Posten Norge

Quarterly report

1st Quarter 2011

Posten Norge

Quarterly report

Summary

Volume growth in the logistics segment contributed to an increase in operating revenues in the first quarter of MNOK 162 compared with the same period in 2010. The operating result (EBIT) before non-recurring items and write-downs for continued operations grew by MNOK 9 in the first quarter compared with the same period last year. The EBIT margin before non-recurring items and write-downs increased from 4.0% in the first quarter of 2010 to 4.1% in the first quarter of 2011.

EBIT in the first quarter was MNOK 2 lower than for the same period in 2010, however the first quarter in 2010 included a gain from the sale of property of MNOK 25.

The 12-month return on invested capital before non-recurring items and write-downs (ROIC) was 16.0% compared with 15.5% in the first quarter of 2010.

The Group's Spinnaker profitability programme was implemented in 2008 and as of the first quarter of 2011 had resulted in an accumulated effect of over 2 billion kroner.

Norway Post AS achieved a delivery quality of 86.4% for A mail delivered overnight during the first quarter of 2011. This was an improvement of 5.0 percentage points compared with 2010 and 1.4 percentage points above the licence requirement. Norway Post also fulfilled the 5 other licence requirements with a good margin during the first quarter.

As a result of the merger between ErgoGroup AS and EDB Business Partner ASA in 2010 IT is no longer a separate segment in the Norway Post Group. For accounting purposes, Norway Post's 40% ownership interest in the combined company is treated as an associated company. The comparative figures for earnings, key figures and cash flow have been restated to show continued operations only, whereas in accordance with the IFRS (International Financial Reporting Standards), the comparative figures in the balance sheet have not been restated.

Results (UNAUDITED)

MNOK	Q1 2011	Q1 2010	Year 2010
Operating revenues	5 724	5 562	22 451
EBITDA	407	392	1 630
EBIT before non-recurring items and write-downs	233	224	944
EBIT*	245	247	1 630
Net financial items	-37	-48	-139
Earnings before taxes and continued operations	208	198	1 491

* The share of the profit and loss from associated companies is classified as an operating item and included in EBIT

Operating revenues

The Group's operating revenues came to MNOK 5 724 in the first quarter of 2011, an increase of 2.9% from the first quarter of 2010. The growth in revenues was primarily due to increasing volumes within the Logistics segment. In the Mail segment price increases and changes in the product mix contributed to a lower reduction in revenues than the fall in volumes would suggest.

The Group's operations outside of Norway had combined operating revenues of MNOK 1 572 in the first quarter of 2011. This growth of 12.4% from last year is due to a recovery in the markets, particularly in Sweden, following the economic downturn, in addition to the effect of a stronger Swedish Kroner. Operating revenues outside Norway comprised 27.5% in the first quarter of 2011, compared with 25.1% for the same period last year.

Result

In the first quarter of 2011 the Group's EBIT before non-recurring items and write-downs totalled MNOK 233, MNOK 9 higher than the corresponding period in 2010.

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EBIT for the Mail segment in the first quarter of 2011 was MNOK 304, a reduction of MNOK 15 from the previous year. Profits were affected by a significant fall in volumes for addressed mail, however cost-reducing measures, price increases and changes in the product mix helped to uphold earnings. EBIT for the Logistics segment came to MNOK 48 compared with MNOK 66 in 2010. Profit developments were negatively affected by strong competition and pressure on margins.

EBIT in the first quarter of 2011 included the share of profits from the associated company EDB ErgoGroup of MNOK 14.

Operating income before tax in the first quarter of 2011 was MNOK 186, compared with MNOK 198 in 2010.

Key figures (UNAUDITED)

		31.03 2011	31.03 2010	31.12 2010
Equity ratio	%	36,7	29,5	34,9
EBIT-margin before non-recurring items and write-downs	%	4,1	4,0	4,2
EBIT-margin	%	4,3	4,4	7,3
Profit margin (before taxes)	%	3,6	3,6	6,6
Return on invested capital before non-recurring items and write-downs [1)]	%	16,0	15,5	15,8
Return on invested capital[1)]	%	27,3	7,2	27,3
Return on Equity [1)]	%	28,4	5,0	29,1
Debt ratio (net)		0,3	0,6	0,3
Long-term liquidity reserve	MNOK	3 775	4 860	5 447
Investments, incl acquistions	MNOK	109	205	651
Workforce – Parent company	Årsverk	13 079	13 485	13 779
Workforce - Group	Årsverk	19 220	19 622	19 884

1) Rolling 12 months (before taxes)

Balance sheet (UNAUDITED)

MNOK	31.03 2011	31.03 2010	31.12 2010
Current assets	9 413	12 180	9 458
Fixed assets	6 039	6 222	6 182
Assets held for sale	33	9	128
Total assets	**15 485**	**18 411**	**15 767**
Equity	**5 676**	**5 385**	**5 501**
Provisions for liabilities	1 131	2 197	1 103
Interest-bearing debt	3 426	4 039	3 856
Interest free debt	5 252	6 791	5 308
Total liabilities and equity	**15 485**	**18 411**	**15 767**

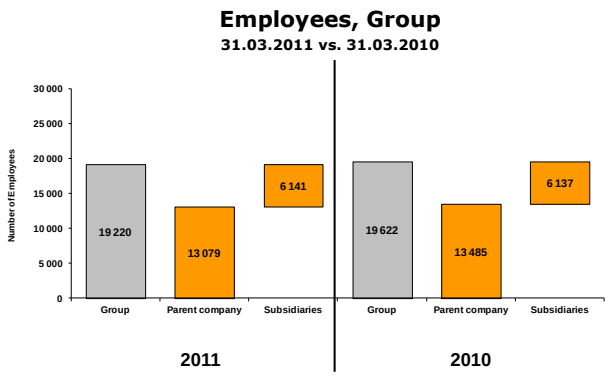
Total investments in the first quarter of 2011 came to MNOK 109, a reduction of MNOK 96 compared with last year. Investments in 2011 primarily consisted of IT investments and operational assets.

The reduction in interest-bearing liabilities was mainly due to net loan repayments. Net interest-bearing liabilities came to MNOK 1 640 as at 31.03.2011. During the first quarter of 2011 Norway Post repaid a bond loan of MNOK 1500, and also issued a new bond loan of MNOK 500.

The Group had long-term liquidity reserves of MNOK 3 775 as at 31.03.2011 compared with MNOK 4 860 at the same time last year. These reserves consisted of invested funds and available credit facilities.

The cash flow from operations and investment activities in 2011 totalled MNOK -17, compared with MNOK -289 in 2010. The reasons for this change include variations in accruals and a lower level of investment activities.

Workforce



The Group workforce decreased by 402 full-time equivalents compared with the first quarter last year as a result of efficiency measures.

During the first quarter the level of sick leave for the Group was 8.2%. This was a decline of 0.4 percentage points compared with the same period in 2010.

Markets and developments per segment

MAIL

This segment comprises letter products, banking services and dialogue services. The segment is made up of the Mail division, including its subsidiaries Bring Citymail, Bring Mail and Bring Dialog.

MNOK (unaudited)	Q1 2011	Q1 2010	Year 2010
Volume, Group (mill. physical shipments)	641	647	2 631
Operating revenues	2 710	2 758	10 631
Segment earnings (EBITDA)	423	393	1 252
Segment earnings (EBIT)	304	319	876

Operating revenues in the first quarter of 2011 were MNOK 2 710, MNOK 48 lower than for the same period in 2010. There was a significant fall in volumes, while changes in the product/format mix and price increases for letter products helped to uphold revenues. Gains from the Spinnaker programme, synergies with logistics activities and other cost reduction measures compensated for the majority of the fall in revenues.

Total A and B mail volumes fell by 9.4% compared with the same period last year. The greatest decline was within industries such as bank/finance, telecommunications and insurance which to a large extent have moved to the use of electronic communication.

Unaddressed mail advertising had a 2.3% increase in volume compared with the same period in 2010. The proportion of total letter volumes for unaddressed advertising grew from 47% to 49% in the first quarter of 2011 compared with the first quarter of 2010.

Newspaper distribution through Norway Post showed a decline in volume of 4.8% compared to the first quarter of 2011 due to decreasing numbers of newspaper subscriptions. Magazine distribution fell by 8.3% compared with the same period last year.

Bring Citymail Sweden had a 3% increase in volume compared with the same period in 2010, primarily due to an increase in new customers. The company has carried out extensive measures to improve profitability.

The conversion of 124 post offices to Post in Shops (PiB) was completed in 2010. The remaining post offices will be modernised over a three-year period in order to adapt operations to meet customer requirements. This will contribute to improved profitability in coming years. At the end of the first quarter of 2011 91 post offices had been modernised.

The new South-East Norway terminal is an important part of efficiency improvement measures. In 2010 the terminal took over letter production from the letter centre in Oslo and during 2011 will take over letter production from the terminals in Drammen and Hamar.

Delivery quality for A mail delivered overnight was 86.4% for the first quarter of 2011. This was an improvement of 5.0 percentage points compared with 2010 and 1.4 percentage points above the licence requirement. Delivery quality for the first quarter of last year was affected by the start-up of the new South-East Norway terminal. Norway Post also fulfilled the other licence requirements with a good margin during the first quarter.

LOGISTICS

This segment comprises groupage and part load services, parcel delivery, warehousing, temperature-controlled transport and express-services.
The segment corresponds to the parent company's Logistics and Logistics Solutions Divisions as well as operations in the subsidiaries in Bring Cargo, Bring Warehousing, Bring Frigo, Bring Express, Bring Parcels and Bring Supply Services.

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MNOK (unaudited)	Q1 2011	Q1 2010*	Year 2010*
Volume (in mill. shipments)	9,6	8,9	36,6
Operating revenues	3 483	3 288	13 720
Segment earnings (EBITDA)	107	136	634
Segment earnings (EBIT)	48	66	268

* Comparative figures for 2010 have been restated due to a reorganisation in 2010
**Shows volume development excl. courier services

In the first quarter of 2011 the Logistics segment's total revenues amounted to MNOK 3 483, 5.9% higher than the same period in 2010. The rise in revenues since 2010 can be attributed to an increase in volumes within most logistics activities and particularly due to the growth in the Swedish market.

Total parcel volume was 7.8% higher than in the corresponding period last year. Cross-border parcel volumes showed the biggest growth. In the domestic market, B2B parcels had a more positive development in volume than B2C parcels in the first quarter compared with the same period last year.

The Logistics segment's operations outside Norway had combined operating revenues of MNOK 1 308 in the first quarter of 2011, which represented 37.6% of the segment's total operating revenues - on the same level as the previous year.

Profit developments were affected by strong competition, increased costs connected with leased materials and pressure on margins. Further efficiency measures have been implemented to exploit economies of scale and ensure improved profitability in the future. The improvement programme includes increased synergies between the production of mail, parcels and goods. Profit developments were also negatively affected by the start-up costs related to expansion within the parcels area and the fact that the new warehouse in Berger, completed in 2010, is still in its introductory phase.

Bring Frigo has taken over Coldsped's cold storage business in Sweden with effect from 01.04.2011. This will help to strengthen Bring's position within the food industry and increase its geographical presence in order to get closer to its customers' production facilities.

Future prospects

Market development
Both the Norwegian and Swedish economies are improving and the Group expects a continued positive development in earnings in 2011.

Although the market now seems to be developing positively, the Logistics segment is expected to be affected by strong competition which will continue to put pressure on margins in the future.

A continued fall in letter volumes is expected in the Mail segment, with increased substitution for industrial mail and the digitalisation of advertising. Norway Post is focused on offering services which are adapted to new customer and user requirements and in this connection the new digital mail post system, Digipost, was launched in April.

In the future the Group will continue with its Nordic growth strategy and further develop and strengthen its market positions within the Mail and Logistics segments. There will continue to be a major focus on improving profitability and the implementation of the Spinnaker efficiency programme. The development of a joint improvement and performance culture is a vital part of this work. A specific improvement programme is also underway for the parcels and goods areas in order to increase synergies between the production of mail, parcels and goods.

Expansion and the financial crisis have brought negative results for Bring Citymail Sweden in recent years. The focus is on continued improvements in profitability in Sweden through increased sales efforts and continued efficiency measures. The Swedish parliament's approval of new postal regulations in 2010 will help to ensure equal competition in the Swedish market.

Oslo Municipality's development plan for the Alnabru area allows Norway Post to plan a future-oriented, efficient and environmentally-friendly centre for Norway Post and Brings' logistics operations in the Oslo area.

HSE
The Group will continue its long-term and systematic work within sustainability areas with a particular focus on health, safety and the environment (HSE) and climate.

Future HSE work will turn to preventive work for employees who are at work, whether they are healthy or have health problems. In order to

increase the number of employees at work and reduce absence the Group will focus on group's and employees' contributions to a workplace that promotes good health.

External environment
The Group's activities impact the external environment and it has therefore been decided that the Group shall take a leading environmental position in its market. The aim is to reduce CO2 emissions by 30% between 2008 and 2015. Some of the most important measures to reduce the impact on the climate include transport optimisation, the transfer of freight from air to the ground and from road to rail, the use of alternative vehicles and fuel, the use of renewable energy and other energy efficiency measures as well as the raising of competence among managers and employees.

Other factors
In the 2010 fiscal budget MNOK497 was allocated as payment for the delivery services Norway Post is obliged to carry out in accordance with its licence, but that are not commercially profitable. The need for government procurements will be recalculated in 2011 to ensure that compensation is in line with actual costs and exclusive monopoly profits. In the fiscal budget for 2011 MNOK 345 has been allocated for government procurements.

The postal market in Europe was liberalised with effect from 01.01.2011 in accordance with the EUs third Postal Directive. However, a decision made at the Labour Party National Conference makes it clear that the Norwegian government does not wish to implement the EU's Third Postal Directive. The consequences of a possible veto are uncertain, but the Board of Directors considers the risk of the EU imposing sanctions on Norway Post's activities outside Norway as low. Regardless of whether Norway votes against the EU's Postal Directive, Norway Post will still have to adapt its operations to developments such as falling volumes and continue to restructure activities and adapt its service level to changes in the use of postal services.

The Ministry of Transport and Communication has extended Norway Post's licence from its expiry date of 31.12.2010 until 31.12.2011. In the Section 10 plan Norway Post has presented the Minister of Transport and Communication with its proposal that a political assessment be carried out as to whether the concession requirements governing Norway Post's services are in line with the actual requirements in Norwegian society, and if the benefits to society are in proportion to the costs. The Board of Directors expects these issues to be considered before the presentation of the next parliamentary report on Norway Post, and before any new postal regulations or new licence for Norway Post from 2012.

In 2010 the European Supervisory Authority (ESA) imposed a fine of 12.89 million Euro (approximately MNOK 100) and the claimant has lodged a compensation claim in connection with previous exclusivity clauses in Post in Shops (PiB) agreements from 2000 - 2006. Norway Post disputes the ESA decision and has brought the case before the EFTA court to appeal for the fine to be ruled invalid.

Oslo, 11 May 2011

Board of Directors

Posten Norge

Kvartalsrapport

Attachment 1 - Financial information as of first quarter 2011

(The information in this document has not been audited. All figures are in NOK million.)

Condensed Income Statement

Norway Post Group	Q1 2011	Q1 2010	Year 2010
Operating revenues	**5 724**	**5 562**	**22 451**
Cost of goods and services	2 023	1 843	7 908
Payroll expenses	2 291	2 243	8 741
Other operating expenses	1 004	1 085	4 172
EBITDA	**407**	**392**	**1 630**
Depreciation and amortisation	173	167	686
EBIT - Earnings before non-recurring items and write downs	**233**	**224**	**944**
Write-downs	0	1	149
(Gain) loss from sale of fixed assets/subsidiaries	-6	-25	-80
Restructuring costs	8	3	-25
(Income) expenses from changes in pension scheme	0	0	-759
EBIT - before share of net income (losses) of associated companies	**231**	**246**	**1 658**
Share of net income (losses) of associated companies	14	1	-29
EBIT - Earnings before interest and taxes	**245**	**247**	**1 630**
Financial income	176	92	580
Financial expenses	213	141	719
Net financial items	**-37**	**-48**	**-139**
Income before taxes from continued operations	**208**	**198**	**1 491**
Taxes	58	73	529
Net income from continued operations	**150**	**125**	**963**
Net income from discontinued operations	0	35	-686
Net income (loss)	**150**	**161**	**276**

Posten Norge AS	Q1 2011	Q1 2010	Year 2010
Operating revenues	**3 092**	**3 108**	**12 177**
Cost of goods and services	408	421	1 688
Payroll expenses	1 621	1 614	6 265
Other operating expenses	696	758	2 911
EBITDA	**366**	**315**	**1 313**
Depreciation and amortisation	105	95	406
EBIT - Earnings before non-recurring items and write downs	**261**	**219**	**907**
Write-downs	0	1	44
(Gain) loss from sale of fixed assets/subsidiaries	0	0	-46
Restructuring costs	8	0	-30
(Income) expenses from changes in pension scheme	0	0	-718
EBIT - Earnings before interest and taxes	**253**	**219**	**1 657**
Financial income	179	119	599
Financial expenses	203	160	1 008
Net financial items	**-24**	**-42**	**-409**
Income before taxes	**229**	**177**	**1 248**
Taxes	69	65	450
Net income (loss)	**160**	**112**	**799**

Condensed Statement of Comprehensive Income

Norway Post Group	Q1 2011	Q1 2010	Year 2010
Net income for the period	**150**	**161**	**276**
Translation differences	2	11	21
Cash flow hedging:			
Changes in value	20	-3	-12
Transferred to income	2	1	
Tax	-6	1	3
Other income/(costs) associated companies	8		
Other income/(costs) directly included in equity	**26**	**10**	**13**
Comprehensive income	**176**	**171**	**289**

Total comprehensive income is split as follows:			
Majority interests	176	171	289
Minority interests			
	176	**171**	**289**

Posten Norge AS	Q1 2011	Q1 2010	Year 2010
Net income for the period	**160**	**112**	**799**
Cash flow hedging:			
Changes in value	20	-3	-12
Transferred to income	2	1	
Tax	-6	1	3
Other income/(costs) directly included in equity	**16**	**-1**	**-8**
Comprehensive income	**176**	**111**	**790**

Condensed Balance Sheet

Norway Post Group	31.03.11	31.03.10	31.12.10
Assets			
Intangible assets	3 366	6 262	3 368
Deferred tax assets	410	824	415
Tangible assets	4 079	4 902	4 137
Financial assets	1 558	192	1 537
Total fixed assets	**9 413**	**12 180**	**9 458**
Current assets	**6 039**	**6 222**	**6 182**
Assets held for sale	33	9	128
Total assets	**15 485**	**18 411**	**15 767**
Equity and liabilities			
Equity	**5 676**	**5 385**	**5 501**
Provisions for liabilities	**1 131**	**2 197**	**1 103**
Interest-bearing non-current liabilities	2 810	4 009	1 736
Interest-free non-current liabilities	17	107	5
Long-term liabilities	**2 827**	**4 116**	**1 741**
Interest-bearing current liabilities	616	30	2 119
Interest-free current liabilities	5 236	6 682	5 303
Short-term liabilities	**5 852**	**6 712**	**7 422**
Total equity and liabilities	**15 485**	**18 411**	**15 767**

Posten Norge AS	31.03.11	31.03.10	31.12.10
Assets			
Intangible assets	991	1 030	1 002
Deferred tax assets	329	621	335
Tangible assets	983	1 269	1 016
Financial assets	7 003	6 926	7 362
Total fixed assets	**9 306**	**9 846**	**9 715**
Current assets	**4 391**	**4 797**	**4 496**
Assets held for sale	33	9	33
Total assets	**13 729**	**14 652**	**14 244**
Equity and liabilities			
Equity	**5 455**	**4 600**	**5 279**
Provisions for liabilities	**940**	**1 834**	**921**
Interest-bearing non-current liabilities	2 762	3 891	1 678
Interest-free non-current liabilities	17	107	5
Long-term liabilities	**2 779**	**3 998**	**1 683**
Interest-bearing current liabilities	1 112	671	2 945
Interest-free current liabilities	3 443	3 550	3 414
Short-term liabilities	**4 555**	**4 221**	**6 360**
Total equity and liabilities	**13 729**	**14 652**	**14 244**

Condensed Statement of Changes in Equity

Norway Post Group	Majority interests					Minority interests	Total equity
	Share capital	Share premium reserves	Other reserves	Other equity	Total		
Equity at 01.01.2010	**3 120**	**992**	**-7**	**1 109**	**5 214**		**5 214**
Net income for the period				161	161		161
Other comprehensive income/(loss) for the period			-1	11	10		10
Total comprehensive income/(loss)			**-1**	**172**	**171**		**171**
Equity at 31.03.2010	**3 120**	**992**	**-8**	**1 281**	**5 385**		**5 385**
Equity at 01.01.2011	**3 120**	**992**	**-14**	**1 405**	**5 503**	**-2**	**5 501**
Net income for the period				150	150		150
Other comprehensive income/(loss) for the period			16	10	26		26
Total comprehensive income/(loss)			**16**	**160**	**176**		**176**
Other equity transactions						-1	-1
Equity at 31.03.2011	**3 120**	**992**	**2**	**1 565**	**5 679**	**-3**	**5 676**

Posten Norge AS	Majority interests				
	Share capital	Share premium reserves	Other reserves	Other equity	Total
Equity at 01.01.2010	**3 120**	**992**	**-7**	**384**	**4 489**
Net income for the period				112	112
Other comprehensive income/(loss) for the period			-1		-1
Total comprehensive income/(loss)			**-1**	**112**	**111**
Equity at 31.03.2010	**3 120**	**992**	**-8**	**496**	**4 600**
Equity at 01.01.2011	**3 120**	**992**	**-14**	**1 182**	**5 279**
Net income for the period				160	160
Other comprehensive income/(loss) for the period			16		16
Total comprehensive income/(loss)			**16**	**160**	**176**
Equity at 31.03.2011	**3 120**	**992**	**2**	**1 342**	**5 455**

Condensed Cash Flow statement

Norway Post Group	Q1 2011	Q1 2010	Year 2010
Provided by operations	354	330	1 495
Changes in working capital and other accruals	-385	-547	181
Net cash flow from operational activities	**-31**	**-217**	**1 676**
Investments in tangible assets/IT development/subsidiaries	-109	-205	-667
Sales of tangible assets	107	64	305
Changes in other fixed assets	16	69	-239
Net cash flow from investing activities	**14**	**-72**	**-601**
Changes in loans and other financial items	-430	-167	-441
Group contributions/dividends paid	0	-25	0
Net cash flow from financing activities	**-430**	**-192**	**-441**
Total change in liquid assets	-447	-480	634
Cash and cash equivalents at start of period	2 232	1 598	1 598
Cash and cash equivalents at end of period	**1 786**	**1 118**	**2 232**

Cash Flow as of 2010 for the Group includes continued operations only

Posten Norge AS	Q1 2011	Q1 2010	Year 2010
Provided by operations	334	273	1 903
Changes in working capital and other accruals	-304	-279	-158
Net cash flow from operational activities	**30**	**-6**	**1 745**
Investments in tangible assets/IT development/subsidiaries	-60	-138	-878
Sales of tangible assets	0	1	197
Changes in other fixed assets	359	-170	-221
Net cash flow from investing activities	**299**	**-307**	**-902**
Changes in loans and other financial items	-734	-125	-190
Group contribution/dividends paid	0	0	59
Net cash flow from financing activities	**-734**	**-125**	**-131**
Total change in liquid assets	-406	-438	712
Cash and cash equivalents at start of period	2 047	1 334	1 334
Cash and cash equivalents at end of period	**1 641**	**897**	**2 047**

SELECTED ADDITIONAL INFORMATION

General

Norway Post was established as a statutory company (BA) on 1 December 1996 and was converted into a private limited company (AS) on 1 July 2002, with the Norwegian state, represented by the Ministry of Transport and Communications, as its sole shareholder.

These condensed interim financial statements have been prepared in accordance with the IFRS (International Financial Reporting Standards) approved by the EU. These condensed interim financial statements are in accordance with the prevailing IAS 34 accounting standard for interim financial reporting. The condensed interim financial statements do not provide the complete information in the notes required for annual financial statements, so these financial statements must be read in connection with the annual financial statements.

Accounting principles

The interim financial statements have been prepared in accordance with the same accounting principles as those stated in the 2010 annual report with the following exceptions:

Tax

The tax cost in the interim financial statements is based on the estimated tax rate for the year.

Estimates and assessments

When preparing the interim financial statements, management has used estimates and assumptions that have affected assets, liabilities, revenues and costs. Areas in which such estimates are significant include pensions, goodwill, IT-development projects, other intangible assets, tangible fixed assets and provisions for liabilities and charges.

The sources of uncertainties linked to estimates are the same as for the annual report for 2010. Future events may lead to the estimates changing and the changes will be recognised in the accounts once any new estimate has been determined.

Amended standards that have been applied from 01.01.2011:

The Group has applied the amended standard IAS 24 – Related Party Disclosures with effect from 01.01.2011. The Group has implemented the amendments in IAS 1 – Presentation of Financial Statements in accordance with the IASB's annual improvement project (May 2010).

Other new standards and statements that came into effect on 01.01.11 are not deemed relevant to Norway Post. Norway Post will apply these to the extent they are relevant.

Adopted standards that have not been enforced:

The Group plans to apply the new standard IFRS 9 Financial Instruments with effect from 01.01.2013. The application of the standard is not expected to have a significant effect of the Group's financial position.

Other new standards and statements that have yet to come into effect are not deemed relevant for Norway Post.

The annual report for 2010 is available at www.posten.no.

Note 1 Segments

Norway Post's operations are divided into two different segments: Mail and Logistics. These are described in greater detail in the quarterly report and in the 2010 annual report.

Group administration and common costs that are not defined as owner-function costs are allocated to the segments. Owner-function costs include costs relating to the CEO/Board, accounting and finance, organisational development, contact with the authorities, strategy and group information.

Revenues and EBIT by segment

	Totale driftsinntekter			EBITDA			Driftsresultat (EBIT)		
	Total operating revenues			Earnings Before Interest, Taxes, Depreciations and Amortization (EBITDA)			Earnings Before Interest and Taxes (EBIT)		
	Q1 2011	Q1 2010	Year 2010	Q1 2011	Q1 2010	Year 2010	Q1 2011	Q1 2010	Year 2010
External operating revenues	2 494	2 533	9 736						
Internal operating revenues	216	225	607						
Mail	**2 710**	**2 758**	**10 344**	**423**	**393**	**1 214**	**304**	**319**	**838**
External operating revenues	3 230	3 027	12 702						
Internal operating revenues	252	261	756						
Logistics	**3 483**	**3 288**	**13 459**	**107**	**136**	**664**	**48**	**66**	**298**
External operating revenues	0	-1	-5						
Internal operating revenues	-469	-482	-1 346						
Other/eliminations	**-469**	**-483**	**-1 352**	**-123**	**-137**	**-248**	**-107**	**-139**	**494**
Norway Post Group	**5 724**	**5 562**	**22 451**	**407**	**392**	**1 630**	**245**	**247**	**1 630**

Assets and liabilities by segment

31.03.11	**Mail**	**Logistics**	**IT**	**Other / Eliminations**	**Norway Post Group**
Segment assets	10 773	7 601		-3 329	15 046
Non allocated assets					440
Total assets					**15 485**
Segment liabilities	3 898	2 767		-282	6 383
Non allocated liabilities					3 426
Total liabilities					**9 809**
31.03.10					
Segment assets	11 183	6 414	3 509	-3 518	17 588
Non allocated assets					824
Total assets					**18 411**
Segment liabilities	5 655	2 357	1 603	-628	8 987
Non allocated liabilities					4 039
Total liabilities					**13 026**

Note 2 Intangible assets and tangible fixed assets

	Norway Post Group		Posten Norge AS	
	Intangible assets	**Tangible assets**	**Intangible assets**	**Tangible assets**
Total at 01.01.11	**3 368**	**4 137**	**1 002**	**1 016**
Additions/adjustments	43	66	38	22
Disposals		-101		
Depreciation	-54	-119	-50	-55
Translation differences	9	2		
Transfers (to)/from held for sale		95		
Total at 31.03.11	**3 366**	**4 079**	**991**	**983**

Disposals during the first quarter mainly comprised the sale of Bring Cargo's terminal in Kristiansand which explains the change in items held for sale.

Note 3 Equity

As at 31.12.2010 and 31.03.2011 the share capital consisted of 3,120,000 shares each with a nominal value of NOK 1 000. The company's shares are all owned by the Norwegian state, represented by the Ministry of Transport and Communications.

The Norwegian Private Limited Companies Act requirements that dividends must not lead to an equity ratio of less than 10 per cent and that the company cannot distribute more than that which is compatible with prudent and generally accepted business practices have been complied with. Posten Norge AS had MNOK 847 in distributable reserves as at 31.12.2010. It is proposed that no dividend be paid this year.

Note 4 Interest-bearing long-term liabilities

The reduction in the Group's long-term liabilities from 31.03.2010 to 31.03.2011 of MNOK 1 129 is mainly due to the net reduction in bond loans of MNOK 1 000, the reclassification of loans that fall due in 2011 of MNOK 585 as current liabilities as well as a certificate loan of MNOK 600. As of the first quarter of 2011 none of the group's overdraft facilities had been used. The interest rate on Norway Post's outstanding interest-bearing liabilities was 3.79 % as at 31.03.11.

Note 5 Changes to the Group's structure

Acquisition of Coldsped

Bring Frigo took over Coldsped's cold storage operations in Sweden with effect from 01.04.2011. The acquisition covers the plants in Ørebro, Jordbro, Kalmar, Kristanstad, Esløv and Malmø. In 2010, the business had revenues of MSEK 84 and 57 employees. The acquisition strengthens Bring's position as a complete logistics operator for the food industry and increases its geographical presence so that Bring Frigo gets closer to its customers' production plants. Furthermore, storage and transport are efficiently connected and offer customers a single contact point for all logistics connected with the food industry.

Note 6 Held for sale

In 2010 it was decided that Posten Norge's terminal in Molde and Bring Cargo's (formerly Bring Logistics) terminal in Kristiansand would be sold to release capital for other initiatives. The properties were reclassified as held for sale at MNOK 33 and MNOK 95 respectively.

Bring Cargo sold the terminal in Kristiansand in January with a gain of MNOK 4.

Note 7 Significant transactions with related parties

The Group's transactions with related parties have been carried out as part of the ordinary operations and at arm's length prices. The most significant transactions were between the parent company and subsidiaries, and these amounts to:

Income Statement	Q1 2011	Q1 2010	Year 2010
Parent company's purchase of goods and services from subsidiaries	97	92	284
Parent company's sale of goods and services to subsidiaries	192	173	723
Parent company's purchase of goods and services from other related parties	242	135	728
Parent company's sale of goods and services to other related parties	33	2	40

Balance Sheet	31.03.2011	31.03.2010	31.12.10
Parent company's accounts receivable from subsidiaries	122	103	109
Parent company's other receivables from subsidiaries	2 254	2 454	1 876
Parent company's accounts receivable from other related parties	14	1	
Parent company's other receivable from other related parties	400	1 431	1 578
Parent company's accounts payable to subsidiaries	12	5	47
Parent company's other liabilities to subsidiaries	614	844	967
Parent company's accounts payable to other related parties	158	25	70

Note 8 Discontinued operations

The merger between Posten Norge's wholly-owned subsidiary ErgoGroup AS and EDB Business Partner ASA was completed on 14.10.2010 and recognised in the accounts as of 30.09.2010. As of 31.03.2011, Posten Norge had a 40 % ownership interest in the combined company EDB ErgoGroup ASA.

For accounting purposes, Posten Norge's ownership interest in the combined company is treated as an associated company and the share of the combined company's profits is classified under operations. The balance sheet value of the ownership interest as of 31.03.2011 was MNOK 1 454, including the Groups share of the net income of MNOK 14 and the share of other income and costs of MNOK 8.

A non-current loan from Posten Norge AS to ErgoGroup of MNOK 400 as of 31.03.2011 was settled 14.04.2011.

Earnings after taxes from discontinued operations included in the Group's comparative figures:

Ergo Group / discontinued operations	Q1 2010	Year 2010
Operating revenues	1 282	3 772
EBIT	60	229
Earnings before taxes for ErgoGroup	**49**	**192**
Taxes	14	54
Net earnings for ErgoGroup	**35**	**138**
Loss from the ErgoGroup merger		-817
Transaction costs		-8
Net earnings from discontinued operations	**35**	**-686**

EBIT per Q1 deviates from ErgoGroup's own reported figures due to different classification of the settlement of the AFP scheme

Net cash flows related to ErgoGroup included in the Group's comparative figures:

	Q1 2010	Year 2010 *
Net cash flow from operating activities	70	119
Net cash flow from investing activities	-36	-212
Net cash flow from financing activities	-144	-206
Total change in cash and cash equivalents	**-110**	**-299**
Cash and cash equivalents at start of period	644	644
Cash and cash equivalents at end of period	**534**	**345**

*Net cash flow in Year 2010 comprises the period ErgoGroup was a subsidiary of the Group in 2010, 01.01.2010-30.09.2010

ErgoGroup's assets and liabilities included in the Group's comparative figures:

ErgoGroup / discontinued operations	**31.03.10**
Assets	
Total fixed assets	3 306
Current assets	1 522
Total assets	**4 828**
Liabilities	
Provisions for liabilities	110
Interest-bearing liabilities	43
Interes-free liabilities	1 383
Total liabilities	**1 536**

Figures are net of intercompany transactions