeds from borrowings	16	100	1 000
Repayment of borrowings	16	(733)	(1 698)
Group contribution/dividend paid	20		(300)
Cash flows used in financing activities		(633)	(998)
Total change in cash and cash equivalents during the year		(898)	700
Cash and cash equivalents at the start of the period		2 773	2 073
Cash and cash equivalents at the end of the period		1 875	2 773

*This mainly concerns provisions for restructuring, loss contracts and changes in other current balance sheet items

Statement of changes in equity

Amounts in MNOK

	Controlling interests						Non-controlling interests	Total equity
	Share capital	Share premium	Hedging reserve	Translation diff.	Retained earnings	Other equity		
Equity 01.01.2015	3 120	992	(31)	156	1 968	3 086	(1)	6 205
Profit/(loss) for the year					(62)	(62)	1	(61)
Other comprehensive income			14	39	26	79		79
Total comprehensive income/ (expenses)			14	39	(36)	17	1	18
Dividend paid					(300)	(300)	(2)	(302)
Other changes in equity					5	5		5
Equity 31.12.2015	3 120	992	(17)	195	1 637	2 808	(2)	5 926
Equity 01.01.2016	3 120	992	(17)	195	1 637	2 808	(2)	5 926
Profit for the year					36	36	4	39
Other comprehensive income/(expenses)			17	(13)	(55)	(50)		(50)
Total comprehensive income/ (expenses)			17	(13)	(19)	(15)	4	(11)
Addition non-controlling interests					(13)	(13)	13	
Other changes in equity					(3)	(3)		(3)
Equity 31.12.2016	3 120	992	0	183	1 602	2 777	14	5 912

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Posten 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 and Fisheries (the Ministry of Transport and Communication until 31 December 2016), 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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by 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 principle	Associated note(s)	IFRS/IAS #
1. Changes in accounting principles and disclosures		IAS 8
2. Adopted standards that are not yet effective or lacked 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	IAS 12, IAS 19, IAS 36, IAS 37
4. Foreign currency translation		IAS 21
5. Consolidation principles	Note 23 Changes to the Group structure	IFRS 3, IFRS 10, IFRS 11, IFRS 12, IAS 28
6. Segment reporting	Note 1 Segments	IFRS 8
7. Revenues	Note 1 Segments	IAS 18
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, associates and joint ventures	Note 10 Investments in subsidiaries, associates and joint ventures	IFRS 10, IFRS 11, IFRS 12, IAS 28
13. Impairment of non-financial assets	Note 8 Intangible assets Note 9 Tangible fixed assets Note 10 Investments in subsidiaries, associates and joint ventures	IAS 36
14. Provisions	Note 5 Other income and expenses Note 11 Provisions for liabilities	IAS 18, IAS 19, IAS 37
15. Contingent liabilities and assets	Note 11 Provisions for liabilities Note 25 Other matters	IAS 37

Accounting principle	Associated note(s)	IFRS/IAS #
16. Financial instruments	Note 6 Financial income and financial expenses Note 12 Overview of financial instruments 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 13, IAS 32, IAS 39
17. Accounts receivable	Note 14 Interest-free current receivables	IFRS 7, IFRS 13, IAS 18, IAS 32, IAS 39
18. Cash and cash equivalents	Note 15 Liquid assets	IFRS 7, IFRS 13, IAS 32, IAS 39
19. Loans	Note 16 Interest-bearing non-current and current liabilities Note 17 Interest-free non-current and current liabilities	IFRS 7, IFRS 13, IAS 32, IAS 39
20. Equity	Statement of changes in equity Note 20 Equity	IAS 1
21. Leasing	Note 22 Leases	IAS 17
22. Events occurring after the balance sheet date	Note 25 Other matters	IAS 10

1. Changes in accounting principles and notes

The accounting policies applied are consistent with previous years. In addition, the Group implemented some new and amended standards and interpretations published by the IASB and approved by the EU, effective from the accounting year starting on 1 January 2016. The implementation of these new and amended standards and interpretations did not affect the financial statements significantly.

2. Approved standards that are not yet effective or lacked approval by the EU

The following standards and statements that are relevant for Posten have been issued, but have yet to take effect or lacked approval by the EU for the financial year 2016.

2.1. IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The future classification depends on the entity's business model for managing its financial instruments and the characteristics of the cash flows of each individual instrument. The Group is not expecting any effects on the financial statements of the new classification, recognition and measurement requirements. It is expected that financial assets and liabilities measured at fair value by today's accounting rules will continue to be measured at fair value pursuant to IFRS 9. This concerns derivatives not included in accounting hedge arrangements and loans in foreign currencies, where fair value options have been applied. Other financial assets and liabilities mainly relate to debt instruments and other financial liabilities measured at amortised cost according to the present accounting rules and are expected to be classified in the measurement category "amortised cost" and subsequently measured according to IFRS 9.

IFRS 9 introduces a new model for assessing impairment of financial assets. However, the Group's financial assets mainly comprise financial assets without significant financial elements, which according to IFRS 9 allows for a simplified model. This model differs from today's accounting rules, which are based on an incurred loss model, where the expected credit loss over the entire lifetime shall be recognised by using simple methods to estimate the credit loss, as one example. The model under IFRS 9 is not expected to change the provision for losses significantly.

In addition, IFRS 9 relaxes the requirements to hedge accounting by bringing the hedge effectiveness closer to management's risk control and gives more room for judgment. Hedge documentation is still required. In the Group's opinion, the financial hedges classified as accounting hedge relations pursuant to IAS 39, will still qualify for this under IFRS 9.

The standard will be effective for the accounting year 2018.

2.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and associated interpretations. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service and thereby has the opportunity to decide the use and obtain the benefits from the good or service.

The standard will be effective for the accounting year 2018.

The Group has started to consider the effects IFRS 15 can have on the recognition of income in the Group. This is made by applying the five-step model on which the new standard is based. The following areas will be particularly considered by the Group:

- The identification of performance obligations. The Group is delivering mail, parcels and freight and a number of related additional services. It must be considered whether any of the additional services included in a customer contract are individual deliveries (distinct), where the timing of revenue recognition must be considered individually.
- Recognition of revenue when the entity satisfies the performance obligation. According to the preparatory works of IFRS 15 (BC125 et seq.), income from the transport of goods shall be recognised when it takes place, because the customer has an advantage by the fact that the goods are continually getting nearer to the agreed delivery place.

The Group has not fully assessed the impact of the new standard, but no significant effects are expected at the implementation. The effects will be considered during 2017.

2.3 IFRS 16 Leases

In January 2016, IASB (International Accounting Standards Board) published a new leasing standard, IFRS 16 *Leases*. The new standard requires that the *lessee* recognises leasing agreements in the balance sheet, whereby the value in use for an asset and the corresponding lease obligation is disclosed in the balance sheet. Exceptions are made for leases concerning assets of low value ("low value" assets) and short-term leases (where the lease period is 12 months or less). The "right to use" asset and the leasing obligations are measured at the present value of the lease payments. At the subsequent measurement, the "right to use" asset shall be depreciated over the shorter of the lease period and the expected economic life for the underlying asset. The leasing obligation shall be amended for changes like adjusted leasing periods and interest adjustments, and reduced by performed payments.

The *lessors'* accounting requirements are basically unchanged.

The requirements for disclosures are also changed, and extended information is required.

The new standard will be effective for the accounting year 2019 (provided approval by the EU). The standard implies a significant change in the lessees' accounting for lease agreements, with effect both on the balance sheet and the income statement.

In the autumn of 2016, the Group established a project to evaluate and implement the new standard. The first phase has started by identifying relevant contracts in the Group. Significant agreements mainly concern leases related to buildings and terminals in addition to the Group's car fleet. An agreement must meet the definition of a lease to be within the scope of IFRS 16; the asset(s) must be identifiable, and the lessee must have the right to control the use of the asset(s) in a given period. For some agreements, this assessment is complex, and the Group therefore intends to spend the required time to ensure a correct and complete list of the lease agreements in the Group.

In phase two of the project, the Group shall assess the consequences for the financial reporting. The determination of the agreements' lease payment and lease periods will be key in this phase, as the asset and liability are measured at their present value. The Group has not fully considered the impact of the new standard. The initial consideration is that the new standard to a large extent will change the accounting for lease contracts in the Group. It is generally expected that the Group's operating profit before depreciation (EBITDA) and operating profit (EBIT) will be improved. Leasing costs that according to the present accounting rules are included in other operating expenses will according to IFRS 16 be classified as depreciation and financial expenses. The Group's equity ratio will be reduced. The goal is to quantify the effect of IFRS 16 before the end of 2017, in addition to determine a method for implementation.

Phase three and four of the evaluation include the consideration of required system acquisitions and adjustments, together with a review the consequences for strategic and operational decisions, and will basically be carried out in the same period as phase two.

The project's aim is to implement IFRS 16 when it comes into effect, i.e., for the accounting year 2019.

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. The application of the Group's accounting principles also requires that management must make judgments. 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 (definition in section 1.13) 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 on 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 obligations. The present value of the pension obligations depends on a number of factors determined by actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The 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 obligations. 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 obligation.

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 to discount rates, the expected settlement value and settlement date. Additional information is disclosed 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. Note 7 has more 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 primary 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 balances

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 Group companies

For consolidation purposes, balance sheet figures for subsidiaries that use a different functional currency than the Group's presentation currency are translated at the rate applicable on the balance sheet date, and the income statements are translated at the average monthly exchange rate. Exchange differences are recognised in other comprehensive income and specified separately in the statement of equity (cf. the statement of changes in equity). If a foreign subsidiary is sold, the accumulated translation differences related to the subsidiary are recognised in the income statement.

5. Consolidation principles

The consolidated financial statements present the total financial result and position for the 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. Consolidation principles: 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 interest held, and the net identifiable assets acquired 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 a "12 months' window" 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.

The Group recognises any non-controlling interest in the acquired company 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. The proportion of profit/loss for the year after tax and total comprehensive income from non-controlling interests is shown in the income statement.

Transactions with non-controlling interests 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, 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 Consolidation principles: Associated companies and joint venture

An associate is an entity over which the Group has significant influence. Significant influence normally exists when the Group owns 20 to 50% of the voting capital.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Investments in associates and joint ventures are accounted for using the equity method. The investment is initially recognised at cost, and the Group's share of the profit or loss of the investee after the date of acquisition is recognised in the income statement. The Group's share of the result in subsequent periods is classified as operating income or expense.

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 statements.

7. Revenue

Revenue is recognised when it can be measured reliably, it is likely that the economic benefits will flow to the entity and criteria related to the various forms of income described below are met.

Sales income is measured at the fair value of the consideration received net of value added tax and discounts. In all segments, revenue from the sale of goods and services is recognised at the time when the products or services are delivered to the customer, and when significant risks have been transferred to the customer.

7.1 Revenue: Mail segment

The segment's revenue is generated from the sale of letter products, postage stamps, banking services, sales of goods and dialogue services.

- The sale of stamps is considered to be advance payments for the sale of postal services, and recognised when the delivery of the service takes place.
- Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption.
- Other postage sales are billed and recognised when letter products are delivered.
- Fees for banking services are recognised on the basis of performed banking services.
- International mail within ordinary terminal charge agreements is 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.
- 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 significant risks are transferred to the customer.
- Sales of goods are recognised when the goods are delivered and significant risks are transferred to the customer.
- Government payments for unprofitable services are recognised when the allocated funds are received (monthly), limited to an amount equaling the current year's estimated additional expenses regarding licensing requirements.

7.2 Revenue: Logistics segment

The segment's revenue is generated by transportation and warehouse services:

- Transport services cover courier and express services and the transportation of letters, parcels, freight and temperature-controlled deliveries, and are recognised at the time of delivery of the service and when significant risks are transferred to the customer.

- Warehouse services comprise storage, handling and picking-up services in addition to the unloading of vehicles, sealing of pallets, installation/repair of equipment and construction of sales pallets, and are recognised at the time of delivery of the service and when significant risks are transferred to the customer.

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 expenses when incurred.

The liability recognised in the balance sheet for the defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The gross obligation 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 costs 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 initial recognition of taxable non-depreciable goodwill

- temporary differences relating to investments in subsidiaries, associates and joint ventures and where Group management itself decides when the temporary differences will be reversed, and it is probable that this will not take place 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 counterbalanced 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 the authorities are notifying a change in previous year's tax return, the expense 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 measured reliably. 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 (note 13 "Impairment of assets" has a more detailed description). Intangible assets with finite 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 measured reliably.
- The product's technical solution has been demonstrated.
- The product or process will be sold or used in the business.
- 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, the expenses relating to development work can 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. The acquisition cost of fixed assets is decomposed when the fixed asset consists of components that have different useful economic lives. Costs relating to normal maintenance and repairs are charged to expenses 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 linearly to allocate costs to the residual values 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, associated companies and joint ventures

Subsidiaries are consolidated into Posten Norge's consolidated financial statements. Investments in associated companies and joint ventures are accounted for using the equity method (details are given under section 5 "Consolidation principles").

13. Impairment of assets

An impairment requirement is recognised 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. Incoming cash flows are cash and cash equivalents from parties outside the enterprise.

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, impairment recognised in prior periods is reversed if new information indicates that an impairment requirement no longer exists or has been reduced. However, an impairment is not reversed if it implies that the carrying amount exceeds the value that had been determined 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 being developed are subject to an impairment test annually, irrespective of whether or not there are any indications of impairment.

13.2. Impairment: Other assets with finite useful lives

An assessment of impairment of other assets with finite useful lives is made when there are indications of impairment.

14. Provisions

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 measured reliably. 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 obligations are provided in section 8.

14.1 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 company is operated. Provisions for restructuring are expensed when the program has been determined and announced, and the costs are identifiable, quantifiable and not covered by corresponding revenues.

14.2 Provisions: Onerous contracts

Expenses related to onerous contracts concern contracts where the costs of meeting the obligations under the contract exceed the economic benefits expected to be received over the contract period. Onerous contracts are fully provided for at the time when the loss is identified.

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 initially measured at fair value on the settlement date, normally at the transaction price. Financial assets are categorised as fair value through profit or loss, available for sale or loans/receivables. Financial liabilities are categorised as fair value through profit or loss or other liabilities.

- Financial assets and liabilities that are held with the intention of profiting on short-term fluctuations in prices (held for trading purposes) or are recognised according to the fair value option, are classified as fair value through profit or loss.
- All other financial assets, except loans and receivables originally issued by the company and subsequently measured at amortised cost, are classified as available for sale.
- All other financial liabilities subsequently recognised at amortised cost are classified as other liabilities.

Changes in the fair value of financial instruments classified as fair value through profit or loss (held for trading purposes or fair value option) are recognised and presented as finance income/expenses.

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, expired or transferred. 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

Before a hedging transaction is carried out, an assessment is made as to whether the derivative shall be used to a) hedge future cash flows related to an asset, liability or a future transaction, b) hedge a net investment in a foreign entity or c) hedge the fair value of an asset or a liability.

The Group's criteria for classifying a derivative as a hedging instrument are as follows: (1) the hedge is expected to be very effective in that it offsets changes in the fair value of or cash flows of an identified asset or liability, and hedge effectiveness is expected to be within a range of 80-125%, (2) the effectiveness of the hedge can be measured reliably, (3) there is adequate documentation at the time of the hedging that the hedge is highly effective, (4) for cash flow hedges, the future transaction must be very likely, (5) the hedge is assessed on an ongoing basis and has been determined to be highly effective during the reporting periods for which the hedge was designated.

Hedge accounting ceases when:

(a) the hedging instrument expires, is sold, terminated or exercised, or

(b) the hedge no longer meets the criteria for hedge accounting as described above

16.1.a Hedging: Cash flows

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

16.1.b Hedging: Net investment in a foreign entity

Posten Norge 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 portion of the hedge instrument is recognised directly in the income statement.

16.1.c Hedging: Fair value

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 of 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 classified as held for trading purposes and assessed at fair value. Changes in fair value of such derivatives are recognised in the income statement.

16.3 Impairment: Financial instruments

At the end of each reporting period, the Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. Impairment of a financial asset or a group of financial assets is recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows that can be measured reliably.

Impairment of financial assets carried at amortised cost is recognised in the income statement. Prior impairments are reversed if the reduced impairment requirement can be objectively related to an event

occurring after the impairment was recognised. However, the reversal is only recognised to the extent that it does not exceed the amortised cost that would have been determined, had no impairment been recognised.

For financial assets classified as available for sale, accumulated gains or losses previously recognised in other comprehensive income are reclassified to the income statement for the period providing objective information about impairment. A reversal of a prior impairment is recognised when there is new objective information related to an event occurring after the impairment was recognised. The reversal of a prior impairment is recognised in other comprehensive income for shares classified as available for sale, and is recognised in the income statement for other financial assets.

17. Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less provisions for losses. Should there be any objective evidence of decline in value, the difference between the recognised value and the present value of future cash flows is recorded as a loss.

18. Cash and cash equivalents

Cash and cash equivalents include 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 recognised initially at fair value when paid, net of transaction costs incurred. In subsequent periods, the loans are recognised at amortised cost using the effective interest 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.

20. Equity

In accordance with IAS 1, Posten presents other comprehensive income and changes in equity for the period in separate statements.

20.1. Equity: Translation differences

Translation differences arise in connection with currency differences in the consolidation of foreign entities. Currency differences relating to monetary items (debts or receivables where settlements are neither planned, nor likely to occur within a short period), and in reality constitute a part of a company's net investment in a foreign subsidiary, are treated as translation differences. At a sale of a foreign entity, the accumulated translation difference related to the entity is reversed 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

Leases are classified as either operating or finance leases, based on a review of the substance in each individual agreement. A lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the Group is classified as a finance lease.

The Group presents finance leases in the financial statements as assets and liabilities, at the cost of the asset or, if lower, the present value of cash flows in the lease. When calculating the present value of the lease, the interest rate implicit in the lease is used when this can be determined. Alternatively, the company's marginal borrowing rate is used. The asset is depreciated over the shorter of the useful life of the asset and the lease term. Monthly lease payments are divided into an interest element and a repayment element.

Payments concerning operating leases are classified as operating expenses and recognised in the income statement over the term of the lease.

22. Events occurring after the balance sheet date

New information about the company's positions on the balance sheet date is taken into account 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.

Segment information

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 and abroad depending on where the revenue is generated/localised, cf. section 6 "Segment reporting" and 7 "Revenue" in the Group's accounting principles.

The reporting segments contain the following:

Mail: letter products, banking services and dialogue services. The segment includes the Mail Division including its subsidiaries Bring Citymail, Bring Mail and the Netlife Group.

Logistics: bulk and part load, parcels, warehousing, thermo and express. The segment comprises the divisions Logistics Norway, Logistics Norden and E-commerce including operations within the areas Bring Cargo, Bring Linehaul, Bring Warehousing, Bring Frigo, Bring Express, Bring Parcels and Bring Cargo International.

Other/elimination: Group administration and shared functions, together with eliminations, are allocated to segment Other/eliminations.

Internal revenue is turnover between the Group segments. The pricing of transactions with other segments are based on commercial terms and as if the segments were independent parties. Market based financial investments and deferred tax assets are included in non-allocated assets. Interest-bearing debt from bond loans, certificate loans, swaps and other long-term financing are included in non-allocated liabilities.

Result per segment

2016	Mail	Logistics	Other/elim i-nations	Group
External revenue	9 092	15 676	4	24 772
Internal revenue	747	849	(1 595)	
Total revenue	9 839	16 525	(1 591)	24 772
External expenses including depreciation	7 673	14 932	1 522	24 128
Internal expenses	1 366	1 544	(2 910)	
Operating expenses	9 039	16 476	(1 388)	24 128
Impairment	(2)	(304)	(7)	(313)
Restructuring expenses	(135)	(84)	(2)	(220)
Gains/(losses) on the sale of fixed assets and subsidiaries	6	1		6
Other income (expenses)	63	(17)		45
Share of profit or loss from investments in associated companies and joint ventures	(8)	22		15
Operating profit/(loss)	724	(334)	(212)	178
Net finance items	(29)	(56)	137	52
Taxes				(191)
Profit for the year				39

2015	Mail	Logistics	Other/elim i-nations	Group
External revenue	9 277	15 795	2	25 074
Internal revenue	792	982	(1 774)	0
Total revenue	10 069	16 777	(1 772)	25 074
External expenses including depreciation	7 718	15 189	1 481	24 388
Internal expenses	1 535	1 517	(3 052)	0
Operating expenses	9 253	16 706	(1 571)	24 388
Impairment	(3)	(382)		(385)
Restructuring expenses	(46)	(56)	(2)	(104)
Gains/(losses) on the sale of fixed assets and subsidiaries		9		8
Other expenses	(63)	(148)		(211)
Share of profit or loss from investments in associated companies and joint ventures	(7)	13	239	245
Operating profit	698	(495)	36	239
Net finance items	(38)	646	(696)	(88)
Taxes				(212)
Loss for the year				(61)

Balance sheet per segment

2016	Mail	Logistics	Other/eli- minations	Group
Segment assets	3 864	10 815	(2 033)	12 647
Associated companies and joint ventures	23	358		381
Non-allocated assets				2 271
Total assets				15 299
Segment liabilities	3 152	4 049	(207)	6 994
Non-allocated liabilities				2 393
Total liabilities				9 387

2015	Mail	Logistics	Other/eli- minations	Group
Segment assets	4 317	10 996	(2 749)	12 564
Associated companies and joint ventures	20	361		381
Non-allocated assets				3 152
Total assets				16 097
Segment liabilities	3 205	4 264	(304)	7 164
Non-allocated liabilities				3 007
Total liabilities				10 172

Investments per segment

2016	Mail	Logistics	Other/eli- minations	Group
Investments in fixed assets ¹⁾	111	941	192	1 243
Depreciation	305	381	8	694
Impairment	2	304	7	313

1) Investments in fixed assets include neither the purchase of enterprises nor goodwill

2015	Mail	Logistics	Other/eli- minations	Group
Investments in fixed assets ¹⁾	91	965	103	1 159
Depreciation	377	412	(1)	788
Impairment	3	382		385

1) Investments in fixed assets include neither the purchase of enterprises nor goodwill

Geographical figures

	2016	2015
External revenue		
Norway	14 810	15 452
Abroad ¹⁾	9 962	9 623
Total revenue	24 772	25 074
Assets		
Norway	12 793	13 223
Abroad ¹⁾	2 506	2 874
Total assets	15 299	16 097
Investments during the period		
Norway	1 138	929
Abroad ¹⁾	105	230
Total investments	1 243	1 159

1) Abroad mainly comprises other Nordic countries

Income statement items

Note 2 Payroll expenses and other remunerations

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

	2016	2015
Salaries	7 727	7 884
Social security tax	1 222	1 218
Pension expenses	567	518
Other benefits	233	239
Payroll expenses	9 749	9 859

(All amounts i TNOK)	2016	2015
Board remuneration	2 531	2 515
Fees for the statutory audit	8 561	8 824
Fees for other assurance services	815	838
Fees for tax advisory services	1 057	692
Fees for other non-audit services	2 910	1 395
Remuneration	13 343	11 748
Number of full-time equivalent positions	17 344	18 189
Number of employees 31.12 (1)	18 327	19 895

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

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

Remunerations and fees

Auditor fees in 2016 mainly concerned the audit firm EY. NOK 1 087 000 of "Fees for other non-audit services" were fees to other firms than EY for services rendered for foreign subsidiaries.

The Board of Directors

External board members do not have pension schemes or other benefits other than board remuneration. Employee representatives only had 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 2016 were approved in the Annual General Meeting on 14 June 2016, and the board members received the following remuneration in 2016:

(All amounts in NOK exclusive of social security tax)

Remuneration	2016	2015
Idar Kreutzer, Chairman of the Board	432 756	420 504
Randi B. Sætershagen, Vice Chairman of the Board	319 503	310 254
Terje Wold	210 000	204 000
Anne Britt Berentsen	248 502	223 002
Tove Andersen (from 12.06.2015)	210 000	103 500
Morten Karlsen Sørby (from 12.06.2015)	215 004	106 002
Gøril Hannås (to 11.06.2015)		119 001
Jørgen Randers (to 11.06.2015)		103 002
Odd Christian Øverland, employee representative ¹⁾	215 004	209 004
Ann Elisabeth Wirgeness, employee representativet ¹⁾	210 000	204 000
Siv Astrid Ryan Andersen, employee representative ¹⁾	210 000	204 000
Tom Sørensen, employee representative (deputy to 31.10.2015, employee representative from 01.11.2015 to 14.06.2016) ¹⁾	94 300	95 500
Lars Nilsen, employee representative (from 15.06.2016) ¹⁾	115 700	
Paul Gamlemshaug, employee representative (to 31.10.2015) ¹⁾		169 500
Petter Torp (deputy)	10 500	
Total	2 491 269	2 471 269

¹⁾ For employee representatives, the amounts only concern compensation for the board position stated.

The Vice Chair of the Board Randi Sætershagen and the board member Anne Britt Berentsen participated in the audit committee in 2016 and received fees amounting to NOK 64 500 and NOK 38 502 for this work. A compensation committee was established in June 2003 for Posten Norge AS. The Chairman of the Board Idar Kreutzer and board members Morten Karlsen Sørby and Odd Christian Øverland were members of the compensation committee in 2016, and received NOK 11 256, NOK 5 004 and NOK 5 004, respectively, in fees. The fees for 2016 are included in the remuneration specified above.

Group management – compensation

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

2016

(All amounts in NOK exclusive of social security tax)

Group management	Basic pay ¹⁾	Expensed bonus	Other benefits ²⁾	Pension cost	Period of notice	Severance pay agreement
Dag Mejdell (to 10.10.2016) ³⁾	3 989 259	574 856	5 300	2 310 599		
Tone Wille ⁴⁾	2 905 653	455 360	6 366	339 325	6 months	No
Gro Bakstad	2 773 305	452 466	6 366	1 380 076	6 months	No
Elisabeth H. Gjølme	2 083 746	285 930	6 366	731 377	6 months	9 months
Randi Løvland	1 948 173	330 682	113 272	278 905	6 months	9 months
Tore K. Nilsen	3 420 885	597 675	6 366	614 534	6 months	9 months
Gunnar Henriksen	2 069 151	422 703	126 042	329 391	6 months	No
Morten Stødle (from 10.10.2016)	434 252	123 975	42 309	24 613	6 months	No
Thomas Tscherning ³⁾	3 150 900	489 201		882 580	6 months	9 months
Total	22 775 325	3 732 848	312 389	6 891 401		

1) Basic pay includes wages, car allowance, holiday pay and pension compensation.

2) Include company cars and electronic communication

3) Group director Thomas Tscherning has received his salary in Swedish kroner. Translated into Norwegian kroner with an average exchange rate for the year 0,9823

4) Tone Wille was in October 2016 hired as the new CEO in the Group. The annual basic pay of the CEO is 4 MNOK. In addition to this, the CEO has free telephone/broadband, car allowance of 274 TNOK per year and parking at the workplace. There is also a contract that gives the CEO a maximum bonus of 500 TNOK per year. Tone is a member of the company's pension and employer's liability insurance in accordance with the existing group schemes at Posten Norge AS.

2015

(All amounts in NOK exclusive of social security tax)

Group management	Basic pay ¹⁾	Expensed bonus	Other benefits ²⁾	Pension cost	Period of notice	Severance pay agreement
Dag Mejdell ³⁾	4 087 653	495 102	6 201	3 002 970	6 months	9 months
Tone Wille	2 389 070	220 500	6 201	357 677	6 months	No
Gro Bakstad	2 684 059	310 070	6 201	1 601 055	6 months	No
Elisabeth H. Gjølme	2 030 050	157 538	6 201	690 784	6 months	9 months
Randi Løvland	1 826 912	207 306	185 961	259 025	6 months	9 months
Tore K. Nilsen	3 364 272	339 188	6 201	587 114	6 months	9 months
Gunnar Henriksen	2 015 032	169 092	126 119	309 760	6 months	No
Thomas Tscherning ⁴⁾	2 964 298	208 169	242	839 863	6 months	9 months
Total	21 361 345	2 106 965	343 325	7 648 247		

¹⁾ Basic pay includes wages, car allowance, holiday pay and pension compensation.

²⁾ Include company cars and electronic communication

³⁾ Chief Executive Officer Dag Mejdall has a loan with Posten Norge AS with an outstanding balance of NOK 642 858 as of 31 December 2015. The loan was repaid in 2016.

⁴⁾ Group director Thomas Tscherning has received his salary in Swedish kroner. Translated into Norwegian kroner with an average exchange rate for the year 0,9571

Bonus schemes

Posten Norge AS has a bonus scheme for the CEO and Group management. The scheme has two parts, one element based on the consolidated Group results and one on individual results. A bonus of up to 25% of the salary can be achieved. For the CEO, there is an upper limit for bonus payments of TNOK 500. The final decision regarding bonuses is made by the Board (the CEO for Group management). Bonuses are as a main rule only paid to persons maintaining 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 (cf. 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 are exceptions for executives joining Group management before 31 December 2006. They have a defined benefit pension scheme of 66% based on operations with a retirement age of 64 years. This scheme was closed on 31 December 2006.

Individuals employed after the benefit scheme was closed in 2006 have a defined contribution scheme based on operations. For employees with salaries exceeding 12G, the annual contributions are limited to 25% of the pension basis in excess 12G. This scheme was closed in February 2015 for employees in Posten Norge AS and in October 2015 for employees in Norwegian subsidiaries.

Severance pay

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

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 16 February 2017)

This statement is based on Guidelines for salaries and other remuneration to executives in state enterprises and companies (established by the Ministry of Trade and Fisheries effective from 13 February 2015) and has been prepared by the Board in accordance with the Articles of Association section 8, last paragraph, cf. the Public Limited Company Act section 6-16a.

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

The declaration applies to the Group CEO and Group Executive Vice Presidents reporting to the Group CEO (Group management) in Posten Norge AS. 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, cf. 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, cf. 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 2016 has been in accordance with Statement of salaries and other remuneration to executives in Posten Norge AS, adopted on 18 February 2016 (in the following, last year's statement).

In 2016, an employment contract was made with a new Group CEO and a new Group director. The terms in both agreements are in accordance with last year's statement.

The Board has not approved any long-term incentive scheme for senior employees in 2016, as the statement allows for.

As mentioned in previous statements, some agreements concluded before 31 March 2011 deviate from the Norwegian state's guidelines.

Notes 2 and 3 to the 2016 financial statements have complete overviews of the remunerations to group management.

2 Posten Norge AS' wholly owned subsidiaries

The remuneration to senior employees in wholly owned subsidiaries in 2016 have been in accordance with the Norwegian state's guidelines, with the two exceptions mentioned below.

Before 13 February 2015, an individual pension agreement was made with one senior employee in a wholly owned Swedish subsidiary. This agreement deviates from the pension terms for the other employees. The agreement ends medio 2017.

Before 13 February 2015, a pension scheme implying that the company's senior employees have benefits deviating from the other employees was established in a wholly owned Norwegian subsidiary. The insurance scheme will be adjusted in 2017 in order to give senior employees and the other employees the same arrangement.

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 for Posten Norge AS' wholly owned subsidiaries.

1. The main principles for the executive remuneration policy

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

Posten Norge AS shall be adequately informed and ensure that the statement of salaries is adhered to in all companies for which the statement applies.

2. Elements of executive pay

2.1 Base 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 collected every other year from a recognised international company with satisfactory statistics from Norway, Sweden and Denmark.

2.2 Variable pay

Individual agreements on variable pay 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 pay (bonus) must be transparent and clearly understandable.

The individual goals shall be set for one year at a time and should always 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 within the following main categories: economic/financial targets, HSE (Health, Safety and Environment), the external environment, customers, strategy and the individual's professional responsibility.

The category economic /financial targets is 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 in Posten Norge AS shall constitute between 60 and 100% of the bonus potential, and the individual targets between 0 and 40%. In wholly owned subsidiaries, the corporate goals shall constitute a minimum of 20% 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 the 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 about a reasonable amount of severance pay for senior employees in Posten Norge AS, taking effect if the employee does not contest the notice.

Total severance compensation on retirement shall not exceed 12 months' salary. Severance pay should be reduced proportionately with new annual income (calculated from the period of notice).

Severance pay is not applicable for voluntary resignations. Severance is not used if there are valid reasons for dismissal or if irregularities or omissions that may lead to liability or prosecution for offenses for the individual are discovered in the period.

3. Share options and programs

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, preventing costs to incur 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 by the fact that the payments have been agreed in advance. The premium payments depend on factors like 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 as a consequence, the employees have the return risk on what has been paid into the scheme. The majority of the Group's pension schemes are based on contribution. More information is available in section 3 «Accounting estimates» and 8 «Pensions» in the Group's accounting principles.

	2016	2015
Pension costs		
Present value of the pensions earned for the year	109	74
Net interest expense on net liabilities	27	27
Gross pension costs incl. social security tax (benefit based)	136	101
Employee contribution	(1)	(1)
Interest element reclassified to finance expenses	(25)	(24)
Net pension costs incl. social security tax (benefit based)	111	75
Defined contribution pension schemes	568	556
Employee contributions to defined contribution pension schemes	(112)	(113)
Total pension expenses included in the operating profit for the year	567	518
Net pension liabilities		
Estimated accrued secured liabilities	(482)	(481)
Estimated value of the pension assets	248	264
Net estimated secured pension liabilities	(233)	(216)
Estimated accrued unsecured pension liabilities	(818)	(802)
Net estimated pension liabilities in the balance sheet	(1 051)	(1 017)
Pension funds recognised as financial non-current assets	1	2
Pension liabilities recognised as provisions for liabilities	(1 052)	(1 019)
Changes in liabilities		
Net liabilities at 01.01	(1 017)	(1 150)
Gross pension expenses	(136)	(101)
Premium payments and benefits paid	165	161
Contributions from scheme members	1	1
Adjustment of previous period's pension liabilities		6
Repayment of previously paid-in pension premium	(13)	
Changes in pension estimates recognised in total comprehensive income	(74)	87
Translation differences	23	(21)
Net pension liabilities at 31.12	(1 051)	(1 017)

	2016	2015
The main categories of pension assets at fair value		
Equity instruments (shares, bonds)	79	124
Debt instruments	115	108
Property	21	22
Other assets	33	11
Total pension assets	248	264
(Losses)/gains on pension estimates at 01.01.	582	494
Changes in discount rate, pension liabilities	(47)	29
Changes in other financial assumptions, pension liabilities	1	56
Changes in demographic assumptions, pension liabilities	(50)	(10)
Changes in other factors, pension liabilities	12	14
Changes in other factors, pension assets	9	
Total	(74)	87
(Losses)/gains on pension total in other comprehensive income at 31.12.	508	582
Defined contribution pension schemes		
Number of members	20 985	22 474
Share of salary	1-35%	1-30%
Defined benefit pension schemes		
Actuarial assumptions:		
Discount rate	2,25-2,8%	2,5 %
Expected salary regulation	2-2,65%	2,5-3,2%
Expected G regulation	2,25 %	2,25 %
Expected pension regulation	1,5-2,25%	1,5-2,25%
Expected yield	2,25-2,8%	2,5 %
Expected voluntary retirement (below 50 years)	3,5-5%	2-3,5%
Expected voluntary retirement (over 50 years)	1,5-5%	1,5-2%
Expected use of AFP	40-60%	35-50%
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 premium is expensed when incurred.

Some companies in the Group's Swedish operations had defined benefit schemes, ITP2, 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 a 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. In Sweden, as an example, the calculation basis for some employees is a so-called "income base amount" (IBB). In 2016, this constituted 59 300 Swedish kroner (58 100 Swedish kroner in 2015).

The contribution amounts were calculated in three intervals with a low rate from an annual salary of 0-7,5 IBB, the next interval 7,5-20 and a high rate of 20-30 IBB. This shall result in yields of 10%, 65% and 32,5%, respectively, of the annual salary.

In 2016, MNOK 15 were charged in administration costs due to new rules for paid-up policies. The amount is included in costs related to the contribution pension plan.

The AFP (early retirement) scheme

On 1 November 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 not adequate information available to measure the pension obligation in a reliable manner, and the scheme is therefore accounted for as a contribution plan.

In 2016, one AFP scheme was terminated, and as a consequence, the Group received MNOK 46, of which MNOK 13 were classified as pension costs.

Some provisions related to AFP were reversed in 2015 and thereby reduced the pension cost for the year.

Defined benefit schemes

The Group has defined benefit pension plans. Some of these schemes are nevertheless presented as contribution plans and expensed on a current basis. Pension funds in the Group basically relate to benefit schemes for companies in the Bring Cargo Group and Bring Frigo AB.

Assumptions

From 2016, changes have been made to the financial assumptions, basically 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 2016 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 (cf. note 2 for Posten Norge AS).

The take-up tendency increased by 10-15 percentage points from 2015 to 2016. This is the main reason for this year's change in actuarial assumptions concerning demography and was made as a consequence of a review of the total and the historical rate of withdrawals.

Sensitivity

The table below shows estimates for possible effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2016 with the assumption that all other premises are unchanged. The actual figures can deviate significantly from these estimates.

	Discount rate		Pension regulation		Voluntary retirement	
Change (percentage points)	+1%	-1 %	+1%	-1 %	+1%	-1 %
Change in pension obligation	-137	163	49	-43	-39	29
Percentage change	-14 %	16 %	5 %	-4 %	-4 %	3 %

Note 4 Other operating expenses

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

	2016	2015
Cost of premises	1 151	1 161
Other rental expenses	352	365
IT services	636	661
Other external services	419	439
Repair and maintenance of equipment	183	188
Tools, fixtures, operating materials	180	187
Marketing	127	118
Travel expenses	119	138
Insurance, guarantee and compensation expenses	107	113
Accounting and payroll services	103	117
Telephone	47	44
Other expenses	175	283
Total operating expenses	3 599	3 814

In addition to costs related to premises and other rental expenses, the most significant part of the Group's other operating expenses concerns IT services. The decrease in IT services is due to a combination of cost measures and new contracts for operations and management. The decline in other external services was a consequence of reduced use of temporary staff and consultants in the Group. The marketing expenses showed a reduction due to a decline in advertisements and advertising material. Some of the reduction in other expenses was a result of a reclassification of costs related to cars and vehicles to another account group. Focus on cost measures caused a reduction in operating expenses. Other expenses included freight, stationery, membership dues and losses on receivables

Note 5 Other income and expenses

Other income and expenses comprise significant income and costs that are non-recurring, and includes restructuring costs, gains and losses on sales of fixed assets (details in section 3 "Accounting estimates" and 14 "Provisions" in the Groups accounting principles).

	2016	2015
Restructuring expenses	(220)	(104)
Gains on sales of fixed assets and subsidiaries	6	8
Other income/(expenses)	45	(211)
Total other expenses	(169)	(307)

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

In 2016, the Group made a provision of MNOK 228 for restructuring costs and reversed the previous years' provision of MNOK 8. MNOK 143 of the provision of this year's provision of MNOK 228 concerned personnel initiatives, MNOK 50 premises and MNOK 35 other measures. The provisions were basically made in connection with the introduction of one mail flow in Posten Norge AS from January 2018 and the winding-up of operations in Bring Freight Forwarding AB (formerly Bring Cargo Inrikes AB). The corresponding provision in 2015 was MNOK 109, and the reversal MNOK 5. Total provisions for restructuring are shown in note 11.

Gains on sales of fixed assets and subsidiaries

Gains/losses on sales of fixed assets and subsidiaries in 2016 mainly concerned the sale of the wholly owned subsidiary Posten Eiendom Skien AS, and in 2015 sales of fixed assets and property.

Other income and expenses

Other income and expenses in 2016 principally concerned income from a settlement in a dispute in the Mail segment, and in 2015 for the most part regarded onerous contracts arising in connection with the market regulation of rental contracts in the Logistics segment. In 2015, other expenses also included costs concerning a settlement in a claim for compensation in the Mail segment.

Note 6 Finance income and finance expenses

The note gives an overview of the Group's finance income and expenses, including income and costs related to the Group's financing, currency effects from receivables and debt in foreign currencies, in addition to gains and losses from financial derivatives (cf. also section 16 "Financial instruments" in the Group's accounting principles).

	2016	2015
Other interest income	82	50
Currency gains	95	321
Gains on derivatives	113	180
Gains on loans at fair value through profit and loss ¹⁾	45	
Other finance income	35	2
Finance income	370	551
Interest expenses on financial leases	3	3
Other interest expenses	74	98
Currency losses	145	265
Losses on derivatives	56	66
Losses on loans at fair value through profit and loss ¹⁾		158
Other finance expenses	40	50
Finance expenses	318	639

¹⁾ Change in value of loans in Japanese yen, at fair value. This corresponds to the change in value of combined interest-rate/currency swaps that are recorded as "Gains on derivatives". For further information, see note 18.

Other interest income in 2016 included MNOK 59 in net value increase on current market investments.

Other finance income included a repayment of financial income in connection with the termination of a pension scheme amounting to MNOK 33.

Other interest expenses in 2016 included interest costs on net pension obligations constituting MNOK 25 for the Group.

Other finance expenses in the Group were primarily interest costs related to long-term financing.

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

Note 7 Taxes

The note accounts for 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 (cf. also section 3 "Accounting estimates" and section 9 "Taxes" in the Group's accounting principles).

	2016	2015
Income taxes		
Tax payable	257	159
Changes in deferred tax (deferred tax asset)	(67)	53
Tax expense	191	212
Tax payable for the year	262	160
Adjustments previous years	(3)	(1)
Other	(1)	
Tax payable	257	159
Effective tax rate	83 %	140%
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit before tax	230	151
25% tax (27% in 2015)	57	41
Impairment of goodwill	46	97
Other non-deductible expenses	26	15
Non-taxable income	1	(75)
Effect from tax rates in other countries	7	18
Effect of changes in tax rate	7	24
Adjustments previous years	(10)	(4)
Not recognised deferred tax asset	54	103
Other	2	(7)
Tax expense	191	212

	2016	2015
Changes in deferred tax recorded directly in other comprehensive income		
Actuarial gains and losses	(17)	21
Translation differences from hedging of investments in foreign entities	43	(38)
Cash flow hedging	6	5
Effect of change in tax rate	(3)	(1)
Total	29	(12)

The decline in effective tax rate compared to last year, from 140% to 83% for the Group, is mainly due to a reduction in the impairment of goodwill and a smaller portion of deferred tax assets not recognised in the balance sheet in Swedish subsidiaries. The effect is to some extent offset by an increase in non-deductible expenses and a reduction in tax-free income, and as a consequence of a reduced tax rate, primarily in Norway. The effect of the changed tax rate recognised in the Group result is MNOK 14.

Changes in deferred tax asset

	01.01. 2016	Addition sub- sidiaries	Recog- nised in other compre- hensive income	Recog- nised in income state- ment	Other	Trans- lation differ- ences	Effect of change in tax rate ¹⁾	31.12. 2016
Tangible fixed assets	1	2		(58)		(2)	(4)	(60)
Retained gains and losses	3						(1)	3
Receivables	(3)			1				(2)
Currency	30			(25)				5
Pensions	(229)		(17)	10		4	6	(226)
Contribution fund	23			(3)			(1)	20
Provisions	(120)			(3)		3	3	(117)
Financial instruments	(43)		49	(2)				4
Other	9			1		(1)		9
Tax losses carried forward	(425)			(43)		26		(442)
Total deferred tax/(tax asset)	(754)	2	32	(121)		31	4	(807)
Total not recognised in balance sheet	375			54		(20)		410
Total deferred tax/(tax asset) in balance sheet	(379)	2	32	(67)		10	4	(396)

¹⁾ The column includes the effect of change in tax rate that is recognised in the income statement and in other comprehensive income, by MNOK and -3 MNOK, respectively.

The ordinary corporate tax for companies domiciled in Norway was reduced from 25% to 24% with effect from 2017. The tax rate of 24% is the basis in the calculation of the value of deferred tax asset for the Group's Norwegian companies. This resulted in a reduction in the deferred tax asset of MNOK 4.

The effect of the changed tax rate is related to the underlying assets recognised partly in the income statement and partly in other comprehensive income. The tax effect has been recognised correspondingly.

The effect of the changed tax rate recognised in other comprehensive income of – 3 MNOK mainly concerns changes in pension estimates, offset by hedges in foreign subsidiaries.

The deferred tax asset not recognised in the balance sheet mainly concerned losses to carry forward in Sweden and Denmark. The Group had deferred tax assets totalling MNOK 442, mainly related to losses to carry forward as at 31 December 2016. There is no time limit connected with the losses. The losses to carry forward included in the basis for the deferred tax asset recognised in the balance sheet are based on expected future profits and opportunities for group contributions.

Non-financial assets and liabilities

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 (cf. section 3 "Accounting estimates" and section 10 "Intangible assets" in the Group's accounting principles).

	IT develop- ment etc.	Projects in progress	Goodwill	Total
Acquisition cost 01.01.2016	2 351	68	3 372	5 790
Accumulated amortisation and impairment 01.01.2016	(1 977)		(1 474)	(3 451)
Carrying amount 01.01.2016	374	68	1 898	2 339
Additions	15	176		191
Additions internally developed intangible assets		35		35
Additions through company acquisitions (note 23)	1		79	80
Amortisation for the year	(135)			(135)
Impairment for the year	(1)	(6)	(229)	(236)
Adjustment of cost price/scraping	(1)			(1)
Translation differences	(2)		(77)	(79)
Transfers from projects in progress	69	(69)		
Carrying amount 31.12.2016	320	203	1 671	2 194
Acquisition cost 31.12.2016	2 167	209	3 297	5 673
Accumulated amortisation and impairment 31.12.2016	(1 847)	(6)	(1 626)	(3 479)
Carrying amount 31.12.2016	320	203	1 671	2 194

	IT develop- ment etc.	Projects in progress	Goodwill	Total
Acquisition cost 01.01.2015	2 076	227	3 020	5 323
Accumulated amortisation and impairment 01.01.2015	(1 736)		(867)	(2 603)
Carrying amount 01.01.2015	340	227	2 153	2 720
Additions	93	23		115
Additions internally developed intangible assets	1	1		3
Additions through company acquisitions (note 23)			13	13
Amortisation for the year	(243)			(243)
Impairment for the year			(360)	(360)
Adjustment of cost price/scraping	(2)			(2)
Translation differences	2		92	93
Transfers from projects in progress	183	(183)		
Carrying amount 31.12.2015	374	68	1 898	2 339
Acquisition cost 31.01.2015	2 351	68	3 372	5 790
Accumulated amortisation and impairment 31.01.2015	(1 977)		(1 474)	(3 451)
Carrying amount 31.12.2015	374	68	1 898	2 339
Amortisation method	Straight-line			
Useful life	3 - 10 years			

IT development etc.

Total intangible assets related to IT development etc. recognised in the balance sheet at 31 December 2016 constituted MNOK 320, of which MNOK 292 concerned Posten Norge AS. A group-shared IT platform was capitalised by MNOK 56. MNOK 38 concerned Oracle E-business Suite, comprising solutions for a shared address register, response sending system, accounting and salary systems, as well as HR and order systems. The program also includes a new route register.

A development platform and shared client software for the use of handheld terminals amounting to MNOK 37 were recognised in the balance sheet, as well as a production support system and several projects concerning web solutions.

As part of Posten Norge's adaptation of services to new user needs, a solution for a secure digital postal system, Digipost, has been developed. At year-end, it had approximately 1,4 million users. The system's value in the balance sheet at year-end was MNOK 40.

For intangible assets that have a finite useful economic life, the amortisation period for the Group was 3-10 years in 2016 (the same as in 2015), 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 presented on the line for depreciation and amortisation.

Projects in progress

Projects in progress at 31 December 2016 amounted to MNOK 203, of which approximately MNOK 188 concerned IT investments related to the group-shared transformation program Nye Posten and Bring (NPB). The program shall support line management in their efforts to achieve the Group's strategic and operating goals. The program comprises group-shared improvement initiatives and IT investments that shall contribute to give the Group an improved basis for its operations.

Impairment of IT development etc. and projects in progress

Impairment costs are presented on the line for impairment in the income statement.

No significant need for impairment was recognised in 2016 or 2015 for IT development etc. or projects in progress.

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 are independent of cash flows related to other entities, the individual entity comprises 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 the Group is summarised below.

Cash-generating units	Carrying amount 01.01.16	Additions	Inter-company transfers	Impairment	Translation differences	Carrying amount 31.12.16
Bring Dialog Norge	45		(45)			
Bring Mail Nordic	28				(3)	26
Netlife Gruppen		59	45			104
Total Mail Segment	73	59			(3)	130
Posten Norge AS - logistics division	441		114			556
Bring Express Norge	182		(81)			101
Bring Express Norden	94		(94)			
Bring Express Sverige			62		(7)	55
Bring Express Danmark		5	33			38
Bring Warehousing	64					64
Bring Cargo	298		(44)		(1)	253
Bring Frigo Sverige	398	1		(151)	(40)	208
Bring Frigo Norge	60		(19)	(41)		
Bring Linehaul	10		(10)			
Bring Freight Forwarding	42			(37)	(5)	
Bring Cargo International	230				(21)	209
Bring Gudbrandsdalen	6		(6)			
Bring Transportløsninger		13	45			58
Total Logistics Segment	1 825	20		(229)	(74)	1 541
Total Group	1 898	79		(229)	(77)	1 671

Additions goodwill

The addition of MNOK 79 concerned the acquisition of Netlife Research AS, operations from Dansk Transport ApS and Espeland Transport AS. A minor adjustment has also been made to the cost for Svebol Logistics AB, acquired in 2015. The additions are allocated to the cash-generating units Netlife Gruppen, Bring Express Danmark and Bring Transportløsninger, the adjustment relates to the cash-generating unit Bring Frigo Sweden.

The Group has also carried out several internal restructurings, including business transfers, in 2016. If restructurings change one or several cash-generating units to which goodwill is allocated, goodwill is reallocated. In such instances, goodwill has been measured at the relative values of the acquired business against the value of the original cash-flow generating unit. In instances where another method better reflects the share of goodwill connected to the acquired business, such methods have exceptionally been applied.

Purchases and sales of companies, and other changes in the Group's structure, are described in more detail 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

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.

The Mail segment is characterised by a decline in the volume of letters, some increased price pressure and 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. In the Logistics segment, profit margins are characterised by strong competition and inflation. 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.

Other assumptions (growth and required rate of return)

The extrapolation period contains a projection 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 of 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 a long-term risk-free interest 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

Segment	Goodwill	Discount rate before tax (WACC)		Long-term growth rate	
		2016	2015	2016	2015
Mail	130	8,8 %	8,5 %	0 - 2 %	0 - 2 %
Logistics	1 541	9,1 %	9,1 %	2 %	2 %
Total Group	1 671				

Results from impairment tests in 2016

Based on the criteria described above, a total impairment of MNOK 229 concerning goodwill in the Logistics segment was written down in 2016 (MNOK 360 in 2015).

The volume development in the Swedish market after the finance crisis in 2008/2009 has been weaker than assumed when the Group acquired the businesses presently being part of Bring Frigo Sverige. In addition, the enterprises are facing a more demanding competitive situation implying challenges of adequate profitability. As a consequence of this, goodwill related to Bring Frigo Sverige was impaired by MSEK 162.

Goodwill of MSEK 40 related to Bring Freight Forwarding, originating from the acquisition of West Cargo Vårgårda in 2014, were written down. The company is expecting weaker profitability in the time to come, mainly as a consequence of an increased cost level.

Goodwill related to Bring Frigo Norge was impaired by MSEK 41. The company lost significant customers in 2016, and the the cost adjustments related to the declines in turnover have been demanding. In addition, the business is characterised by lower turnover on existing customers, driven by lower volumes especially within the fish segment. This implies profitability challenges.

No additional requirements for impairment have been identified and recognised for other goodwill items as at 31 December 2016.

Sensitivity analyses

Sensitivity analyses have been performed in assumptions for those cash generating units where the difference between the carrying amount and value in use is low. This concerns Bring Frigo Sverige, Bring Cargo International and Bring Express Danmark, and for these companies adjustments in key assumptions like growth, required rate of return and margins have been analysed. The result are summarised below.

Sensitivity in growth rates

Changed assumptions	Additional impairment		
	Bring Frigo Sverige	Bring Cargo International	Bring Express Danmark
Long-term growth rate, initially 2%			
1,0 %	(82)	(31)	(2)
0,0 %	(146)	(55)	(6)

Sensitivity in discount rates

Changed assumptions	Additional impairment		
Discount rate, initially 9,1%	Bring Frigo Sverige	Bring Cargo International	Bring Express Danmark
9,6%	(51)	(20)	(1)
10,1%	(95)	(38)	(3)

Sensitivitet in margins

Changed assumptions	Additional impairment		
Forecasted EBIT	Bring Frigo Sverige	Bring Cargo International	Bring Express Danmark
Decrease of 5%	(42)	(16)	
Decrease of 10%	(85)	(32)	(2)
Decrease of 15%	(127)	(47)	(4)

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 (cf. section 11 "Tangible fixed assets" in the Group's accounting principles).

	Machi- nery	Vehicles, fixtures and fittings	Buildings, property	Machi- nery and facilities under constr.	Buildings under constr.	Total
Acquisition cost 01.01.2016	1 441	2 890	4 585	96	757	9 769
Accumulated depreciation and impairment 01.01.2016	(1 036)	(1 600)	(1 560)			(4 195)
Carrying amount 01.01.2016	405	1 290	3 025	96	757	5 574
Additions	23	162	95	170	567	1 017
Disposals	(9)	(81)	(3)	(1)	(1)	(95)
Additions through company acquisitions (Note 23)		41	84		17	141
Disposals through company sales (Note 23)			(16)			(16)
Depreciation for the year	(94)	(320)	(145)			(559)
Impairment for the year		(36)	(41)			(77)
Adjustment of cost price/scraping	16	(24)	(28)			(36)
Translation differences	(7)	(42)	(35)			(84)
Transfers from assets under construction	14	18	56	(33)	(56)	
Carrying amount 31.12.2016	348	1 008	2 992	233	1 284	5 866
Acquisition cost 31.12.2016	1 385	2 557	4 494	233	1 284	9 954
Accumulated depreciation and impairment 31.12.2016	(1 037)	(1 549)	(1 502)			(4 088)
Carrying amount 31.12.2016	348	1 008	2 992	233	1 284	5 866
Depreciation method	Straight- line	Straight- line	Straight- line			
Useful life	4 - 20 years	1 - 15 years	5 - 50 years			

	Machi- nery	Vehicles, fixtures and fittings	Buildings, property	Machin- ery and facilities under constr.	Buildings under constr.	Total
Acquisition cost 01.01.2015	1 359	2 693	4 291	90	259	8 692
Accumulated depreciation and impairment 01.01.2015	(953)	(1 419)	(1 406)			(3 778)
Carrying amount 01.01.2015	406	1 274	2 884	90	259	4 914
Additions	24	287	107	100	523	1 041
Disposals		(50)	(8)			(59)
Additions through company acquisitions (Note 23)		57	100		35	192
Depreciation for the year	(100)	(305)	(140)			(545)
Impairment for the year		(19)	(6)			(25)
Adjustment of cost price/scrapping		(10)				(10)
Intercompany transfers	12	(12)				
Translation differences	4	33	27		2	66
Transfers from assets under construction	59	34	61	(94)	(60)	
Carrying amount 31.12.2015	405	1 290	3 025	96	757	5 574
Acquisition cost 31.12.2015	1 441	2 890	4 585	96	757	9 769
Accumulated depreciation and impairment 31.12.2015	(1 036)	(1 600)	(1 560)			(4 195)
Carrying amount 31.12.2015	405	1 290	3 025	96	757	5 574
Depreciation method	Straight- line	Straight- line	Straight- line			
Useful life	4 - 20 years	1 - 15 years	5 - 50 years			

Additions of tangible fixed asset

Total additions of MNOK 1 017 in 2016 mainly concerned investments in buildings and property. The largest projects were the building of new logistics centres at Alnabru in Oslo and in Trondheim.

The Alnabru project is a co-location of the services parcels and freight and refrigerated and frozen transport. This involves the construction of a new production building for parcels, purchase of production equipment for parcels and freight as well as a new building and production facilities for thermo activities. In addition, the freight centre (Postens Godssenter) shall be rebuilt and united with the new logistics centre at Alnabru. Total investments including land and production equipment are estimated to MNOK 1

670. The centre will be finalised in 2017. The remaining obligation at 31 December 2016 amounted to MNOK 92.

In purchasing Posten Eiendom Trondheim AS (prev. Kvenild Eiendom IV AS) in October 2015, the Group acquired a site to be used for developing Posten and Bring's logistics centre in Trondheim. The estimate for the project is MNOK 530, and the centre shall be finalised in the first half-year of 2017.

In January 2016, Posten Eiendom Narvik AS (prev. Medby Næringspark AS), the owner of a site in Narvik, was acquired. The site shall be used for building a new logistics centre to be finalised in the first half-year of 2017.

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

Impairment

This year's impairment was primarily carried out in the Logistics segment, of which MNOK 37 concerned buildings and property and MNOK 32 vehicles. The reason for the impairment was restructurings in parts of the Swedish operations.

Other matters

Interest on building loans

Tangible fixed assets in the Group include capitalised building loan interest amounting to MNOK 86 at 31 December 2016 (MNOK 74 at 31 December 2015). The balance at 31 December 2016 was mainly related to the terminal at Robsrud and the new logistics centre at Alnabru in Oslo.

Insurance

The Group has secured significant parts of the business and property by traditional insurance coverage. For cars, the Group has only statutory liability coverage. The Group is self-insured for the part concerning hull insurance.

Finance lease contracts

Information on finance leases is provided in note 22.

Note 10 Investments in subsidiaries, associates and joint ventures

Investments in associated companies and joint ventures are accounted for according to the equity method in the consolidated financial statements (cf. also section 12 "Investments in subsidiaries, associated companies and joint ventures" in the Group's accounting principles).

Investments in associated companies and joint ventures

Entity	Country/ city	Owner- ship share	Book value 01.01.16	Share of profit/ (loss) 2016	Dividend 2016	Other adjust- ments	Book value 31.12.16
Danske Fragtmænd A/S	Denmark	34 %	345	17	(15)		347
Svensk Adressändring AB	Sweden	15 %	16	2	(2)	1	17
AdressPoint AB	Sweden	15 %	2			1	3
Bring Citymail Stockholm KB ¹⁾	Sweden	50 %	1	(10)		10	1
Materiallageret AS	Spits- bergen	34 %	8	1			9
Euroterminal- Blue Water /Frigoscandia ApS	Denmark	0 %	6			(6)	
Other			1				
Associated companies and joint ventures			380	10	(17)	4	377
Gains from sale of associated companies				4			
Total group			380	15	(17)	4	377

1) Since the company is a limited partnership, the share of the loss is recorded even though the equity is negative. This is classified as a contribution liability.

In 2016, the joint venture Euroterminal- Blue Water /Frigoscandia ApS was sold, with a gain of MNOK 4 for the Group.

Danske Fragtmænd A/S

Danske Fragtmænd A/S is the largest logistics company for domestic transport of goods in Denmark. The ownership in Danske Fragtmænd is part of the Group's strategy to develop a leading position in the Nordic logistics market.

Posten Norge AS's ownership in Danske Fragtmænd A/S of 34% was acquired in July 2013. The remaining shares in Danske Fragtmænd A/S are owned by Fragtmænd Holding A/S, which in turn are owned by individuals operating as transport subcontractors for Danske Fragtmænd A/S. Posten Norge AS' ownership in Danske Fragtmænd A/S was recognised in the Group's balance sheet at the following values:

Year	Book value 01.01	Profit share	Dividend	Other adjustments	Book value 31.12
2016	345	17	(15)		347
2015	332	12			345

Condensed financial information about associated companies and joint ventures (100% basis)

Entity	Assets	Liabilities	Equity	Revenue	Profit/ (loss) for the year
Danske Fragtmænd A/S	1 420	868	552	3 520	56
Svensk Adressändring AB	91	78	13	7	10
AdressPoint AB	8	3	5	2	3
Bring Citymail Stockholm KB ¹⁾	122	145	(23)	833	(18)
Materiallageret AS	29	12	17	7	2
Total	1 670	1 106	564	4 369	53

1) Figures from 2015

Note 11 Provisions for liabilities

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

	Reorgani- sation	Pensions	Other	Total
Balance 01.01.2015	147		250	1 549
Provisions recorded during the year	109		146	255
Reversal of previous year's provisions	(5)		(3)	(8)
Effect from discounting	2		4	6
Translation differences	3	22	27	51
Provisions utilised during the year	(101)		(17)	(117)
Change in pension liabilities during the year		(155)		(155)
Balance 31.12.2015	155	1 019	406	1 579
Provisions recorded during the year	228		22	250
Reversal of previous year's provisions	(8)		(25)	(33)
Effect from discounting	1		3	4
Translation differences	(2)	(23)	(25)	(50)
Provisions utilised during the year	(79)		(16)	(95)
Change in pension liabilities during the year		57		57
Balance 31.12.2016	295	1 052	365	1 712
Current provisions	88		37	125
Non-current provisions	207	1 052	328	1 588

Restructuring

In 2016, the Group made provisions for restructuring costs amounting to MNOK 228, of which MNOK 143 concerned personnel related measure, MNOK 50 premises and MNOK 35 other measures

The liabilities as at 31 December are specified below:

	2016	2015
Personnel related	198	136
Property	56	4
Other measures	32	
Severance pay	8	15
Total reorganisation	295	155

The disbursements in the Group are expected to be MNOK 88 in 2017 and MNOK 207 in later years. Note 5 has more information

Pensions

Pensions are described in note 3.

Other

Other provisions in the Group as of 31 December 2016 mainly relate to onerous contracts concerning thermo warehouses in the Bring Frigo Sverige Group. The provisions are a consequence of reduced levels in the rental market for thermo warehouses in the remaining period for the lease agreements (2024-2026). Future reversals of the provisions will be made with approximately identical annual amounts.

Disputes

No disputes with any significant risk exposure for the Group has been noted.

FINANCIAL ASSETS AND LIABILITIES

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 (cf. section 16 "Financial instruments" in the Group's accounting principles).

2016	Note	Value hierarchy level	At fair value			At amortised cost		Total 2016
			FVO - Fair value through profit or loss	Derivatives at fair value through profit or loss	Derivatives at fair value through comprehensive income	Receivables	Other financial liabilities	
Assets								
Interest-bearing non-current receivables	13					8		8
Other financial assets	19	2		194		28		223
Interest-free current receivables	14, 19	2		12	39	4 203		4 255
Interest-bearing current receivables	13					85		85
Liquid assets	15							1 875
Total financial assets								6 446
Liabilities								
Interest-bearing non-current liabilities	16, 19	2	635				1 344	1 978
Interest-free non-current liabilities	17, 19	2		24	2		2	29
Interest-bearing current liabilities	16, 19						415	415
Interest-free current liabilities incl. tax payable	17, 19	2		8	8		5 362	5 378
Total financial liabilities								7 800
Total value hierarchy level 1								
Total value hierarchy level 2			(635)	175	29			(431)

2015	Note	At fair value			At amortised cost			Total 2015
		Value hierarchy level	FVO - Fair value through profit or loss	Derivatives at fair value through profit or loss	Derivatives at fair value through comprehensive income	Receivables	Other financial liabilities	
Assets								
Interest-bearing non-current receivables	13					7		7
Other financial assets	19	2		198		32		232
Interest-free current receivables	14,19	2		42		4 236		4 278
Interest-bearing current receivables	13					113		113
Liquid assets	15							2 773
Total financial assets								7 399
Liabilities								
Interest-bearing non-current liabilities	16,19	2	639				1 472	2 111
Interest-free non-current liabilities	17,19	2		30	6			36
Interest-bearing current liabilities	16,19	2	370				526	896
Interest-free current liabilities incl. tax payable	17,19	2		32	110		5 536	5 678
Total financial liabilities								8 721
Total value hierarchy level 1								
Total value hierarchy level 2			(1 010)	178	(116)			(948)
Total value hierarchy level 3								

The table above is the basis for further information about financial assets and liabilities with references to the subsequent notes. In addition, the classification in categories pursuant to IAS 39 is shown, and at which level the Group's financial instruments at fair value have been assessed to be in the valuation hierarchy.

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 2016 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 2016, 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 IAS 39 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 is provided in accordance with the disclosure requirements in 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 2016 was approximately the same as book value (amortised cost).

Note 13 Interest-bearing non-current and current receivables

Non-current receivables mainly comprise prepayments (cf. section 16 "Financial instruments" in the Group's accounting principles).

	2016	2015
Other non-current receivables	8	7
Interest-bearing non-current receivables	8	7
Other current receivables	85	113
Interest-bearing current receivables	85	113

The Group's other current interest-bearing receivables mainly comprise prepayments to deposit fund and premium fund in DNB Liv for Posten Norge AS, amounting to MNOK 81 in 2016. The change is mostly due to changes in the premium fund and minor changes in subsidiaries.

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 (cf. section 17 "Accounts receivable" in the Group's accounting principles).

	2016	2015
Accounts receivable	2 912	2 980
Outstanding balance with customer for third party logistics services	502	463
Accrued income	339	329
Prepaid expenses	249	286
Short-term derivatives	51	42
Receivables from employees	3	4
Other receivables	199	174
Interest-free current receivables	4 255	4 278
Accounts receivable by due date		
Not due	2 439	2 429
0 - 30 days	383	471
30 - 60 days	61	51
60 - 90 days	15	18
Over 90 days	55	53
Provisions for bad debt	(40)	(41)
Total receivables	2 913	2 980
Provisions for bad debt		
As at 01 January	41	40
Provisions recorded during the year	27	30
Actual losses recognised against provisions	(18)	(19)
Over/underfunded accruals in previous years	(9)	(10)
Translation differences	(1)	1
As at 31 December	40	41
Total actual losses on bad debts	15	22
Provisions for bad debts by:		
Individual receivables	23	25
General provisions	17	16
Total	40	41

The carrying amount of interest-free current receivables was approximately the same as their fair value due to the short period left until maturity. 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 take place only to customers with adequate payment ability and that outstanding amounts do not exceed established credit limits. There

are no indications that customer receivables not yet due, or already provided for on the balance sheet date, are not collectible.

Accrued income mainly includes earned terminal income related to foreign postal services and unbilled, delivered logistics services.

Other receivables primarily comprise receivables connected with foreign value added tax, social security refunds and Post-in-Shops.

Note 15 Liquid assets

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (cf. section "Cash and cash equivalents" in the Group's accounting principles)..

	2016	2015
Cash and cash equivalents	241	296
Short-term investments	1 634	2 478
Liquid assets	1 875	2 773

A considerable portion of the cash and cash equivalents 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 2016 amounted to MNOK 71 (the corresponding amount in 2015 was MNOK 98), and is based on a requirement to meet 95% of historical net withdrawals. The remuneration for this service is recognised in revenue, and interest from cash holdings is part of finance income.

Posten Norge AS has a bank guarantee in Nordea, limited to MNOK 550, to cover the employees' withheld tax. Posten Norge AS has also established employees' withheld tax guarantees for most of the Norwegian subsidiaries.

A corporate cash pool in Nordea is used in Norway, Sweden, Denmark and the UK, and according to 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. Some companies in the Group, primarily countries other than the above, are not part of the cash pool. Total deposits on bank accounts outside the corporate cash pool system amounted to MNOK 147 as at 31 December 2016. Posten had unused credit facilities of MNOK 500 in Nordea and MNOK 50 in DNB as at 31 December 2016.

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.

Information about market-based investments and interest funds is also provided in note 18.

Note 16 Interest-bearing non-current and current liabilities

Interest-bearing non-current and current liabilities comprise debt to credit institutions, bond loans, finance leasing, certificate loans and other interest-bearing debt. Non-current liabilities are presented with one part at fixed interest and one at floating interest. The first year's instalment of interest-bearing non-current debt is included in current liabilities (cf. also section 16 "Financial instruments" and section 19 "Loans" in the Group's accounting principles).

Interest-bearing non-current liabilities

	2016	2015
Liabilities with fixed interest		
Liabilities to credit institutions	544	648
Bond loans	263	263
Non-current liabilities with fixed interest	806	911
Liabilities with floating interest		
Liabilities to credit institutions	391	391
Bond loans	738	738
Finance lease obligations	34	54
Other non-current liabilities	10	17
Non-current liabilities with floating interest	1 172	1 200
Interest-bearing non-current liabilities	1 978	2 111

Interest-bearing current liabilities

	2016	2015
First year instalment on non-current liabilities	100	673
First year instalment on finance lease obligations	15	20
Certificate loans	300	200
Other current liabilities		4
Interest-bearing current liabilities	415	896

In 2016, the Group repaid liabilities amounting to MNOK 733, including Norwegian bond loans of MNOK 202, amortising loans from Nordiska Investeringsbanken of MNOK 100, repayment of Japanese private placement loan of MNOK 330 and repayment of debt in acquired companies of MNOK 101.

As of December 2016, Posten Norge had non-current liabilities (including the first year's instalment on long-term debt) at fixed interest rates amounting to MNOK 906. They had a weighted average interest rate of 3,1% and maturities from 2017 to 2023. Posten Norge also had floating interest rate debt amounting to MNOK 1 172 with a weighted average interest rate of 2,2% as of December 2016.

As of December 2016, Posten Norge had certificate loans totalling MNOK 300. Certificate loans are classified as current interest-bearing liabilities. Posten Norge had increased outstanding balances on the certificate loans by MNOK 100 during 2016.

Note 18 "Financial risk and capital management" has details on the instalment profiles for debt.

Note 17 Interest-free non-current and current liabilities

The Group's interest-free debt mainly comprised short-term items like trade accounts payable, other provisions concerning salaries, public duties and other incurred expenses. The Group's non-current interest-free liabilities primarily consist of derivatives (cf. section 16 "Financial instruments" in the Group's accounting principles).

	2016	2015
Non-current derivatives	26	36
Other liabilities	2	
Interest-free non-current liabilities	29	36
Provisions for payroll expenses and public charges	1 983	2 036
Accounts payable	1 308	1 418
Provisions for accrued expenses	946	1 031
Prepaid revenues	435	329
Restructuring	88	81
Current derivatives	16	139
Other liabilities	343	485
Interest-free current liabilities	5 117	5 520

Other current liabilities primarily included a provision for repayment of public purchases of non-viable postal services and securities for financial instruments.

Note 18 Financial risk and capital management

The note describes the Group's financial risks, including credit risk, market risk (currency and interest rate risk) and liquidity risk. The Group utilises derivatives to manage market risk, and note 19 provides detailed information about derivatives and hedging (cf. also section 16 "Financial instruments" in the Group's accounting principles).

Posten Norge has a centralised finance function with the principal objective to secure the Group's financial flexibility, as well as monitoring and managing financial risk.

Risk categories

Financial risk comprises:

1. Credit risk: Risk of loss caused by a counterparty/customer who fails to fulfil his/her payment obligations to the Group. Credit risk concerns all financial assets with counterparties/customers, mainly trade accounts receivable, interest-bearing securities, granted but not utilised credit/overdraft facilities, as well as counterparty risk from derivatives and currency contracts.
2. Market risk: Risk from the Group's open positions in currency and interest rate instruments. The risk is related to variations in profit or loss due to changes in market prices or exchange rates.
3. Liquidity risk: The risk that the Group cannot fulfil its financial obligations.

Use of financial derivatives

Financial derivatives are agreements used to determine interest terms, exchange rates and values of equity instruments for specific periods. Posten Norge utilises financial derivatives to manage market risks that arise as a result of the Group's ordinary operations.

The following derivatives are used by the Group for hedging purposes:

Futures: An agreement to purchase/sell currency at 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: Transactions 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 at a future point in time at an agreed rate.

Combined interest rate and currency swaps: The parties exchange both currency and interest rate terms.

1. Credit risk

The Group has the following guidelines to reduce credit risk:

Trade accounts receivable and receivables connected with third party logistics

The Group has policies to ensure that credit sales are made only to customers with a satisfactory payment ability, and that outstanding amounts do not exceed established credit limits. In instances where the Group has significant receivables from one single counterparty, the credit risk is considered to be very low.

Market-based investments

As part of the liquidity management, the Group has invested heavily in interest funds. As of 31 December 2016, the Group had MNOK 1 643 invested in various interest funds (MNOK 2 476 in 2015). According to the Group's guidelines, interest funds applied 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

In order 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 further reduce credit risk, the Group entered into 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 two agreements on overdraft facilities, of which neither had been utilised as at 31 December 2016. One overdraft facility has been agreed with a Nordic bank syndicate, where all the participants have a rate equal to or better than A-. The facility was renegotiated in 2015 and runs for five 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. The overdraft facility amount to MEUR 350 in the agreement's five first years and is reduced to MEUR 280 in 2021. The other overdraft facility is a bilateral agreement of MNOK 750 with an A+ rated bank, entered in 2013 with maturity in 2018.

Maximum risk exposure

As the Group did not have financial assets not disclosed in the balance sheet, 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 2016.

2. Market risk

2.1 Currency risk

The market risk is limited by reducing the effects of 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 balances.

Frequently used exchange rates	Exchange rate 01.01.2016	Average exchange rate 2016	Exchange rate 31.12.2016
Swedish kroner	1,0475	0,9823	0,9512
Danish kroner	1,2891	1,2481	1,2222
Euros	9,6190	9,2928	9,0863
British pound sterling	13,0720	11,3937	10,6130
US dollars	8,8090	8,4014	8,6200

As the Norwegian krone (NOK) is the Group's presentation currency, Posten Norge is exposed to currency risks connected with translating the Group's net investments in foreign currencies. In order to reduce the translation differences in the accounts, Posten Norge enters into forward contracts.

The parent company is financing the subsidiaries by providing long-term financing in the subsidiaries' currencies. If the loans are made in foreign currencies, the parent company is exposed to currency risk. To manage this exposure, forward contracts are used.

The Group has net income from foreign mail companies for distribution of mail in Norway. This results in income in currency, mainly euros, and the Group is securing the settlement exchange rate by forward contracts.

2.2 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% of the long-term loan portfolio (including the first year's instalment on long-term debt) at fixed interest rates.

As of 31 December 2016, fixed interest agreements totalled MNOK 811 (44%) of the Group's long-term interest-bearing debt (MNOK 1 213 in 2015).

Inflation indexed interest rate swaps

In 2006, Posten Norge entered into an inflation indexed interest rate swap of MNOK 1 000 to secure the Group's competitiveness as a consequence of costs that are positively correlated with inflation. According to the agreement, Posten Norge receives the percentage change in the Norwegian consumer price index, together with a fixed margin, annually, in return for paying three months NIBOR each quarter. In 2009, MNOK 300 of the principal was cancelled, and real interest rate bonds amounting to MNOK 700 with a similar cash flow effect as the residual value of the derivative were issued.

The agreement was made with a duration of 10 years and expired in 2016.

2.3 Sensitivity analyses

2016 Sensitivity analysis market risk

	Purchase currency	Currency amount	Sales currency	Currency amount	Maturity	Effect of changes +/- 20% (NOK) ¹⁾	
						Through profit and loss	Through compre- hensive income
Hedging of income in euros	NOK	48	EUR	5	2017		9
Hedging of investments in foreign entities	NOK	1 514	SEK	1 552	2017		297
Hedging of loans to foreign subsidiaries	NOK	748	SEK	780	2017	149	
Hedging of loans to foreign subsidiaries	NOK	81	EUR	9	2017	16	
Hedging of loans from foreign subsidiaries	SEK	26	NOK	25	2017	6	

1) Exchange rate at 31 December

		Through profit and loss	Thorough comprehensive income
Net interest-bearing debt (receivable) with floating interest ¹⁾	(388)	(4)	

1) Net interest-bearing debt (receivable) with floating interest is calculated as interest-bearing debt with floating interest deducted by liquid assets.

The accounting effect from change in market risk is recognised either over the income statement or over other comprehensive income, depending on where the effect first was recognised.

2015 Sensitivity analysis market risk

	Pur- chase currency	Curr- ency amount	Sales currency	Curr- ency amount	Maturity	Effect of changes +/- 20% (NOK) ¹⁾	
						Through profit and loss	Through compre- hensive income
Hedging of income in euros	NOK	117	EUR	20	2016		39
Hedging of investments in foreign entities	NOK	1 496	SEK	1 502	2016		318
Hedging of loans to foreign subsidiaries	NOK	679	SEK	670	2016	141	
Hedging of loans to foreign subsidiaries	NOK	96	EUR	10	2016	19	
Hedging of loans from foreign subsidiaries	SEK	26	NOK	26	2016	2	

1) Exchange rate at 31 December

	Carrying amount	Effect of change +/- 100 basis point	
		Through profit and loss	Thorough compre hensiv incom
Net interest-bearing debt (receivable) with floating interest ¹⁾	(1 075)	(11)	

1) Net interest-bearing debt (receivable) with floating interest is calculated as interest-bearing debt with floating interest deducted by liquid assets.

The accounting effect from change in market risk is recognised either over the income statement or over other comprehensive income, depending on where the effect first was recognized.

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 2016 by +/- 20%. Currency forwards related to hedging euro income and foreign investments are recognised in other comprehensive income, whereas value changes in currency forwards related to loans in currencies are recognised in the income statement in total, as this will counter the effect of changes in the loans in the income statement due to currencies.

The interest rate sensitivity shows the effect in the income statement by changes in the floating interest rate of +/- 1%.

Where the derivatives are included in hedging relations, it is expected that the effect on the income statement and other comprehensive income is offset by fluctuations in the relevant hedged objects.

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

Balance 31.12.2016	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Over 7 years	Total
Liabilities to credit institutions	402	102	102	250	2		299		1 156
Bond loans		275		375		350			1 000
Financial derivatives (interest rate swaps) ¹⁾	5	5	5	5	(1)	(1)			19
Financial derivatives (currency futures) ¹⁾	(35)								(35)
Financial leases	15	5	5	5	5	6	6		49
Other non interest-bearing liabilities exclusive of financial derivatives	5 362		2						5 364
Total Group	5 749	388	115	636	6	355	305		7 554
Future interest payments ²⁾	47	42	36	31	16	14	8		193
Average interest rate									2,40%

1) Includes derivatives recognised as assets.

2) Based on interest rate level at 31.12.

Balance 31.12.2015	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Over 7 years	Total
Liabilities to credit institutions	633	103	103	103	252			299	1 494
Bond loans	202		275		375		350		1 202
Financial derivatives (interest rate swaps) ¹⁾	9	6	6	6	6				35
Financial derivatives (currency futures) ¹⁾	138								138
Financial leases	20	9	9	9	12	7	7		74
Other non interest-bearing liabilities exclusive of financial derivatives	5 539								5 539
Total Group	6 542	119	394	119	645	7	357	299	8 482
Future interest payments ²⁾	54	47	43	36	32	16	14	8	280
Average interest rate									2,66%

1) Includes derivatives recognised as assets.

2) Based on interest rate level at 31.12.

As of 31 December 2016, neither of the Group's overdraft facilities of MEUR 350 and MNOK 750 were utilised.

Capital management

The Group has a centralised finance function with the responsibility for the capital structure and the overall liquidity management. This shall secure an effective use of the company's capital, financial safety and flexibility.

The Group's goal is to achieve maximum accessibility, flexibility and return on the Group's liquid assets and at the same time reduce 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% of the Group's revenue for the last 12 months.

The Group has long-term credit facilities constituting a satisfactory financing reserve. In addition, the Group has diversified its sources of capital and currently has bonds, credit facilities, private placement loans with international lenders as well as bilateral agreements with Nordic financial 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.

The Group measures capital utilisation by using the debt ratio, being net interest-bearing debt divided by equity. Net interest-bearing debt comprises interest-bearing current and non-current liabilities less liquid assets in the forms of cash, bank deposits and short-term investments.

In addition, net interest-bearing debt divided by 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 2016 or 2015.

Key figures for capital management

	2016	2015
Interest-bearing debt	2 393	3 007
Interest-bearing liquid assets	1 875	2 773
Net interest-bearing debt	518	234
Total equity	5 912	5 926
Debt ratio	0,1	0,0
Share of equity	38,6 %	36,8%
EBITDA ¹⁾	1 339	1 474
Net debt/EBITDA¹⁾	0,4	0,2

1) EBITDA: Earnings before depreciation, impairment, other income and expenses and revenue on equity method investments

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.

The Group's overdraft facility of MEUR 350 has a clause stating that net interest-bearing debt cannot exceed 3,5 times 12 months' trailing EBITDA. As of 31 December 2016, net interest-bearing debt was 0,4 times EBITDA (0,2 in 2015).

In addition, Posten Norge has loan agreements with clauses requiring an equity share of of 20-25% at a minimum. As of 31 December 2016, the Group had an equity share of 39% (37% in 2015).

In addition, the following covenants apply to the majority of the loan agreements:

- Change of control covenant: a minimum of 51% public ownership
- Negative pledge: a prohibition to mortgage assets
- Cross default: a default in one agreement implies that all agreements are deemed 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 on 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 closely and reported to management on a regular basis.

The Group has throughout 2016 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 fluctuate in relation to the underlying prices, and the note shows the fair value of open derivatives at the balance sheet date (cf. also section 16 "Financial instruments" in the Group's accounting principles).

2016	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		2
Forward exchange contracts EUR	2	
b) Hedging of net investment		
Hedging of net investment in foreign entities SEK	37	8
b) Other economic hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	7	24
Forward exchange contracts SEK	12	6
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	188	
Total	245	42

2015	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		6
Forward exchange contracts EUR		17
b) Hedging of net investment		
Hedging of net investment in foreign entities SEK		93
b) Other economic hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	6	33
Forward exchange contracts SEK	1	28
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	233	
Total	240	178

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 currency forward 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 2016, the Group had a loan of MNOK 400 in Nordiske Investeringsbanken where the interest rate is determined every sixth month and the annual down payment is MNOK 100. In order to ensure fixed interest rate terms, an interest rate swap for corresponding amounts and maturity was entered into 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 interest rate determinations every third month and a term of 5 years.

Forward contracts EUR

Posten Norge had revenues of approximately MEUR 25 for distributing mail from abroad in 2016 (30 million in 2015) and is expecting only just MEUR 20 in 2017. The exchange rate risk is partly hedged by selling forward contracts in euros over a period of time. The changes in value of the forward contracts constituting effective hedging instruments are recognised in other comprehensive income. As of 31 December 2016, Posten Norge had forward contracts for euro revenues in 2017 totalling MEUR 5 with a positive value of MNOK 2. As a consequence of forward contracts realised in 2016, MNOK -13 were reclassified from equity to a reduction in revenue in the Mail segment (-17 million in 2015).

Hedge reserve in equity

Movements in the hedge reserve in equity (cf. the statement of changes in equity) divided between interest rate swaps and forward (exchange) contracts:

	Interest-rate swap	Forward contracts	Total hedge reserve
Balance 31.12.2014	(10)	(21)	(31)
Changes in value	(2)	(4)	(6)
Transfers to income statement ¹⁾	9	17	26
Associated deferred taxes	(2)	(3)	(5)
Balance 31.12.2015	(5)	(12)	(17)
Changes in value	4	6	10
Transfers to income statement ¹⁾		13	13
Associated deferred taxes	(1)	(5)	(6)
Balance 31.12.2016	(2)	2	

1) Positive figures represent losses

b) Hedging of net investment in foreign entities

Posten Norge uses forward exchange contracts for hedging investments in foreign subsidiaries and have entered into trailing exchange contracts totalling MSEK 1 552 in 2016 (MSEK 1 502 in 2015). The changes in the value of the contracts including realised related loss/gain in trailings are recognised in other comprehensive income and offset the translation differences from the investments until the investments are sold. Should the hedges become ineffective, the change in value is recognised in the income statement.

c) Other financial hedges (derivatives not included in hedging relations according to IFRS)

Interest rate swaps

As of 31 December 2016, Posten Norge had several interest rate swaps not qualifying as hedging relations according to IFRS.

In 2015, Posten Norge raised a seven-year bond loan of MNOK 350 at a fixed coupon that in its entirety was swapped at a floating interest rate in the same transaction. Parts of the amount, MNOK 88, were then swapped back to a fixed interest rate.

Following a partial repurchase of the bond in September 2015, the interest rate swap related to the bond loan of MNOK 500 was reclassified to derivatives not included in hedging relations pursuant to IAS 39. As at 31 December 2015, MNOK 9 were recirculated over the income statement as finance costs. The derivative matured in March 2016.

Forward contracts SEK and EUR

Posten Norge uses foreign exchange contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Trailing forward contracts constituted MSEK 780 and MEUR 9 as of 31 December 2016. The changes in value are recognised in the income statement and will offset changes in the loans in the income statement as a consequence of currencies.

Posten Norge also has a forward contract of MSEK 26 for hedging a currency deposit from a foreign subsidiary to the parent company.

Combined interest rate and currency swaps

In 2004, 2008 and 2014, the Group entered into long-term loan agreements with Japanese life insurance companies of 5, 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 the interest rate set every third month.

Posten Norge has made use of the "fair value option" in IAS 39 for 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

In May 2016, the loan of 5 billion Japanese yen borrowed in 2004 and the associated interest and currency swap was due. As of 31 December 2016, the remaining loans from the Japanese life insurance companies were recognised at a total value of MNOK 635 (MNOK 1 010 in 2015), where the value changes from the borrowing date constituted MNOK 188 (MNOK 233 in 2015). This value change is offset by the interest and currency swap agreements and recognised as an asset.

An interest rate swap has also been established related to the loan of 3 billion Japanese yen, converting this loan to a fixed interest loan. The interest rate swap has the same maturity date as the loan, but does not qualify for hedge accounting. In the table of derivatives and hedging relationships, it is included in the line *interest rate swaps* at a negative fair value of MNOK 23 as at 31 December 2016.

Upon entering into the loan agreement for 5 billion Japanese yen in 2013 and the combined interest rate and currency agreement, Posten Norge also made a CSA (Credit Support Annex) agreement. This agreement defines how two swap counterparties 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 on 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 of 31 December 2015, Posten Norge had received MEUR 8,1 from the counterparty.

Equity information

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 and Fisheries (the Ministry of Transport and Communication until 31 December 2015). 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 dividend (cf. also section 20 "Equity" in the Group's accounting principles).

As of 31 December 2016, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000.

According to the dividend policy, dividends are expected to be 50% of group profit after tax. Before the annual dividend is determined, an independent evaluation of the financial situation in the Group and the future prospects shall be made. The proposed dividend for the accounting year 2016 is MNOK 19.

At the Annual General Meeting in June 2016, it was determined not to distribute any dividend of the 2015 result. In July 2015, dividends amounting to MNOK 225 of the 2014 result were paid, together with extraordinary dividends of MNOK 75, totalling MNOK 300.

The owner's return on capital requirement is 9% after tax.

Other matters

Note 21 Guarantees/mortgages

Posten Norge has given various guarantees, including rental guarantees, contract guarantees and other payment guarantees, in connection with current operations, primarily for subsidiaries. The Group has not pledged property of significant value.

	2016	2015
Guarantees for Group companies' liabilities	492	539
Commercial guarantees	1	2
Other guarantees	472	543
Total guarantees	965	1 084

Guarantees for group companies' debt consisted primarily of guarantees provided by Posten Norge AS to its subsidiaries in Norway and Sweden related to rents, customs duties, withheld tax and pension liabilities. In addition, Bring Cargo AS issued guarantees for fuel purchases in the subsidiary Bring Trucking.

Other guarantees mainly concerned rent, in addition to some minor guarantees for pension obligations, provided by Bring Frigo AB and Bring Cargo International AB to subsidiaries. Posten Norge AS has also furnished security to EVRY in connection with an IT operating agreement.

The decline in guarantees for group companies' debt is primarily due to the reduction in rental long-term liabilities and lower exchange rates for guarantees provided in Sweden and Denmark.

Note 22 Leases

The note shows the Group's leasing costs and short-term and long-term liabilities for lease agreements, in addition to rental income and future rental income for hiring out operating equipment. Most of the Group's lease agreements are considered to be operating (cf. also section 21 "Leasing" in the Group's accounting principles).

1. Lessee

1.1 Finance leases

	2016	2015
Carrying amount		
Buildings	14	16
Machines	5	8
Vehicles, fixtures and fittings	23	48
Net carrying amount	42	72
Commitments, buildings	20	21
Commitments, machines	6	9
Commitments, vehicles, fixtures and fitting	24	44
Total commitments	49	74
Annual lease costs	25	20
Future minimum leases		
Next 12 months	14	
1-5 years	18	
After 5 years	12	
Total future minimum lease	44	
Interest rate	4,8 %	
Present value of future lease	42	
Of which:		
long-term debt	32	
short-term debt	10	

Leased assets are classified as tangible fixed assets, and associated liabilities as interest-bearing non-current liabilities. The first year's instalments are reclassified as interest-bearing current liabilities (cf. note 16).

Posten Eiendom Robsrud AS has a finance lease for a thermal energy facility that runs until 30 June 2024. The Group's other finance leases mainly relate to vehicles of which Svebol AB had the largest fleet of finance leased vehicles (MNOK 18). Bring Linehaul AS and Bring Transportløsninger AS also have finance leases for vehicles. The longest lease agreement for vehicles expires in December 2021.

1.2 Operating leases

	2016	2015
Ordinary lease payments for buildings	904	921
Ordinary lease payments for cars	313	353
Ordinary lease payments for computer equipment	3	2
Ordinary lease payments - other	94	97
Subletting revenues	(57)	(71)
Total lease costs	1 258	1 302
Future minimum lease payments related to lease agreements that cannot be cancelled, are due as follows:		
Next 12 months	808	
1-5 years	1 840	
After 5 years	852	
Future minimum lease payments due	3 500	

Operating leases in the Group primarily concern leases of property and vehicles in Posten Norge AS, leases of premises in the Group Bring Frigo AB, Bring Warehousing AS and Bring CityMail Sweden AB. The group Bring Frigo AB had total rental costs of MNOK 167, and MNOK 47 were recognised as subleases for vacant premises. The longest operating lease expires on 30 November 2027.

A provision for restructuring costs of MNOK 50 has been made for the vacation of premises in 2016 (cf. note 11).

2. Lessor

Operating leases

	2016	2015
Future rental income due		
Next 12 months	13	
1-5 years	14	
After 5 years	5	
Operating lease agreements	33	
Annual rental income	14	8

The Group has some operating leases related to letting out parts of buildings in 2016, mainly in Bring Cargo Inrikes AB.

Note 23 Changes to the Group structure

The note provides information about significant changes in the Group structure through the acquisition and disposal of companies, as well as other relevant changes (cf. section 5 "Consolidation principles" in the Group's accounting principles).

The following changes in the Group's structure have taken place since 31 December 2015:

Companies established in 2016

In 2016, the Group established Posten Eiendom Bergen AS. The company is responsible for building a new freight terminal in Bergen. An agreement to purchase a site was made in August 2016, with a formal take-over and settlement on 1 February 2017. The Group also established Posten Eiendom Tromsø AS and Posten Eiendom Vestfold AS in 2016. The plan for these companies is to build joint terminals for Posten and Bring in Tromsø and Vestfold.

In connection with the acquisition of Netlife Research AS and the restructuring of the Group's dialogue services, the Group established the company Posten Dialog AS. Posten Dialog AS changed its name to Netlife Gruppen AS (more information below).

Companies acquired in 2016

In May 2016, the Group acquired 100% of Espeland Transport AS. The company had 60 employees and revenue amounted to MNOK 111 in 2015.

In July 2016, Posten Norge AS joined operations in Netlife Research AS and Bring Dialog AS by establishing the company Netlife Gruppen AS with a subsequent contribution in kind of the shares in Bring dialog Norge AS into Netlife Gruppen AS. At the same time, the shares in Netlife Research AS were purchased by Netlife Gruppen AS. Posten Norge AS owns 87% of the shares in Netlife Gruppen AS. Netlife Research AS had 83 employees and revenue amounting to MNOK 82 in 2015.

In February, the Group acquired 100% of Posten Eiendom Narvik AS (formerly Medby Næringspark AS) and in July, 100% of Posten Eiendom Stavanger AS (formerly Vagle Næringspark AS). There were no activities in the companies at the time of the purchases. The acquisitions concerned land where the Group shall build logistic centres in Narvik and Stavanger.

In April, Bring Danmark A/S acquired operations in Dansk Transport ApS for MNOK 5,5. The company had revenues of MNOK 24 and 3 employees in 2015.

Preliminary allocation of costs for the acquisition of companies in 2016

	Espeland Transport AS	Netlife Research AS	Posten Eiendom Narvik AS	Eiendom Stavanger AS	Other	Total
Intangible assets		1				1
Fixed assets	39	3	12	87		141
Financial assets		3				3
Receivables	15	19	3			37
Total assets	54	27	15	87		182
Deferred tax	2					2
Long-term debt	32		8	61		101
Short-term debt	16	24	5			46
Total debt	51	25	13	61		149
Net identified assets	3	2	2	26		35
Goodwill	13	59			6	79
Final settlement						
Total aquisition price	16	61	2	26	6	112
Cash paid	(22)	(78)	(2)	(26)	(6)	(135)
Cash received as part of settlement	6	17				23
Net cash effect acquisitions	(16)	(61)	(2)	(26)	(6)	(112)

The considerations were determined based on recognised valuation techniques. All acquisitions have been negotiated with vendor when entering into the contract. The considerations were adjusted for results in the period from the date the agreement was made to the date when control was transferred.

The fair value of the trade receivables and other receivables totalled MNOK 33, of which trade receivables amounted to MNOK 26. The nominal value of the trade receivables was MNOK 26, without any provision for losses.

Contribution to the Group's result – companies acquired in 2016

	Espeland Transport AS	Netlife Research AS	Posten Eiendom Narvik AS	Eiendom Stavanger AS	Total
Revenue after acquisition date	59	54			113
Profit before tax after acquisition date	1	8	(1)	(1)	7
Revenue accumulated 2016	115	110			225
Profit before tax accumulated 2016	3	13	(1)	(1)	15

The following company was sold out of the Group in 2016

In January, the Group sold its ownership share (100%) in Posten Eiendom Skien AS.

Company	Share of owner- ship	Time of sale	Sales amount	Recorded profit/loss Group	Cash effect
Posten Eiendom Skien AS	100	Januar 2016	7	6	7

Other changes to the Group structure in 2016

Home Delivery's operations were transferred from Bring Express Norge AS to Posten Norge AS with effect from 1 January 2016.

In February 2016, all operations in Bring Cargo Inrikes AB were transferred to West Cargo Vårgårda AB. The acquiring company changed its name to Bring Freight Forwarding AB.

The groupage and part loads business in Bring Cargo Østfold AS was transferred to Posten Norge AS with effect from 1 March 2016.

Production equipment, employees and materials, as well as goodwill, were transferred from Bring Gudbrandsdalen AS to Posten Norge AS in the first quarter of 2016, as the last part of the business transfer approved in 2015.

Bring Cargo Østfold AS has changed its name to Bring Transportløsninger AS. In addition, the shares in the company were transferred from Bring Cargo AS to Posten Norge AS. This was part of an initiative to consolidate transport solutions in the Group. As an element of this plan, transport solutions in Bring Gudbrandsdalen AS (1 July 2016) and Bring Frigo AS (1 September 2016) were transferred to Bring Transportløsninger AS.

In the fourth quarter of 2016, the shares in Bring Cargo Danmark AS and Bring Express Danmark A/S were sold from Bring Cargo AS and Bring Express AS, respectively, to Bring Danmark A/S. Bring Cargo

Danmark A/S and Bring Express Danmark A/S were then merged with Bring Danmark A/S in a parent-sub subsidiary merger.

Note 24 Related parties

Posten Norge AS' related parties are primarily subsidiaries in the Group, and Posten Norge AS purchases and sells services from these companies.

The change in purchases and sales from related parties is due to the fact that Posten Norge AS sold its shares in EVRY ASA in March 2015. The transactions with related parties were made as part of ordinary operations and at arms-length prices.

	2016	2015
Purchases of goods and services from		
Associated companies	41	147
Sales of goods and services to		
Associated companies	29	55
Leases of property from		
Associated companies	2	1

The balance sheet included the following amounts as a consequence of transactions with related parties:

	2016	2015
Accounts receivable	49	19
Accounts payable	49	48
Other payables	11	14
Net	(11)	(43)

The reason for the change in accounts receivable is that Bring Citymail Sweden AB has increased its receivable on Bring Citymail Stockholm AB.

Remuneration to the Board and management

Note 2 has details about the remuneration to the Board and management.

Loans to employees

Information about loans to employees is provided in note 14.

Note 25 Regulatory issues

Regulatory issues describe relevant matters and regulations not mentioned in other notes.

REGULATORY ISSUES

Postal regulations

A new act on postal services (the Postal Services Act) with regulations came into effect on 1 January 2016. The act implements EU's Third Postal Directive and implies a full liberalisation of the Norwegian postal market. Posten's exclusive right to distribute addressed mail below 50 grams was discontinued at the end of 2015.

According to the Postal Services Act, the requirement of an ordinary daily mail distribution was reduced from six to five days a week. Posten's obligation to secure deliveries of newspapers on Saturdays lapsed on 1 November 2016, after the company Kvikkas AS won the contract with the Ministry of Transport and Communication for Saturday newspaper distribution in areas without normal newspaper delivery.

The arrangement of government procurements of commercially unprofitable universal service obligations has been carried forward with the new regulations. Pursuant to section 9 of the Postal Services Act, the authorities shall cover the net costs by public funding if the bidder is inflicted an unreasonable financial charge in offering postal services required to be delivered.

In November 2016, Stortinget (the Norwegian parliament) approved the white paper dealing with changes in the postal sector, *Postsektoren i endring*. The approval confirmed that Posten Norge can combine priority and non-priority mail into one class of mail with a two-day delivery time. Posten Norge has begun this transition with the aim of having the solution operational from 1 January 2018. Posten Norge was also given greater flexibility to further develop its distribution network, and the opportunity to harmonise the limitation of rural delivery service to households and businesses at least four kilometers away from the nearest designated distribution point. According to plan, the changes in framework conditions will be included in the coming agreement between the Ministry of Transport and Posten on services required to be delivered, which shall replace Posten's temporary licence.

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. The auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

According to the Postal Services Act (cf. above), Postens' additional costs related to the universal public obligations shall be covered by government procurements granted over the state budget. 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 (cf. above). The recalculation shall secure against over or under compensation.

In the state budget for 2016, MNOK 403 for government procurements were granted in advance, including MNOK 40 to the distribution of newspapers on Saturdays. This was MNOK 160 less than Posten's precalculated requirement.

Adjusted for the recalculation, government procurements amounted to MNOK 260 in 2015. The increase from 2015 to 2016 is a consequence of increased additional costs due to declining mail volumes, in addition to the fact that the financing of exclusive right services discontinued when such rights were terminated from 1 January 2016.

Banking and payment services

According to the act *Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett*, Posten is obliged to offer basic banking services in the rural postal network through Posten Norge AS' distribution network. Posten's additional costs relating to this offer are compensated through the government procurements' scheme. The requirement only includes the rural postal network, but Posten also procures banking services in the rest of Posten's service network (post offices and Post-in-Shops). The services are delivered through an agent agreement with DNB. The current agent agreement expires on 31 December 2019.

Income statement Posten Norge AS

Financial statements 2016
Posten Norge AS

Income statement

Amounts in MNOK

	Note	2016	2015
Revenue		13 246	13 394
Cost of goods and services		2 992	2 707
Payroll expenses	1	6 901	7 098
Depreciation and amortisation	7,8	343	445
Impairment	7,8	19	3
Other operating expenses	3	2 451	2 554
Operating expenses		12 706	12 807
Other income and (expenses)	4	(532)	(574)
Operating profit		8	13
Finance income	5	646	525
Finance expenses	5	292	678
Net finance income (expenses)		353	(153)
Profit before tax		361	(140)
Tax expense	6	181	107
Profit/(loss) for the year		180	(247)
Proposed transfers and allocations			
Dividends			
Group contribution			
Other equity		180	(247)

Statement of total comprehensive income

Amounts in MNOK

	Note	2016	2015
Profit/(loss) for the year		180	(247)
Items not to be reclassified to profit or loss			
Pension			
Change in actuarial gains and losses	2	(40)	27
Tax	6	10	(7)
Total items not to be reclassified to profit or loss		(30)	19
Items to be reclassified to profit or loss			
Cash flow hedging			
Changes in value	18	10	(6)
Transferred to income statement	18	13	26
Tax	6	(6)	(5)
Total items to be reclassified to profit or loss		17	14
Change in tax rate	6	(2)	(5)
Other comprehensive income/(expenses)		(15)	29
Total comprehensive income/(expenses)		165	(219)

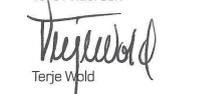
Balance sheet

Amounts in MNOK

	Note	31.12. 2016	31.12. 2015
Assets			
Intangible assets	7	1 051	853
Deferred tax asset	6	252	265
Tangible fixed assets	8	931	941
Investments in subsidiaries	9	3 942	3 759
Investments in associated companies and joint ventures	9	317	317
Interest-bearing non-current receivables	11,12	1 771	2 077
Other financial non-current assets	11,18	213	219
Non-current assets		8 477	8 430
Inventories		10	10
Interest-free current receivables	11,13,18	1 796	1 678
Interest-bearing current receivables	11,12	2 063	1 886
Liquid assets	11,14	1 735	2 667
Current assets		5 603	6 240
Assets		14 080	14 671
Equity and liabilities			
Share capital		3 120	3 120
Other equity		2 045	1 880
Equity	19	5 165	5 000
Provisions for liabilities	10	1 008	860
Interest-bearing non-current liabilities	11,15,18	1 937	2 045
Interest-free non-current liabilities	11,16,18	29	36
Non-current liabilities		1 965	2 081
Interest-bearing current liabilities	11,15,18	2 623	2 518
Interest-free current liabilities	10,11,16,18	3 153	4 147
Tax payable	6	165	65
Current liabilities		5 941	6 730
Equity and liabilities		14 080	14 671

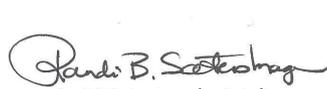
16 mars 2017

 Alf Knutzen (leder)

 Tove Andersen

 Terje Wold


 Tone Wille (konsersisjef)

 Anne Britt Berentsen


 Randi B. Sætershagen (nestleder)

 Morten Karlén Sørby


 Odd Christian Øverland


 Ann-Elisabeth Wirgenes

Erling A. Wold

 Erling A. Wold
 POSTEN NORGE FINANSIELL RAPPORT

Lars Nilsen

 Lars Nilsen

Cash flow statement

The company prepares the cash flow statement 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	2016	2015
Profit/(loss) before tax		361	(140)
Tax paid in the period		(66)	(94)
Gain from sales of non-current assets, subsidiaries and associated company		(55)	(248)
Ordinary depreciation and impairment	7,8	362	448
Impairment of investments in subsidiaries	9	177	705
Impairment of loans to subsidiaries	12	262	
Reversal of dividends from subsidiaries and associated companies		(76)	
Financial items with no cash effect		(190)	(21)
Changes in accounts receivable, inventories and accounts payable		(419)	48
Changes in other working capital		(551)	333
Changes in other current balance sheet items*		99	(12)
Changes in intercompany group accounts		318	170
Interest received		117	72
Interest paid		(91)	(106)
Cash flows from operating activities		246	1 155
Investments in tangible non-current assets	7,8	(553)	(759)
Investments in shares	9	(317)	(228)
Proceeds from sales of tangible non-current assets		5	2
Proceeds from sale of shares		22	1 711
Dividend received from associated companies		76	0
Changes in loans to subsidiaries	9	121	(164)
Changes in other financial non-current assets		1	0
Cash flows from/(used in) investing activities		(647)	561
Proceeds from borrowings	15	100	1 000
Repayment of borrowings	15	(632)	(1 698)
Group contributions/dividends paid	19		(300)
Cash flows used in financing activities		(532)	(998)
Total change in cash and cash equivalents during the year		(932)	719
Cash and cash equivalents at the start of the period		2 667	1 948
Cash and cash equivalents at the end of the period	14	1 735	2 667

*This mainly concerns provisions for restructuring and changes in other current balance sheet items

Statement of changes in equity

Amounts in MNOK

	Share- capital	Share pre- mium	Hedging reserve	Retained earnings	Other equity	Total equity
Equity 01.01.2015	3 120	992	(31)	1 438	2 398	5 517
Loss for the year Posten Norge AS				(247)	(247)	(247)
Other comprehensive income			14	15	29	29
Total comprehensive income/(expenses)			14	(232)	(219)	(219)
Dividend paid				(300)	(300)	(300)
Equity 31.12.2015	3 120	992	(17)	906	1 880	5 000
Equity 01.01.2016	3 120	992	(17)	906	1 880	5 000
Profit for the year Posten Norge AS				180	180	180
Other comprehensive income/(expenses)			17	(32)	(15)	(15)
Total comprehensive income/(expenses)			17	148	165	165
Equity 31.12.2016	3 120	992		1 054	2 045	5 165

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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 and Fisheries (the Ministry of Transport and Communication until 31 December 2016), 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

The financial statements for Posten Norge AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by 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 company, with references to the applicable notes and accounting standards.

Accounting principle	Associated note(s)	IFRS/IAS #
1. Changes in accounting principles and disclosures		IAS 8
2. Adopted standards that are not yet effective or lacked 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 Note 10 Provisions for liabilities	IAS 12, IAS 19, IAS 36, IAS 37
4. Foreign currency translation		IAS 21
5. Revenue		IAS 18
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, associates and joint ventures	Note 9 Investments in subsidiaries, associates and joint ventures	IFRS 10, IFRS 11, IFRS 12, IAS 28
11. Impairment of non-financial assets	Note 7 Intangible assets Note 8 Tangible fixed assets Note 9 Investments in subsidiaries, associates and joint ventures	IAS 36
12. Provisions	Note 4 Other income and expenses Note 10 Provisions for liabilities	IAS 18, IAS 19, IAS 37
13. Contingent liabilities and assets	Note 11 Provisions for liabilities Note 25 Other matters	IAS 37

Accounting principle	Associated note(s)	IFRS/IAS #
14. Financial instruments	Note 6 Financial income and financial expenses Note 12 Overview of financial instruments 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 13, IAS 32, IAS 39
15. Accounts receivable	Note 14 Interest-free current receivables	IFRS 7, IFRS 13, IAS 18, IAS 32, IAS 39
16. Cash and cash equivalents	Note 15 Liquid assets	IFRS 7, IFRS 13, IAS 7, IAS 32, IAS 39
17. Loans	Note 16 Interest-bearing non-current and current liabilities Note 17 Interest-free non-current and current liabilities	IFRS 7, IFRS 13, IAS 32, IAS 39
18. Equity	Changes in equity Note 20 Equity	IAS 1
19. Leasing	Note 22 Leases	IAS 17
20. Events occurring after the balance sheet date	Note 25 Other matters	IAS 10

1. Changes in accounting principles and notes

The accounting policies applied are consistent with previous years. In addition, the company implemented some new and amended standards and interpretations published by the IASB and approved by the EU, effective from the accounting year starting on 1 January 2016. The implementation of these new and amended standards and interpretations did not affect the financial statements significantly.

2. Approved standards that are not yet effective or lacked approval by the EU

The following standards and statements that are relevant for Posten have been issued, but have yet to take effect or lacked approval by the EU for the financial year 2016.

2.1. IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The future classification depends on the entity's business model for managing its financial instruments and the characteristics of the cash flows of each individual instrument. The company is not expecting any effects on the financial statements of the new classification, recognition and measurement requirements. It is expected that financial assets and liabilities measured at fair value by today's accounting rules will continue to be measured at fair value pursuant to IFRS 9. This concerns derivatives not included in accounting hedge arrangements and loans in foreign currencies, where fair value options have been applied. Other financial assets and liabilities mainly relate to debt instruments and other financial liabilities measured at amortised cost according to the present accounting rules and are expected to be classified in the measurement category "amortised cost" and subsequently measured according to IFRS 9.

IFRS 9 introduces a new model for assessing impairment of financial assets. However, the company's financial assets mainly comprise financial assets without significant financial elements, which according to IFRS 9 allows for a simplified model. This model differs from today's accounting rules, which are based on an incurred loss model, where the expected credit loss over the entire lifetime shall be recognised by using simple methods to estimate the credit loss, as one example. The model under IFRS 9 is not expected to change the provision for losses significantly.

In addition, IFRS 9 relaxes the requirements to hedge accounting by bringing the hedge effectiveness closer to management's risk control and gives more room for judgment. Hedge documentation is still required. In the company's opinion, the financial hedges classified as accounting hedge relations pursuant to IAS 39, will still qualify for this under IFRS 9.

The standard will be effective for the accounting year 2018.

2.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and associated interpretations. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service and thereby has the opportunity to decide the use and obtain the benefits from the good or service.

The standard is effective for the accounting year 2018.

The company has started to consider the effects IFRS 15 can have on the recognition of income in the company. This is made by applying the five-step model on which the new standard is based. The following areas will be particularly considered by the company:

- The identification of performance obligations. The company is delivering mail, parcels and freight and a number of related additional services. It must be considered whether any of the additional services included in a customer contract are individual deliveries (distinct), where the timing of revenue recognition must be considered individually.
- Recognition of revenue when the entity satisfies the performance obligation. According to the preparatory works of IFRS 15 (BC125 et seq.), income from the transport of goods shall be recognised when it takes place, because the customer has an advantage by the fact that the goods are continually getting nearer to the agreed delivery place.

The company has not fully assessed the impact of the new standard, but no significant effects are expected at the implementation. The effects will be considered during 2017.

2.3 IFRS 16 Leases

In January 2016, IASB (International Accounting Standards Board) published a new leasing standard, IFRS 16 *Leases*. The new standard requires that the *lessee* recognises leasing agreements in the balance sheet, whereby the value in use for an asset and the corresponding lease obligation is disclosed in the balance sheet. Exceptions are made for leases concerning assets of low value ("low value" assets) and short-term leases (where the lease period is 12 months or less). The "right to use" asset and the leasing obligations are measured at the present value of the lease payments. At the subsequent measurement, the "right to use" asset shall be depreciated over the shorter of the lease period and the expected economic life for the underlying asset. The leasing obligation shall be amended for changes like adjusted leasing periods and interest adjustments, and reduced by performed payments.

The *lessors'* accounting requirements are basically unchanged.

The requirements for disclosures are also changed, and extended information is required.

The new standard will be effective for the accounting year 2019 (provided approval by the EU). The standard implies a significant change in the lessees' accounting for lease agreements, with effect on both the balance sheet and the income statement.

In the autumn of 2016, the company established a project to evaluate and implement the new standard. The first phase has started by identifying relevant contracts in the company. Significant agreements mainly concern leases related to buildings and terminals in addition to the company's car fleet. An agreement must meet the definition of a lease to be within the scope of IFRS 16; the asset(s) must be identifiable, and the lessee must have the right to control the use of the asset(s) in a given period. For some agreements, this assessment is complex, and the company therefore intends to spend the required time to ensure a correct and complete list of the lease agreements in the company.

In phase two of the project, the company shall assess the consequences for the financial reporting. The determination of the agreements' lease payment and lease periods will be key in this phase, as the asset and liability are measured at their present value. The company has not fully considered the impact of the new standard. The initial consideration is that the new standard to a large extent will change the accounting for lease contracts in the company. It is generally expected that the company's operating profit before depreciation (EBITDA) and operating profit (EBIT) will be improved. Leasing costs presently included in other operating expenses will according to IFRS 16 be classified as depreciation and financial expenses. The company's equity ratio will be reduced. The goal is to quantify the effect of IFRS 16 before the end of 2017, in addition to determine a method for implementation.

Phase three and four of the evaluation include the consideration of required system acquisitions and adjustments, together with a review the consequences for strategic and operational decisions, and will basically be carried out in the same period as phase two.

The project's aim is to implement IFRS 16 when it comes into effect, i.e., for the accounting year 2019.

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. The application of the company's accounting principles also requires that management must make judgments. 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 (definition in section 1.13) 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 on 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 obligations. The present value of the pension obligations depends on a number of factors determined by actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The 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 obligations. 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 obligation.

Details are provided 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 disclosed in note 10.

3.4 Deferred tax assets

Deferred tax assets are recognised 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. Note 6 has more details.

4. Foreign currency translation

4.1 Functional currency and presentation currency

The financial statements are presented in Norwegian kroner (NOK). This is also the company's functional currency.

4.2 Transactions and balances

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

Revenue is recognised when it can be measured reliably, it is likely that the economic benefits will flow to the entity and criteria related to the various forms of income described below are met.

Sales income is measured at the fair value of the consideration received net of value added tax and discounts. Revenue from the sale of goods and services is recognised at the time when the products or services are delivered to the customer, and when significant risks have been transferred to the customer.

5.1 Revenue: Products and services

Revenue is generated from the sale of letter products, banking services, stamp collector sales, sales of goods, transport services:

- The sale of stamps is considered to be advance payments for the sale of postal services, and recognised when the delivery of the service takes place.
- Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption.
- Other postage sales are billed and recognised when letter products are delivered.
- Fees for banking services are recognised on the basis of performed banking services.
- International mail within ordinary terminal charge agreements is 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.
- Sales of goods are recognised when the goods are delivered and significant risks are transferred to the customer.
- Government payments for unprofitable services are recognised when the allocated funds are received (monthly), limited to an amount equaling the current year's estimated additional expenses regarding licensing requirements.
- Transport services comprise letters, parcels and freight and are recognised at the time of delivery of the service and when significant risks are transferred to the customer.

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 expenses when incurred.

The liability recognised in the balance sheet for the defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The gross obligation 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 costs 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, 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 initial recognition of taxable non-depreciable goodwill
- temporary differences relating to investments in subsidiaries, associates and joint ventures and where company management itself decides when the temporary differences will be reversed, and it is probable that this will not take place in the foreseeable future.

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 the authorities are notifying a change in previous year's tax return, the expense 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 measured reliably. 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 "Impairment of assets" has a more detailed description). Intangible assets with finite 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.
- 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, the expenses relating to development work can 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 decomposed when the fixed asset consists of components that have different useful economic lives. Costs relating to normal maintenance and repairs are charged to expenses 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 linearly to allocate costs to the residual values 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, associated companies and joint ventures

Posten Norge AS accounts for investments in subsidiaries, associated companies and joint venture at historical cost.

11. Impairment of assets

An impairment requirement is recognised 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. Incoming cash flows are cash and cash equivalents from parties outside the enterprise.

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, impairment recognised in prior periods is reversed if new information indicates that an impairment requirement no longer exists or has been reduced. However, an impairment is not reversed if it implies that the carrying amount exceeds the value that had been determined if no impairment loss been recognised.

11.1. Impairment: Goodwill and other assets with indefinite useful lives

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

11.2. Impairment: Other assets with finite useful lives

An assessment of impairment of other assets with finite useful lives is made when there are indications of impairment.

12. Provisions

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 measured reliably. 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 obligations are provided in section 6 in the company's accounting principles.

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 company is operated. Provisions for restructuring are expensed when the program has been determined and announced, and the costs are identifiable, quantifiable and not covered by corresponding revenue.

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 initially measured at fair value on the settlement date, normally at the transaction price. Financial assets are categorised as fair value through profit or loss, available for sale or loans/receivables. Financial liabilities are categorised as fair value through profit or loss or other liabilities.

- Financial assets and liabilities that are held with the intention of profiting on short-term fluctuations in prices (held for trading purposes) or are recognised according to the fair value option, are classified as fair value through profit or loss.
- All other financial assets, except loans and receivables originally issued by the company and subsequently measured at amortised cost, are classified as available for sale.
- All other financial liabilities subsequently recognised at amortised cost are classified as other liabilities.

Changes in the fair value of financial instruments classified as fair value through profit or loss (held for trading purposes or fair value option) are recognised and presented as finance income/expenses.

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, expired or transferred. 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.

14.1 Financial instruments: Hedging

Before a hedging transaction is carried out, an assessment is made as to whether the derivative shall be used to a) hedge future cash flows related to an asset, liability or a future transaction, b) hedge the fair value of an asset or a liability.

The company's criteria for classifying a derivative as a hedging instrument are as follows: (1) the hedge is expected to be very effective in that it offsets changes in the fair value of or cash flows of an identified asset or liability, and hedge effectiveness is expected to be within a range of 80-125%, (2) the effectiveness of the hedge can be measured reliably, (3) there is adequate documentation at the time of the hedging that the hedge is highly effective, (4) for cash flow hedges, the future transaction must be very likely, (5) the hedge is assessed on an ongoing basis and has been determined to be highly effective during the reporting periods for which the hedge was designated.

Hedge accounting ceases when:

- (a) the hedging instrument expires, is sold, terminated or exercised, or
- (b) the hedge no longer meets the criteria for hedge accounting as described above

14.1.a Hedging: Cash flows

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

14.1.b Hedging: Fair value

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 of the hedged item are recognised in the income statement.

14.2 Financial instruments: Derivatives that are not hedging instruments

Derivatives not classified as hedging instruments are classified as held for trading purposes and assessed at fair value. Changes in fair value of such derivatives are recognised in the income statement.

14.3 Impairment: Financial instruments

At the end of each reporting period, the company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. Impairment of a financial asset or a group of financial assets is recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows that can be measured reliably.

Impairment of financial assets carried at amortised cost is recognised in the income statement. Prior impairments are reversed if the reduced impairment requirement can be objectively related to an event occurring after the impairment was recognised. However, the reversal is only recognised to the extent that it does not exceed the amortised cost that would have been determined, had no impairment been recognised.

For financial assets classified as available for sale, accumulated gains or losses previously recognised in other comprehensive income are reclassified to the income statement for the period providing objective information about impairment. A reversal of a prior impairment is recognised when there is new objective information related to an event occurring after the impairment was recognised. The reversal of a prior impairment is recognised in other comprehensive income for shares classified as available for sale, and is recognised in the income statement for other financial assets.

15. Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less provisions for losses. Should there be any objective evidence of decline in value, the difference between the recognised value and the present value of future cash flows is recorded as a loss.

16. Cash and cash equivalents

Cash and cash equivalents include 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 recognised initially at fair value when paid, net of transaction costs incurred. In subsequent periods, the loans are recognised at amortised cost using the effective interest 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.

18. Equity

In accordance with IAS 1, Posten Norge AS presents other comprehensive income and changes in equity for the period in separate statements.

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

Leases are classified as either operating or finance leases, based on a review of the substance in each individual agreement. A lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the company is classified as a finance lease.

The company presents finance leases in the financial statements as assets and liabilities, at the cost of the asset or, if lower, the present value of cash flows in the lease. When calculating the present value of the lease, the interest rate implicit in the lease is used when this can be determined. Alternatively, the company's marginal borrowing rate is used. The asset is depreciated over the shorter of the useful life of the asset and the lease term. Monthly lease payments are divided into an interest element and a repayment element.

Payments concerning operating leases are classified as operating expenses and recognised in the income statement over the term of the lease.

20. Events occurring after the balance sheet date

New information about the company's positions on the balance sheet date is taken into account 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.

Income statement items

Note 1 Payroll expenses and other remunerations

The note shows payroll expenses for employees and expensed remunerations to the company's Board, executives and auditors. Information about the company's bonus and pension schemes for executives and the statement on executives' remunerations is included in note 2 for the Group.

	2016	2015
Salaries	5 544	5 767
Social security tax	745	760
Pension expenses	400	359
Other contributions	213	212
Payroll expenses	6 901	7 098

Social security tax on pensions is classified as pension expenses (details in note 2)

(All amounts i TNOK)	2016	2015
Board remuneration	2 491	2 471
Fees for the statutory audit	1 779	1 654
Fees for other assurance services	730	838
Fees for tax advisory services	219	416
Fees for other non-audit services	1 474	575
Remuneration	4 202	3 482
Number of full-time equivalent positions	11 672	12 398
Number of employees 31.12 ¹⁾	11 978	13 440

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

Remunerations and fees

Auditor fees in 2016 concerned the audit firm Ernst & Young AS. Details on remunerations to the Board and executives are given in note 2 for the Group.

Bonus schemes

Posten Norge AS has a bonus scheme for the CEO and Group management (details in note 2 for the Group).

In addition, Posten Norge AS has bonus based remunerations 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 has basically the same pension schemes and pension terms as other employees in the company (cf. note 2 for the Group and the *Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries*).

Individuals employed after 31 December 2006 have a defined contribution scheme based on operations. For employees with salaries exceeding 12G, the annual contributions are limited to 25% of the pension basis in excess of 12G. This scheme was closed in February 2015 for employees in the company.

Note 2 Pensions

The company has both defined contribution and defined benefit plans. The defined benefit schemes are predictable for the employee by the fact that the payments have been agreed in advance. The premium payments depend on factors like 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 as a consequence, the employees have the return risk on what has been paid into the scheme.

More information is available in section 3 «Accounting estimates» and 6 «Pensions» in the company's accounting principles.

	2016	2015
Pension costs		
Present value of the pensions earned for the year	102	66
Net interest expense on net liabilities	20	19
Gross pension cost incl. social security tax (benefit based)	123	84
Employee contributions	(1)	(1)
Interest element reclassified to finance expenses	(18)	(16)
Net pension cost incl. social security tax (benefit based)	104	67
Defined contribution pension schemes	403	400
Employee contributions to defined contribution pension schemes	(107)	(108)
Total pension expenses included in the operating profit for the year	400	359
Net pension liabilities		
Estimated accrued secured liabilities	(25)	(25)
Estimated value of the pension assets	22	22
Net estimated secured pension (liabilities)/assets	(2)	(4)
Estimated accrued unsecured pension liabilities	(809)	(782)
Net estimated pension (liabilities)/assets in the balance sheet	(811)	(786)
Changes in liabilities		
Net liabilities at 01.01	(786)	(880)
Gross pension expenses	(123)	(84)
Premium payments and benefits paid	155	150
Contributions from scheme members	1	1
Repayment of previously paid-in pension premium	(13)	
Transferred liabilities	(6)	
Changes in pension estimates recognised in total comprehensive income	(40)	27
Net pension liabilities at 31.12	(811)	(786)

	2016	2015
The main categories of pension assets at fair value		
Equity instruments (shares, bonds)	1	1
Debt instruments	17	17
Property	3	3
Other assets	1	1
Total pension assets	22	22
(Losses)/gains on pension estimates at 01.01.	425	398
Changes in discount rate, pension liabilities	7	16
Changes in other financial assumptions, pension liabilities	1	30
Changes in demographic assumptions, pension liabilities	(59)	(14)
Changes in other factors, pension liabilities	10	(6)
Changes in other factors, pension assets	1	1
Total	(40)	27
(Losses)/gains on pension total in other comprehensive income at 31.12.	385	425
Defined contribution pension schemes		
Number of members	15 912	17 278
Share of salary	5,4-21%	5,1–20,1%
Defined benefit pension schemes		
Actuarial assumptions:		
Discount rate	2,6 %	2,5 %
Expected salary regulation	2,5 %	2,5 %
Expected G regulation	2,25 %	2,25 %
Expected pension regulation	1,5-2,25%	1,5–2,25%
Expected yield	2,6 %	2,5 %
Expected voluntary retirement (below 50 years)	3,5 %	3,5 %
Expected voluntary retirement (over 50 years)	1,5 %	1,5 %
Expected use of AFP	40-60%	35–50%
Demographic assumptions on mortality rate	K2013	K2013

Defined contribution schemes

The bulk of the company's pension costs concern contribution pension and disability pension, annually expensed in the income statement by the amount paid to the pension supplier.

The contribution rates in the first half-year of 2015 were 5,0% for salaries between 1 – 7,1G (the national insurance basic amount) and 13% for salaries between 7,1G and 12G. From 1 July 2015, the rate was increased from 13% to 20% for salaries between 7,1G and 12G. From 1 June 2016 the lowest rate was increased to 5,1% and the highest to 21%. Employees contribute to the pension scheme through salary deductions.

In 2016, MNOK 15 were charged in administration costs due to new rules for paid-up policies. The amount is included in costs related to the contribution pension plan.

The AFP (early retirement) scheme

On 1 November 2011, the company transferred to a new AFP scheme (the joint scheme for AFP in the private sector), cf. note 3 for the Group.

Employees still being members of the Norwegian Public Service Pension Fund (SPK) have kept their rights in accordance with the AFP scheme in the public sector.

The company was a member of the AFP scheme in the Spekter area in the period 2006-2010. This was discontinued in 2016 and deposited funds paid back to enterprises being members of the scheme at det time of the repayment. In this connection, the company received MNOK 46, of which MNOK 13 were classified as pension costs.

Some provisions related to AFP were reversed in 2015 and reduced last year's pension costs.

Defined benefit schemes

The bulk of the company's benefit schemes is related to the fact that Posten Norge AS withdrew from the Norwegian Public Service Pension Fund, and those employed at the date of the transition became entitled to various compensation and guarantee schemes.

A disability pension has been introduced which provides benefits corresponding to 66% of the employee's pay without a paid-up policy accrual, and the company also has significant obligations concerning salaries in excess of 12G. Pension obligations related to salaries in excess of 12G and early retirement pension are financed by the company's operations.

The company's defined benefit pension schemes comply with the legislation on company pensions, and the pension funds are managed by life insurance companies. 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.

Assumptions

From 2016, changes have been made to the financial assumptions, basically 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 2,6% in 2016 against 2,5% in 2015.

The take-up tendency increased by 10-15 percentage points from 2015. This is the main reason for this year's change in actuarial assumptions concerning demography and was made as a consequence of a review of the total and of the historical rate of withdrawals from AFP.

The general retirement age for the Norwegian employees is 67 years.

Sensitivity

The table below shows estimates for possible effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2016 with the assumption that all other premises are unchanged. The actual figures can deviate significantly from these estimates.

	Discount rate		Pension regulation		Voluntary retirement	
Change (percentage points)	+1%	-1%	+1%	-1%	+1%	-1%
Change in pension obligation (amounts in MNOK)	-65	76	46	-41	-37	28
Percentage change	-9%	10%	6%	-5%	-5%	4%

Note 3 Other operating expenses

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

	2016	2015
Cost of premises	876	870
Other rental expenses	260	283
IT services	577	587
Other external services	169	200
Repair and maintenance of equipment	91	84
Tools, fixtures, operating materials	84	106
Marketing	88	100
Travel expenses	76	82
Insurance, guarantee and compensation expenses	49	51
Accounting and payroll services	35	38
Telephone	32	39
Other expenses	115	115
Total operating expenses	2 451	2 554

The company has significant costs related to renting premises. The reduction in other rental expenses costs is mainly a consequence of the decline in the number of leased cars. The reduction in IT costs is a combination of cost measures and new contracts for operations and management. Other external services are lower due to a more limited use of temporary personnel and consultants than in 2015. Other reductions in operating expenses are the consequence of focus on cost measures. Other expenses include freight, stationery, IT equipment, publications, membership dues, other internal operating expenses and losses on receivables.

Note 4 Other income and expenses

Other income and expenses comprise significant income and costs that are non-recurring, and includes restructuring costs, impairment of shares and gains and losses on sales (details in section 3 "Accounting estimates" and section 12 "Provisions" in the company's accounting principles).

	2016	2015
Restructuring expenses	(148)	(55)
Gains on sale of fixed assets	55	249
Other income/(expenses)	(439)	(767)
Total other income and (expenses)	(532)	(574)

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

In 2016, Posten Norge AS made a provision of MNOK 156 for restructuring costs and reversed the previous years' provision of MNOK 8. In 2015, MNOK 60 were provided for, and MNOK 5 reversed. MNOK 118 of the provision of MNOK 156 concerned personnel initiatives, MNOK 34 premises and MNOK 5 other measures. The most significant provision in 2016 concerned the introduction of one mail flow from January 2018.

Gains on sales of fixed assets

In 2016, the company sold 100% of the shares in Bring Dialog Norge AS to Netlife Gruppen AS, a subsidiary (87% ownership) of Posten Norge AS. The gain on the sale was MNOK 47. The company also sold the wholly owned subsidiary Posten Eiendom Skien AS with a gain of MNOK 7.

In 2015, the company sold all its shares in EVRY ASA, with a gain of MNOK 249.

Other income and expenses

Other income and expenses in 2016 principally concerned a provision for losses on a loan to the subsidiary Bring Freight Forwarding AB (formerly Bring Cargo Inrikes AB) of MNOK 262 and an impairment of shares in the subsidiary of MNOK 177. The most significant impairment concerned shares in Bring Frigo Sverige AB amounting to MNOK 92, MNOK 34 in Bring Frigo Norge AS, MNOK 26 in Bring Cargo International AB and MNOK 24 in Bring Freight Forwarding AB. Note 9 has additional information.

Other income and expenses in 2015 mainly concerned impairment of shares in subsidiaries.

Note 5 Finance income and finance expenses

The note gives an overview of the company's finance income and expenses, including income and costs related to the company's financing, currency effects from receivables and debt in foreign currencies, in addition to gains and losses from financial derivatives (cf. section 14 "Financial instruments" in the company's accounting principles).

	2016	2015
Interest income from group companies	74	65
Other interest income	76	44
Dividends received	76	
Gains on derivatives	300	181
Gains on loans at fair value through profit and loss ¹⁾	45	
Currency gains	40	235
Other finance income	34	1
Finance income	646	525
Interest expenses to group companies	25	19
Interest expenses on financial leases	1	1
Other interest expenses	81	97
Losses on derivatives	70	208
Losses on loans at fair value through profit and loss ¹⁾		158
Currency losses	96	173
Other finance expenses	19	23
Finance expenses	292	678

¹⁾ Change in value of loans in Japanese yen, at fair value. This corresponds to the change in value of combined interest-rate/currency swaps that are recorded as "Gains on derivatives". For further information, see note 18.

Details on other interest income for Posten Norge AS are given in the Group accounts' note 6.

Received dividends relate to the company's investments in Bring Dialog AS and Danske Fragtmænd A/S.

Other financial income includes a repayment of financial income in connection with a termination of an AFP scheme of MNOK 33 (note 2).

Other interest expenses for 2016 comprised interest costs on net pension obligations constituting MNOK 18 and otherwise primarily costs connected with long-term financing.

Note 6 Taxes

The note accounts for 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 asset. Deferred tax liabilities/assets arise when the accounting and taxable accruals differ (cf. section 3 "Accounting estimates" and section 7 "Taxes" in the company's accounting principles).

	2016	2015
Income taxes		
Tax payable	167	67
Changes in deferred tax (deferred tax asset)	14	41
Tax expense	181	107
Tax payable for the year	167	67
Tax payable	167	67
Effective tax rate	50%	-76%
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit/(loss) before tax	361	(140)
25% tax	90	(38)
Other non-deductible expenses	115	196
Non-taxable income	(33)	(68)
Effect of changes in tax rate	8	16
Tax expense	181	107

	2016	2015
Changes in deferred tax recorded directly in other comprehensive income		
Actuarial gains and losses	(10)	7
Cash flow hedging	6	5
Effect of change in tax rate	2	5
Total	(2)	17

The effective tax rate was 50%. This is due to permanent differences related to impairment of shares and provisions for losses on loans to subsidiaries, reduced by tax-free gains on sales of shares. The tax expense has also increased as a consequence of the reduced tax rate to 24% in Norway. This is effective from 2017 and taken into consideration in the calculation of deferred tax assets. The effect of the changed tax rate recognised in the income statement amounts to MNOK 8.

Changes in deferred tax asset

	01.01 2016	Recognised in other compre- hensive income	Recognised in income statement	Effect of change in tax rate ¹⁾	31.12 2016
Tangible fixed assets	(13)		(5)	1	(18)
Retained gains and losses	2				1
Receivables	(8)		3		(5)
Currency	30		(25)		5
Pensions	(196)	(10)	4	8	(195)
Contribution fund	23		(2)	(1)	20
Provisions	(58)		(9)	3	(64)
Financial instruments	(43)	6	41		4
Total deferred tax/(tax asset)	(265)	(4)	6	10	(252)

1) The column includes the effect of change in tax rate that is recognised in the income statement and in other comprehensive income by 8 MNOK and 2 MNOK, respectively.

Deferred tax assets are reduced by MNOK 10 as a consequence of the reduced tax rate.

The effect of the changed tax rate is related to the underlying assets recognised partly in the income statement and partly in other comprehensive income. The tax effect has been recognised correspondingly. The effect of the changed tax rate recognised in other comprehensive income of MNOK 2 mainly concerns changes in pension estimates.

Non-financial assets and liabilities

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 (cf. section 3 "Accounting estimates" and section 8 "Intangible assets" in the company's accounting principles).

	IT develop- ment etc.	Projects in progress	Goodwill	Total
Acquisition cost 01.01.2016	2 060	66	441	2 567
Accumulated amortisation and impairment 01.01.2016	(1 714)			(1 714)
Carrying amount 01.01.2016	346	66	441	853
Additions	3	176	114	293
Additions through company acquisitions		35		35
Amortisation for the year	(122)			(122)
Impairment for the year	(1)	(6)		(7)
Adjustment of cost price/scraping	(1)			(1)
Transfers from projects in progress	68	(68)		
Carrying amount 31.12.2016	292	203	556	1 051
Acquisition cost 31.12.2016	1 889	209	556	2 653
Accumulated amortisation and impairment 31.12.2016	(1 596)	(6)		(1 603)
Carrying amount 31.12.2016	292	203	556	1 051
Amortisation method	Straight-line			
Useful life	3 - 10 years			

	IT develop- ment etc.	Projects in progress	Goodwill	Total
Acquisition cost 01.01.2015	1 799	227		2 026
Accumulated amortisation and impairment 01.01.2015	(1 498)			(1 498)
Carrying amount 01.01.2015	302	227		528
Additions	87	22		109
Amortisation for the year	(224)			(224)
Adjustment of cost price/scraping	(2)			(2)
Intercompany transfers			441	441
Transfers from projects in progress	183	(183)		
Carrying amount 31.12.2015	346	66	441	853
Acquisition cost 31.01.2015	2 060	66	441	2 567
Accumulated amortisation and impairment 31.01.2015	(1 714)			(1 714)
Carrying amount 31.12.2015	346	66	441	853
Amortisation method	Straight-line			
Useful life	3 - 10 years			

IT development

Total intangible assets related to IT development recognised in the balance sheet at 31 December 2016 constituted MNOK 292. A group-shared IT platform was capitalised by MNOK 56. MNOK 38 concerned Oracle E-business Suite, comprising solutions for a shared address register, response sending system, accounting and salary systems, as well as HR and order systems. The program also includes a new route register.

A development platform and shared client software for the use of handheld terminals amounting to MNOK 37 were recognised in the balance sheet, as well as a production support system and several projects concerning web solutions.

As part of the company's adaptation of services to new user needs, a solution for a secure digital postal system, Digipost, has been developed. At year-end, it had approximately 1,4 million users. The system's value in the balance sheet at year-end was MNOK 40.

For intangible assets that have a finite useful economic life, the amortisation period for Posten Norge AS was 3-10 years in 2016 (the same as in 2015), 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 presented on the line for depreciation and amortisation.

Projects in progress

Projects in progress at 31 December 2016 amounted to MNOK 203, of which approximately MNOK 188 concerned IT investments related to the group-shared transformation program Nye Posten and Bring (NPB). The program shall support line management in their efforts to achieve the company's strategic and operating goals. The program comprises group-shared improvement initiatives and IT investments that shall contribute to give the company and its subsidiaries an improved basis for operations.

Impairment of IT development etc. and projects in progress

Impairment costs are presented on the line for impairment in the income statement.

No significant need for impairment was recognised in 2016 or 2015 for IT development or projects in progress.

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 the business or business group are independent of cash flows related to other entities, the individual entity/entity group comprises 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. Posten Norge AS has goodwill amounting to MNOK 556 (MNOK 441 in 2015), in its entirety related to the Logistics Division.

Additions goodwill

This year's addition of MNOK concerned acquisitions from Bring Express Norge AS, Bring Cargo AS and Bring Gudbrandsdalen AS. Changes in the Group structure is described in note 23 to the consolidated financial statements.

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 company uses the value in use as the recoverable amount for goodwill.

Forecasts

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 divisional leaders based on the most recent available general

economic indicators and market expectations, considered against strategic goals, historical and other factors. Final forecasts are approved by management.

In the Logistics Division, profit margins are characterised by strong competition and price pressure. Significant cost elements are external service costs that are affected by price negotiations and inflation. Posten Norge AS is sensitive to fluctuations in market trends in Norway, especially related to the Logistics segment. This is reflected in the growth rates of the division.

Other assumptions (growth and required rate of return)

The extrapolation period contains a projection of cash flows after the forecast period, using a constant growth rate. The growth rate of the Logistics division is stated in the table below. Growth rates do not exceed the long-term average rate in the areas where the Logistics division operates.

The present value of future cash flows is calculated using a weighted required rate of return of 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 a long-term risk-free interest with the addition of a credit margin derived from the company'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, and the required rate of return applied for the Logistics division is stated in the table below.

Overview of goodwill and key assumptions per segment

Segment	Goodwill	Discount rate before tax (WACC)		Long-term growth rate	
		2016	2015	2016	2015
Logistics	556	9,1%	9,1%	2%	2%
Total	556				

Results from impairment tests in 2016

Based on the criteria described above, no need for any impairment of goodwill was uncovered in 2016 (the same as in 2015).

Sensitivity analyses

The difference between the carrying value and the value in use for goodwill for the cash-generating units shows good margins.

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 (cf. section 9 "Tangible fixed assets" in the company's accounting principles).

	Machi- nery	Vehicles, fixtures and fittings	Buildings, property	Machi- nery and facilities under constr.	Buildings under constr.	Total
Acquisition cost 01.01.2016	1 194	1 210	172	94	6	2 676
Accumulated depreciation and impairment 01.01.2016	(885)	(739)	(112)			(1 736)
Carrying amount 01.01.2016	310	471	61	94	6	941
Additions	12	35	4	169	5	226
Disposals		(3)				(3)
Depreciation for the year	(81)	(126)	(14)			(221)
Impairment for the year		(7)	(4)			(12)
Adjustment of cost price/scraping	1					1
Transfers from assets under construction	14	18	9	(31)	(9)	
Carrying amount 31.12.2016	255	388	55	232	2	931
Acquisition cost 31.12.2016	1 157	1 102	148	232	2	2 641
Accumulated depreciation and impairment 31.12.2016	(902)	(715)	(93)			(1 710)
Carrying amount 31.12.2016	255	388	55	232	2	931

	Machi- nery	Vehicles, fixtures and fittings	Buildings, property	Machi- nery and facilities under constr.	Buildings under constr.	Total
Acquisition cost 01.01.2015	1 158	1 159	527	87	16	2 946
Accumulated depreciation and impairment 01.01.2015	(827)	(677)	(271)			(1 775)
Carrying amount 01.01.2015	331	482	256	87	16	1 172
Additions	7	81	7	98	16	209
Disposals		(1)	(215)			(215)
Depreciation for the year	(85)	(123)	(13)			(221)
Impairment for the year		(2)	(1)			(3)
Adjustment of cost price/scraping						(1)
Transfers from assets under construction	57	34	27	(91)	(27)	
Carrying amount 31.12.2015	310	471	61	94	6	941
Acquisition cost 31.12.2015	1 194	1 210	172	94	6	2 676
Accumulated depreciation and impairment 31.12.2015	(885)	(739)	(112)			(1 736)
Carrying amount 31.12.2015	310	471	61	94	6	941
Depreciation method	Straight line	Straight line	Straight line			
Useful life	5 - 15 years	4 - 15 years	4 - 40 years			

Additions of tangible fixed assets

Out of total additions of MNOK 226 in 2016, approximately MNOK 139 concerned new logistics centres at Alnabru in Oslo, Trondheim and Narvik.

Note 9 Investments in subsidiaries, associates and joint ventures

In the company accounts of Posten Norge AS, investments in subsidiaries, associated company and joint venture are recognised at historical cost (cf. section 10 "Investments in subsidiaries, associated companies and joint ventures" in the company's accounting principles).

Subsidiaries	Aquired/ established	Address	Primary activity	Voting and ownership share	Book value	Book value
				31.12.16	31.12.16	31.12.15
Bring Cargo AS	10.06.2004	Oslo	Transport	100 %	1 136	1 105
Bring Express Norge AS	12.11.1997	Oslo	Express	100 %	497	400
Posten Eiendom Robsrud AS	08.06.2006	Oslo	Property	100 %	480	480
Bring Frigo AB	20.01.2006	Sweden	Transport	100 %	416	508
Bring Express AS	29.10.1997	Oslo	Express	100 %	257	257
Bring Cargo International AB	23.03.2011	Sweden	Transport	100 %	233	259
Netlifte Gruppen AS (2015 Bring Dialog Norge AS)	31.07.2016	Oslo	Dialog services	87 %	183	58
Posten Eiendom Kanalvegen AS	21.03.2006	Oslo	Property	100 %	121	121
Bring Warehousing AS	12.04.2000	Oslo	3P logistics	100 %	114	114
Bring Parcels AB	1999/2008	Sweden	Transport	100 %	91	91
Bring Mail Nordic AB	01.09.2005	Sweden	Mail	100 %	86	86
Bring Transportløsninger AS (tidl Bring Cargo Østfold AS)	30.06.2016	Oslo	Transport	100 %	46	
Bring Frigo Norge AS	10.06.2004	Lørenskog	Transport	100 %	58	91
Bring Citymail Sweden AB	01.05.2002	Sweden	Mail	100 %	73	35
Posten Eiendom Alnabru AS	01.01.2008	Oslo	Property	100 %	57	57
Bring Linehaul AS	2000/2009	Jaren	Transport	100 %	37	37
Espeland Transport AS	30.06.2016	Alvdal	Transport	100 %	22	
Bring Gudbrandsdalen AS	11.06.2014	Lom	Transport	100 %	16	19
Posten Eiendom Svanholmen AS	11.04.2014	Oslo	Property	100 %	14	14
Bring Danmark A/S	18.11.2010	Denmark	Transport	100 %	1	1
Bring Shared Services AB (tidl Bring Norden AB)	07.06.2011	Sweden	Support function	100 %	1	1
Bring Freight Forwarding AB (tidl Bring Cargo Inrikes AB)	30.11.2012	Sweden	Transport	100 %		24
Bring Citymail AB	01.05.2002	Sverige	Holding	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 %		
Posten Eiendom Trondheim AS	01.11.2015	Oslo	Property	100 %		
Posten Eiendom Bergen AS	15.08.2016	Oslo	Property	100 %		
Posten Eiendom Narvik AS	18.09.2015	Oslo	Property	100 %		
Posten Eiendom Stavanger AS	16.10.2015	Oslo	Property	100 %		
Posten Eiendom Tromsø AS	16.10.2015	Oslo	Property	100 %		
Posten Eiendom Vestfold AS	08.02.2016	Oslo	Property	100 %		
Bring AS	08.03.2005	Oslo	None	100 %		
Total investments in subsidiaries					3 942	3 759

Investment in associated company	Acquired/ established	Address	Primary activity	Voting and ownership share 31.12.16	Book value 31.12.16	Book value 31.12.15
Danske Fragtmænd A/S	04.07.2013	Denmark	Transport	34 %	317	317
Total investment in associated company					317	317

In January 2016, the company sold its ownership share (100%) in Posten Eiendom Skien AS. The settlement took place in April 2016 with a gain of MNOK 7.

In connection with the transfer of operations from Posten Posten Norge AS to Bring Express Norge AS, the share capital in Bring Express Norge AS was increased by MNOK 97.

In May 2016, Posten Norge AS acquired 100% of Espeland Transport AS. The company had 60 employees and revenue amounted to MNOK 111 in 2015.

In July 2016, Posten Norge AS joined operations in Netlife Research AS and Bring Dialog AS by establishing the company Netlife Gruppen AS with a subsequent contribution in kind of the shares in Bring Dialog Norge AS into Netlife Gruppen AS. At the same time, the shares in Netlife Research AS were purchased by Netlife Gruppen AS. The transaction generated a gain for Posten Norge AS of MNOK 47. Posten Norge AS owns 87 % of the shares in Netlife Gruppen AS. Netlife Research AS had 83 employees and revenue amounting to MNOK 82 in 2015.

The groupage and part loads business in Bring Cargo Østfold AS was transferred to Posten Norge AS with effect from 1 March 2016.

Production equipment, employees and materials, as well as goodwill, were transferred from Bring Gudbrandsdalen AS to Posten Norge AS in the first quarter of 2016, as the last part of the business transfer approved in 2015.

Bring Cargo Østfold AS changed its name to Bring Transportløsninger AS in 2016. In addition, the shares in the company were transferred from Bring Cargo AS to Posten Norge AS.

In 2016, a merger between Bring Express AS and Posten Norge AS was determined. The merger was carried out at accounting and tax continuity on 1 January 2017.

Impairment of shares and capital contributions

As the carrying value of shares exceeded the value in use of net assets, impairment of shares in subsidiaries was carried out. The table below also shows capital contributions in 2016.

Company	Impairment in MNOK	Capital contributions in MNOK
Bring Frigo AB	92	
Bring Frigo Norge AS	34	
Bring Cargo International AB	26	
Bring Freight Forwarding AB (tidl Bring Cargo Inrikes AB)	24	
Bring Gudbrandsdalen AS	2	
Bring Citymail Sweden AB		39
Bring Express Norge AS		15
Total	177	54

The corresponding impairment in 2015 was MNOK 705.

Note 10 Provisions for liabilities

The company's provisions mainly comprise provisions related to restructuring, pensions and other types of provisions (cf. section 3 "Accounting estimates", section 12 "Provisions" and section 13 "Contingent liabilities and assets" in the company's accounting principles

	Reorgani- sation	Pensions	Other	Total
Balance 01.01.2015	136	880		1 016
Provisions recorded during the year	60			60
Reversal of previous year's provisions	(5)			(5)
Effect from discounting	2			2
Provisions utilised during the year	(68)			(68)
Change in pension liabilities during the year		(94)		(94)
Balance 31.12.2015	125	786		911
Provisions recorded during the year	156		4	160
Reversal of previous year's provisions	(8)			(8)
Effect from discounting	1			1
Provisions utilised during the year	(49)			(49)
Change in pension liabilities during the year		25		25
Balance 31.12.2016	226	811	4	1 041
Current provisions	33			33
Non-current provisions	193	811	4	1 008

Restructuring

Out of this year's provisions of MNOK 156, MNOK 118 related to personnel initiatives, MNOK 34 premises and MNOK 5 other measures. The most important important provision in 2016 concerned the introduction of one mail flow from 2018.

In addition to restructuring, reorganisation includes severance pay. Severance pay is payable to employees of the Norwegian state who have been made redundant, and is payable for the period until they obtain new employment. For employees in Posten Norge AS, the scheme applies to redundancies made up to and including 31 December 2004.

The liabilities as at 31 December are specified below:

	2016	2015
Personnel related	178	108
Property	35	3
Other measures	5	
Severance pay	8	15
Total reorganisation	226	125

The disbursements are expected to be MNOK 33 in 2017 and MNOK 193 in later years

Pensions

Pensions are described in [note 2](#).

Disputes

No disputes with any significant risk exposure for the company has been noted.

FINANCIAL ASSETS AND LIABILITIES

Note 11 Overview of financial assets and liabilities

The note gives an overview of the classification of the company's financial assets and liabilities and their carrying amounts (cf. section 14 "Financial instruments" in the company's accounting principles).

2016	Note	Value hierarchy level	At fair value		At amortised cost		Total 2016
			FVO - Fair value through profit or loss	Derivatives at fair value through profit or loss	Derivatives at fair value through comprehensive income	Receivables	
Assets							
Interest-bearing non-current receivables	12					1 771	1 771
Other financial assets	9, 18	2		194		3 960	4 155
Interest-free current receivables	13, 18	2		49	2	1 744	1 796
Interest-bearing current receivables	12					2 063	2 063
Liquid assets	14						1 735
Total financial assets							11 519
Liabilities							
Interest-bearing non-current liabilities	15, 18	2	635				1 302
Interest-free non-current liabilities	16, 18	2		24	2		2
Interest-bearing current liabilities	15, 18						2 623
Interest-free current liabilities incl. tax payable	6, 16, 18	2		16			3 302
Total financial liabilities							7 907
Total value hierarchy level 1							
Total value hierarchy level 2			(635)	204			(431)
Total value hierarchy level 3							

2015	Note	Value hierarchy level	At fair value			At amortised cost		Total 2015
			FVO - Fair value through profit or loss	tives at fair value through profit or loss	tives at fair value through comprehensive	Receivables	Other financial liabilities	
Assets								
Interest-bearing non-current receivables	12					2 077		2 077
Other financial assets	9, 18	2		198		3 780		3 978
Interest-free current receivables	13, 18	2		42		1 636		1 678
Interest-bearing current receivables	12					1 886		1 886
Liquid assets	14							2 667
Total financial assets								12 285
Liabilities								
Interest-bearing non-current liabilities	15, 18	2	639				1 406	2 045
Interest-free non-current liabilities	16, 18	2		30	6			36
Interest-bearing current liabilities	15, 18		370				2 147	2 518
Interest-free current liabilities incl. tax payable	6, 16, 18	2		125	17		4 070	4 212
Total financial liabilities								8 811
Total value hierarchy level 1								
Total value hierarchy level 2			(1 010)	85	(23)			(948)
Total value hierarchy level 3								

The table above is a starting point for the following information about financial assets and liabilities with references to the relevant notes. In addition, the classification in categories pursuant to IAS 39 is shown, and at which level in the value hierarchy the company's financial instruments at fair value have been assessed to be.

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 2016 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 2016, 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 IAS 39 has been applied, was measured on the basis of sources described in level 2. Note 18 in the Group accounts has details.

Fair value of financial instruments measured at amortised cost in the balance sheet

Information about fair value is provided in accordance with the disclosure requirements in 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 2016 was approximately the same as book value (amortised cost). Fair value was calculated as the present value of estimated cash flows discounted at the interest rate applicable for corresponding assets and liabilities on the balance sheet date. The measurement of fair value of receivables and financial liabilities was made on the basis of sources described in level 3.

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. (cf. section 14 "Financial instruments" in the Group's accounting principles).

	2016	2015
Other non-current receivables	7	6
Loans to group companies	1 764	2 071
Interest-bearing non-current receivables	1 771	2 077
Other current receivables	81	91
Loans to group companies	1 982	1 795
Interest-bearing current receivables	2 063	1 886

The change in non-current interest-bearing receivables is mainly due to repayment of debt from Posten Eiendom AS and Posten Eiendom Robsrud AS, reclassification of the first year's instalment and a provision for loss on loans to Bring Cargo Inrikes AB of MNOK 262 (cf. [note 5](#)). Other current interest-bearing receivables primarily include prepayments to deposit fund and premium fund in DNB Liv.

Current loans to group companies include receivable connected with the group cash pool and the first year's instalments of debt to group companies.

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 (cf. section 15 "Accounts receivable" in the company's accounting principles).

	2016	2015
Accounts receivables	1 057	975
Receivables from group companies	299	307
Accrued income	211	193
Prepaid expenses	141	130
Short-term derivatives	51	42
Receivables from employees	2	2
Other receivables	35	28
Interest-free current receivables	1 796	1 678
Accounts receivable by due date		
Not due	928	798
0 - 30 days	112	160
30 - 60 days	11	8
60 - 90 days	3	2
Over 90 days	9	14
Provisions for bad debt	(7)	(7)
Total receivables	1 057	975
Provisions for bad debts		
As at 01 January	7	7
Provisions allocated during the year	20	24
Actual losses recognised against provisions	(14)	(16)
Over/underfunded accruals in previous years	(6)	(8)
As at 31 December	7	7
Total actual losses on bad debts	14	17
Provisions for bad debts by:		
General provisions	7	7
Total	7	7

The carrying amount of interest-free current receivables was approximately the same as their fair value due to the short period left until maturity. 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 take place only to customers with adequate payment ability and that outstanding amounts do not exceed established credit limits. There are no indications that customer receivables not yet due, or already provided for on the balance sheet date, are not collectible.

limits. There are no indications that customer receivables not yet due, or already provided for on the balance sheet date, are not collectible.

Accrued income mainly includes earned terminal income related to foreign postal services.

Other receivables primarily comprise receivables concerning social security refunds and Post-in-Shops.

Note 14 Liquid assets

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (cf. section 16 "Cash and cash equivalents" in the company's accounting principles).

	2016	2015
Cash and cash equivalents	101	189
Short-term investments	1 634	2 478
Liquid assets	1 735	2 667

A considerable portion of the cash and cash equivalents was 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 2016 amounted to MNOK 70 (the corresponding amount in 2015 was MNOK 98), and is based on a requirement to meet 95% of historical net withdrawals. The remuneration for this service is 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.

A corporate cash pool in Nordea is used in Norway, Sweden, Denmark and the UK, and according to 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. Posten had unused credit facilities of MNOK 500 in Nordea and MNOK 50 in DNB as at 31 December 2016

The company's short-term investments consisted of investments in liquid interest funds at low risk. The investments constitute an important part of the company's liquidity reserve.

Information about market-based investments and interest funds is also provided in note 17.

Note 15 Interest-bearing non-current and current liabilities

Interest-bearing non-current and current liabilities comprise debt to credit institutions, bond loans, finance leasing, certificate loans and other interest-bearing debt. Non-current liabilities are presented with one part at fixed interest and one at floating interest. The first year's instalment of interest-bearing non-current debt is included in current liabilities (cf. section 14 "Financial instruments" and section 17 "Loans" in the company's accounting principles).

Interest-bearing non-current liabilities

	2016	2015
Liabilities with fixed interest		
Liabilities to credit institutions	544	648
Bond loans	263	263
Non-current liabilities with fixed interest	806	911
Liabilities with floating interest		
Liabilities to credit institutions	391	391
Bond loans	738	738
Financial lease obligations	2	5
Other non-current liabilities		
Non-current liabilities with floating interest	1 130	1 134
Interest-bearing non-current liabilities	1 937	2 045

Interest-bearing current liabilities

	2016	2015
First year instalment on non-current liabilities	100	672
First instalment on financial lease obligations	4	4
Certificate loans	300	200
Debts to group companies	2 219	1 638
Other current liabilities		4
Interest-bearing current liabilities	2 623	2 518

In 2016, Posten Norge AS repaid liabilities amounting to MNOK 632 (Norwegian bond loans of MNOK 202, amortising loans from Nordiska Investeringsbanken of MNOK 100 and repayment of Japanese private placement loan of MNOK 330). In addition, the company has increased loans to group companies. The debt to subsidiaries has increased from 2015, primarily due to changes in the group cash pool.

As of December 2016, Posten Norge had certificate loans totalling MNOK 300. Certificate loans are classified as current interest-bearing liabilities. Posten Norge has net increased outstanding balances on the certificate loans by MNOK 100 during 2016.

Note 18 "Financial risk and capital management" in the Group accounts has details on the instalment profiles for debt.

Note 16 Interest-free non-current and current liabilities

Interest-free debt mainly comprised short-term items like trade accounts payable, other provisions concerning salaries, public duties and other incurred expenses (cf. section 14 "Financial instruments" in the company's accounting principles).

	2016	2015
Non-current derivatives	26	36
Other liabilities	2	
Interest-free non-current liabilities	29	36
Provisions for payroll expenses and public charges	1 538	1 583
Accounts payable	422	470
Provisions for accrued expenses	423	431
Prepaid revenues	416	367
Debts to group companies	151	896
Restructuring	33	52
Other liabilities	169	348
Interest-free current liabilities	3 153	4 147

The reduction in debt to group companies is due to the settlement of debt related to the purchase of shares in Bring Express Norge AS (2015) and due capital contribution 2015.

Other current liabilities primarily included a provision for repayment of public purchases of non-viable postal services and financial instruments.

Note 17 Financial risk and capital management

Posten Norge has a centralised finance function with the principal objective to secure the Group's financial flexibility, as well as monitoring and managing financial risk.

The note describes the Group's financial risks, including credit risk, market risk (currency and interest rate risk) and liquidity risk. The Group utilises derivatives to manage market risk, and note 18 for the Group provides detailed information about derivatives and hedging (cf. also section 14 "Financial instruments" in the company's accounting principles).

[Note 18](#) for the Group has details.

Note 18 Derivatives and hedging

All derivatives are used in the hedging of currency and interest rate risk. The value of the derivatives fluctuate in relation to the underlying prices, and the note shows the fair value of open derivatives at the balance sheet date (cf. section 14 "Financial instruments" in the company's accounting principles).

2016	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		2
Forward exchange contracts EUR	2	
b) Other economic hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	7	24
Forward exchange contracts SEK	49	15
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	188	
Total	245	42

2015	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		6
Forward exchange contracts EUR		17
b) Other economic hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	6	33
Forward exchange contracts SEK	1	121
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	233	
Total	240	178

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 currency forward 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

a) Cash flow hedging

Interest rate swaps

At the end of 2015, the company had a loan of MNOK 500 in Nordiska Investeringsbanken where the interest rate is determined every sixth month and the annual down payment is MNOK 100. In order to ensure fixed interest rate terms, an interest rate swap for corresponding amounts and maturity was entered into 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 interest rate determinations every third month and a term of 5 years.

Forward contracts EUR

The company had revenues of approximately MEUR 25 for distributing mail from abroad in 2016 (30 million in 2015) and is expecting only just MEUR 20 in 2017. The exchange rate risk is partly hedged by selling forward contracts in euros over a period of time. The changes in value of the forward contracts constituting effective hedging instruments are recognised in other comprehensive income. As of 31 December 2016, Posten Norge had forward contracts for euro revenue in 2017 totalling MEUR 5 with a positive value of MNOK 2. As a consequence of forward contracts realised in 2016, MNOK -13 were reclassified from equity to a reduction in revenue in the Mail segment (-17 million in 2015).

Hedge reserve in equity

Movements in the hedge reserve in equity (cf. the statement of changes in equity) divided between interest rate swaps and forward (exchange) contracts:

	Interest-rate swap	Forward contracts	Total hedging reserve
Balance 31.12.2014	(10)	(21)	(31)
Changes in value	(2)	(4)	(6)
Transfers to income statement ¹⁾	9	17	26
Associated deferred taxes	(2)	(3)	(5)
Balance 31.12.2015	(5)	(12)	(17)
Changes in value	4	6	10
Transfers to income statement ¹⁾		13	13
Associated deferred taxes	(1)	(5)	(6)
Balance 31.12.2016	(2)	2	

1) Positive numbers represent losses

b) Other financial hedges (derivatives not included in hedging relations according to IFRS)

Interest rate swaps

As of 31 December 2016, the company had several interest rate swaps not qualifying as hedging relations according to IFRS.

In 2015, Posten Norge raised a seven-year bond loan of MNOK 350 at a fixed coupon that in its entirety was swapped at a floating interest rate in the same transaction. Parts of the amount, MNOK 88, were then swapped back to a fixed interest rate.

Following a partial repurchase of the bond in September 2015, the interest rate swap related to the bond loan of MNOK 500 was reclassified to derivatives not included in hedging relations pursuant to IAS 39. As at 31 December 2015, NOK 9 were recirculated over the income statement as finance costs. The derivative matured in March 2016.

Forward contracts SEK and EUR

The company uses foreign exchange contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Trailing forward contracts constituted MSEK 670 and MEUR 10 as of 31 December 2015. The changes in value are recognised in the income statement and will offset changes in the loans in the income statement as a consequence of currencies.

Investments in foreign subsidiaries are hedged at group level by forward contracts in Posten Norge. As of 31 December 2016, the company has forward contracts totalling MSEK 1 552 (MSEK 1502 in 2016).

Combined interest rate and currency swaps

In 2004, 2008 and 2014, the company entered into long-term loan agreements with Japanese life insurance companies of 5, 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 the interest rate set every third month.

Posten Norge AS has made use of the "fair value option" in IAS 39 for 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

In May 2016, the loan of 5 billion Japanese yen borrowed in 2004 and the associated interest and currency swap was due. As of 31 December 2016, the remaining loans from the Japanese life insurance companies were recognised at a total value of MNOK 635 (MNOK 1 010 in 2015), where the value changes from the

borrowing date constituted MNOK 188 (MNOK 233 in 2015). This value change is offset by the interest and currency swap agreements and recognised as an asset.

An interest rate swap has also been established related to the loan of 3 billion Japanese yen, converting this loan to a fixed interest loan. The interest rate swap has the same maturity date as the loan, but does not qualify for hedge accounting. In the table of derivatives and hedging relationships, it is included in the line *interest rate swaps* at a negative fair value of MNOK 23 as at 31 December 2016.

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 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 on 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 of 31 December 2015, the company had received MEUR 8,1 from the counterparty.

EQUITY INFORMATION

Note 19 Equity

The shares in Posten Norge AS are owned in full by the Norwegian state, represented by the Ministry of Trade and Fisheries (the Ministry of Transport and Communication until 31 December 2015) (cf. section 18 "Equity" in the company's accounting principles).

As of 31 December 2016, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000.

The proposed dividend for the accounting year 2016 is MNOK 19.

At the Annual General Meeting in June 2016, it was determined not to distribute any dividend of the 2015 result. In July 2015, dividends amounting to MNOK 225 of the 2014 result were paid, together with extraordinary dividends of MNOK 75, totalling MNOK 300.

Other matters

Note 20 Guarantees/mortgages

Posten Norge has given various guarantees, including rental guarantees, contract guarantees and other payment guarantees, in connection with current operations, primarily for subsidiaries

	2016	2015
Guarantees for Group companies' liabilities	468	513
Other guarantees	160	160
Total guarantees	628	673

Guarantees given by Posten Norge AS to group companies and other guarantees are described in full in note 21 for the Group.

In addition, Posten Norge AS has issued capital adequacy guarantees for Bring Cargo Inrikes AB and Bring Shared Services AB at 31 December 2016. There is also a letter of support as of 31 December 2016 for continued operations in Bring Cargo Danmark A/S. Furthermore, the company has provided a delivery guarantee to Statoil Petroleum AS for Bring Cargo AS.

Note 21 Leases

The note shows the company's leasing costs and short-term and long-term liabilities for lease agreements, in addition to rental income and future rental income for hiring out operating equipment. Most of the company's lease agreements are considered to be operating (cf. section 19 "Leasing" in the company's accounting principles).

1. Lessee

1.1 Finance leases

	2016	2015
Carrying amount		
Buildings		
Machines	5	8
Vehicles, fixtures and fittings	1	
Net carrying amount	6	8
Commitments, buildings		
Commitments, machines	6	9
Commitments, vehicles, fixtures and fitting	1	
Total commitments	7	9
Annual lease costs	4	3
Future minimum leases		
Next 12 months	4	
1-5 years	3	
After 5 years		
Total future minimum lease	7	
Interest rate	7,8 %	
Present value of future lease	6	
Of which:		
long-term debt	4	
short-term debt	2	

Leased assets are classified as tangible fixed assets, and associated liabilities as interest-bearing non-current liabilities. The first year's instalments are reclassified as interest-bearing current liabilities (cf. note 15).

The company has agreements on the lease of containers, originally made in 2011 and classified as finance leases.

1.2 Operating leases

	2016	2015
Ordinary lease payments for buildings	764	764
Ordinary lease payments for cars	206	225
Ordinary lease payments for computer equipment	3	2
Ordinary lease payments - other	50	53
Subletting revenues	(9)	(10)
Total lease costs	1 013	1 034
Future minimum lease payments related to lease agreements that cannot be cancelled, are due as follows:		
Next 12 months	625	
1-5 years	1 301	
After 5 years	937	
Future minimum lease payments due	2 863	

The company has approximately 650 lease agreements for various types of property. The agreements include offices and sorting premises, terminals, post offices, parking facilities etc. The leases expire in the period 2015 -2036. On most leases, the company is entitled to extend the lease period when the lease expires.

The most significant lease agreements concern Østlandsterminalen at Robsrud, the "Posthuset" building at Biskop Gunnerusgate 14 A, Posten's logistics centre at Alnabru with three terminals for freight, parcels and thermo goods, respectively. In addition, the post terminals in Bergen, Stavanger and Trondheim are leased.

The lease agreement for Østlandsterminalen expires on 30 November 2026, but has an option for an extension by 5 plus 5 years.

The lease period for the "Posthuset" building at Biskop Gunnerusgate 14 A expires on 31 December 2025 without any right to earlier notice, but with the option for a 10 years extension. The costs relating to jointly used areas and energy costs are variable and allocated according to a formula based on the floor space rented. The rent is index-linked on an annual basis.

The lease agreements for the terminals in Bergen and Stavanger are current with 6 months' term of notice. The lease agreement for the terminal in Trondheim has been terminated and will be returned on 31 July 2017. All leases for the buildings at Posten's Logistics centre at Alnabru run until the first quarter of 2032. The rent is index-linked on an annual basis. The lease agreements for the Bring terminals in Ålesund, Karihaugen and Drammen are also significant, expiring in 2026, 2020 and 2024, respectively.

Other lease agreements mainly relate to mail and freight terminals in Norway.

The company has an agreement with LeasePlan Norge AS for the lease and operation of all types of cars. The normal contract period for each car is two to five years. The company is neither entitled, nor obligated

to extend the lease period, or to buy the vehicle when the lease expires. The number of leased cars and mopeds leased at the end of 2016 was 3 739, in addition to 144 trailers.

2. Lessor

Operating leases

	2016	2015
Future rental income due		
Next 12 months	2	
1-5 years	2	
After 5 years	5	
Operating lease agreements	10	
Annual rental income	5	9

The company has some operating leases related to the rental of parts of buildings in 2016.

Note 22 Related parties

The company's related parties are primarily subsidiaries in the Group with which Posten Norge AS has transactions.

	2016	2015
Purchases of goods and services from		
Subsidiaries	510	427
Associated companies	21	124
Sales of goods and services to		
Subsidiaries	1 368	1 388
Associated companies	5	37
Leases of property from		
Subsidiaries	279	263
Associated companies		
Leases of property to		
Subsidiaries	14	17

The increase in the purchase of goods and services from subsidiaries from 2015 to 2016 mainly relates to purchases from Bring Transportløsninger AS and Bring Frigo AS.

The balance sheet includes the following amounts resulting from transactions with related parties:

	2016	2015
Accounts receivable	131	243
Other receivables	4 174	3 937
Accounts payable	47	48
Other payables	2 325	2 176
Net	1 933	1 955

Other receivables and other liabilities:

Other receivables and other liabilities in the company basically concerned the cash pool system (cf. note 14)

Remuneration to the Board and management

Note 1 has details about the remuneration to the board and management.

Loans to employees

Information about loans to employees is provided in note 13.

Note 23 Regulatory issues

Regulatory issues describe relevant matters and regulations not mentioned in other notes.

REGULATORY ISSUES

Postal regulations

A new act on postal services (the Postal Services Act) with regulations came into effect on 1 January 2016. The act implements EU's Third Postal Directive and implies a full liberalisation of the Norwegian postal market. Posten's exclusive right to distribute addressed mail below 50 grams was discontinued at the end of 2015.

According to the Postal Services Act, the requirement of an ordinary daily mail distribution was reduced from six to five days a week. Posten's obligation to secure deliveries of newspapers on Saturdays lapsed on 1 November 2016, after the company Kvikkas AS won the contract with the Ministry of Transport and Communication for Saturday newspaper distribution in areas without normal newspaper delivery.

The arrangement of government procurements of commercially unprofitable universal service obligations has been carried forward with the new regulations. Pursuant to section 9 of the Postal Services Act, the authorities shall cover the net costs by public funding if the bidder is inflicted an unreasonable financial charge in offering postal services required to be delivered.

In November 2016, Stortinget (the Norwegian parliament) approved the white paper dealing with changes in the postal sector, *Postsektoren i endring*. The approval confirmed that Posten can combine priority and non-priority mail into one class of mail with a two-day delivery time. Posten has begun this transition with the aim of having the solution operational from 1 January 2018. Posten was also given greater flexibility to further develop its distribution network, and the opportunity to harmonise the limitation of rural delivery service to households and businesses at least four kilometers away from the nearest designated distribution point. According to plan, the changes in framework conditions will be included in the coming agreement between the Ministry of Transport and Posten on services required to be delivered, which shall replace Posten's temporary licence.

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. The auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

According to the Postal Services Act (cf. above), Postens' additional costs related to the universal public obligations shall be covered by government procurements granted over the state budget. 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 (cf. above). The recalculation shall secure against over or under compensation.

In the state budget for 2016, MNOK 403 for government procurements were granted in advance, including MNOK 40 to the distribution of newspapers on Saturdays. This was MNOK 160 less than Postens' precalculated requirement.

Adjusted for the recalculation, government procurements amounted to MNOK 260 in 2015. The increase from 2015 to 2016 is a consequence of increased additional costs due to declining mail volumes, in addition to the fact that the financing of exclusive right services discontinued when such rights were terminated from 1 January 2016.

Banking and payment services

According to the act *Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett*, Posten is obliged to offer basic banking services in the rural postal network through Posten Norge AS' distribution network. Posten's additional costs relating to this offer are compensated through the government procurements' scheme. The requirement only includes the rural postal network, but Posten also procures banking services in the rest of Posten's service network (post offices and Post-in-Shops). The services are delivered through an agent agreement with DNB. The current agent agreement expires on 31 December 2019.

Alternative performance measures used in the annual report

The Group's financial information has been prepared in accordance with international accounting standards (IFRSs). In addition, information has been provided about alternative performance measures that are regularly reviewed by management to improve the understanding of the results. In addition, alternative performance measures are applied as general financial terms. The alternative performance measures presented may be determined or calculated differently by other companies.

As a consequence of new guidelines for «Alternative performance measures used in financial reporting», the Group has clarified the definition of performance measures and other financial figures in the annual report, which are not part of the disclosed financial statements.

The following performance measures and other target figures have been applied in the annual report:

	2016	2015
+ Revenue	24 772	25 074
- Cost of sales	10 086	9 927
- Payroll expenses	9 749	9 859
- Other operating expenses	3 599	3 814
= EBITDA	1 339	1 474

	2016	2015
+ EBITDA	1 339	1 474
- Depreciation	694	788
= EBITE	645	686

	2016	2015
EBITE/ Revenue	645 24 772	686 25 074
= EBITE margin	2,6 %	2,7 %

	2016	2015
+ EBITE	645	686
- Impairment	313	385
+/- Other income and expenses	169	307
+ Income from associated companies and joint ventures	15	245
= EBIT	178	239

	2016	2015
EBIT/ Revenue	178 24 772	239 25 074
= EBIT margin	0,7 %	1,0 %

	2016	2015
+ Intangible assets	2 328	2 613
+ Tangible fixed assets	5 767	5 096
+ Current assets	6 740	7 203
- Liquid assets	2 203	2 761
- Interest-bearing short-term receivables	102	143
- Interest-free short-term debt	5 492	5 240
+ Tax payable	149	117
+ Dividends and group contribution	1	23
= Invested capital¹⁾	7 187	6 908

1) Trailing 12 months' figures

	2016	2015
EBITE last 12 months/ invested capital	645 7 187	686 6 908
= Return on invested capital (ROIC)	9,0 %	9,9 %

	2016	2015
Profit/(loss) after tax for the last 12 months/ average equity on balance sheet date ¹⁾	39 5 919	(61) 6 065
= Return on equity after tax	0,7 %	-1,0 %

1) (Opening balance - closing balance)/2

	2016	2015
Equity on balance sheet date/ equity and liabilities (total capital)	5 912 15 299	5 926 16 097
= Equity ratio	38,6 %	36,8 %

	2016	2015
+ Interest-bearing long-term debt	1 978	2 111
+ Interest-bearing short-term debt	415	896
- Market based investments	1 634	2 478
- Cash	71	98
- Bank deposits group account	23	80
- Bank deposits	147	117
= Net interest-bearing debt	518	234

	2016	2015
+ Revenue	24 772	25 074
- Revenue in Norway	14 810	15 452
= Revenue outside Norway	9 962	9 623

	2016	2015
+ Market based investments	1 634	2 478
+ Syndicate facility	3 180	3 367
+ Bilateral credit facilities	750	750
- Certificate loans	(300)	(200)
= Long-term liquidity reserve	5 264	6 394

	2016	2015
+ Long-term liquidity reserve	5 264	6 394
+/- Bank deposits group account	23	88
+/- Bank deposits outside group account	147	112
+ Bank overdraft not utilised	550	550
= Short-term liquidity reserve	5 985	7 144

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 the parent company's consolidated assets, liabilities, financial position and results of operations.

We also confirm that the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the parent company together with a description of the key risks and uncertainties that the company is facing.

16. mars 2017



Idar Kreutzer (leder)



Randi B. Sætershagen (nestleder)



Tove Andersen



Anne Britt Berentsen



Morten Karlsen Sørby



Terje Wold

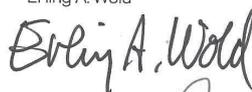


Odd Christian Øverland



Ann-Elisabeth Wirgeness

Erling A. Wold



Lars Nilsen



Tone Wille (konsernsjef)

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Posten Norge AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Posten Norge AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2016, income statement, statement of comprehensive income, the statement of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's *responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of goodwill

The Group has goodwill amounting to MNOK 1 671 in the balance sheet, of which MNOK 510 relate to acquisitions of Nordic logistics businesses. Goodwill has been written down by MNOK 229 in the 2016 consolidated financial statements.

The Group's impairment tests requires management to exercise judgment on estimates of future cash flows and the determination of discount rates. Due to the significance of goodwill in the financial statements, weak earnings in the Nordic logistics businesses and the uncertainty related to estimates on future cash flows, the Group's impairment tests of goodwill have been a key audit matter.

We evaluated the Group's impairment methodology and models, including recalculated the models. We evaluated key assumptions in the impairment models, including growth, margins and discount rates based on prognoses approved by management and available market and industry information. In addition, we considered the sensitivity in the assumptions applied. We tested the consistency of the application of key assumptions and evaluated the Group's accuracy in previous years' impairment tests.

We refer to section 3.1 in the note for accounting principles about estimated impairment of assets and note 8 on intangible assets.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.



Oslo, 16 March 2017
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)