

Norway Post

Second quarter and half year report

2nd Quarter 2007





SUMMARY

Norway Post's operating revenues developed positively during the first half-year 2007 compared with the corresponding period last year, mainly due to acquisitions and increased volumes for addressed mail and logistics products.

The results as at 30 June 2007 were positively affected by a gain of NOK 625 million from the sale of Norway Post's Letter Terminal in Oslo. However, at the same time, earnings were adversely affected by increased personnel and transport costs and the start-up of CityMail in Denmark, resulting in a decrease in EBIT before non-recurring items from NOK 625 million in 2006 to NOK 268 million in 2007.

The return before non-recurring items on invested capital (ROIC) over the past 12 months was 12.8 per cent compared with 35.5 per cent for the first half-year 2006. The decrease is mainly due to reduced profits (last 12 months) and an increase in invested capital due to acquisitions. The return on equity for the 12-month period ending 30 June 2007 was 19.7 per cent.

Norway Post achieved a delivery quality of 86.3 per cent for A-priority mail overnight for the second quarter. The licence requirement is 85 per cent. Delivery quality has now returned to a level above the licence requirement.

Handelsbanken Capital Markets carried out a valuation of the Norway Post Group in the second quarter, and has estimated the equity value to be NOK 14.4 billion. This represents an increase of 15.2 per cent since 2006. The growth in equity value is due to acquisitions, strong markets for logistics and ICT and expectations of future growth.

During the second quarter, Norway Post acquired the Swedish transport and logistics group Transflex, the print production operations of CDG Sandberg and the ICT Consulting Company ConCentric AS.

In the second quarter, Norway Post signed an agreement to decrease CO2 emissions by 10 per cent during the next five years. The agreement has been signed by 9 European Postal Companies, and is in accordance with the Kyoto-agreement and reduction goals passed by the EU.

Q2 2007	Q2 2006	MNOK	YTD 2007	YTD 2006	Year 2006
6 668	5 626	Operating revenues	13 388	11 363	23 668
249	402	EBITDA	666	935	2 037
50	272	EBIT (before non-recurring items)	268	625	1 287
45	259	EBIT	886	608	1 313
30	-23	Net financial items	-7	-43	-113
75	236	Profit before tax	879	565	1 200

THE GROUP'S RESULTS

Operating revenue

In the first half of 2007 Norway Post achieved operating revenues of NOK 13 388 million, an increase of NOK 2 025 million (17.8 per cent) compared with the corresponding period last year. Acquisitions increased the operating revenue by NOK 1 442 million as at 30 June 2007 compared with the first half of 2006. Operating revenues for continued operations increased by 5.1 per cent.

The Group's activities in Sweden, Denmark and Finland achieved total operating revenues of NOK 3 020 million in the first half-year. This is an increase of 60.3 per cent compared with the corresponding period last year and was mainly due to the acquisition of SYSteam. International operating revenues accounted for 22.6 per cent of the Group's total revenues during the first six months of 2007, compared with 16.7 per cent for the same period in 2006.

Net income

The Group's earnings before depreciation (EBITDA) as at 30 June 2007 amounted to NOK 666 million, compared with NOK 935 million as at 30 June 2006.

The Group's EBIT before non-recurring items was NOK 268 million, NOK 357 million less than for the same period last year. This reduction was mainly due to increased personnel and transport costs. EBIT has also been affected by the start-up of CityMail in Denmark.

Earnings before interest and taxes (EBIT) came to NOK 886 million compared with NOK 608 million for the same period last year. This increase was mainly due to a gain of NOK 625 million on the sale of Norway Post's Letter Terminal in Oslo.

The earnings before taxes for the first half of 2007 were NOK 879 million compared with NOK 565 million for the corresponding period last year.



The EBIT margin before non-recurring items for the first half-year 2007 was 2.0 per cent, compared with 5.5 per cent for the same period in 2006.

KEY FIGURES

		30.06 2007	30.06 2006	31.12 2006
Equity ratio	%	33,4	33,9	35,5
EBIT margin before non-recurring items	%	2,0	5,5	5,4
EBIT margin	%	6,6	5,4	5,5
Profit margin	%	6,6	5,0	5,1
Return on invested capital before non-recurring items ¹⁾	%	12,8	35,5	21,1
Return on invested capital ¹⁾	%	21,9	21,5	21,5
Return on equity ¹⁾	%	19,7	15,6	16,5
Debt ratio (net)		0,2	0,3	0,1
Liquidity reserves	MNOK	5 693	5 720	6 712
Investments, incl. acquisitions	MNOK	1 899	2 095	2 932
Workforce—parent company	Full-time equiv.	15 911	15 379	15 510
Workforce – Group	Full-time equiv.	24 367	21 701	22 272

1) Rolling 12 months

BALANCE SHEET AND CAPITAL

MNOK	30.06 2007	30.06 2006	31.12 2006
Assets			
Fixed assets	10 499	8 668	8 920
Current assets	6 494	6 934	6 713
Assets held for sale	0	5	136
Total assets	16 993	15 607	15 769
Equity and liabilities			
Equity	5 683	5 288	5 604
Provisions for liabilities	1 953	2 015	1 902
Interest-bearing liabilities	2 988	3 153	2 693
Interest-free liabilities	6 368	5 151	5 547
Liabilities held for sale	0	0	23
Total equity and liabilities	16 993	15 607	15 769

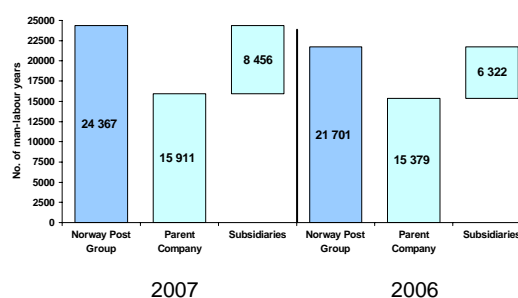
The increase in fixed assets of NOK 1 831 million from the first half of 2006 to the first half of 2007 is mainly due to investments relating to the acquisitions of SYSteam AB and Transflex AB. The total amount invested during the first half-year 2007 was NOK 1 899 million, a decrease of NOK 196 million compared with the corresponding period last year.

The interest-bearing liabilities as at 30 June 2007 equalled NOK 2 988 million, a decrease of NOK 165 million compared with 30 June 2006. Norway Post's liquidity reserves (including unused drawing rights) amounted to NOK 5 693 million at the end of the first half of 2007.

The cash flow from operating activities year to date was NOK 453 million, which is NOK 570 million higher than for the corresponding period in 2006. This increase is mainly due to increased short-term interest-free liabilities.

WORKFORCE

Employees, Group 30.06.2007 vs. 30.06.2006



Norway Post's workforce as of 30 June 2007 was 24 367 full-time equivalents. At the same time in 2006, the Group's workforce consisted of 21 701 full-time equivalents.

The workforces in the Post, Logistics and ICT segments increased by 560, 378 and 1 200 respectively, mainly due to acquisitions.

The operating revenues per full-time equivalent are steadily increasing. Based on the last 12 months' operating revenues, each full-time equivalent sold for NOK 1 054 000, compared with NOK 980 000 during the corresponding period last year.

Norway Post has worked systematically and with great effort from the entire organisation, to reduce the sickness absence rate and the number of lost-time injuries. The results show that the measures implemented have had an effect. The sickness absence rate for the Group was 7.4 per cent as of 30 June 2007, a noticeable reduction from 8.8 per cent for the corresponding period in 2006.



MARKET AND DEVELOPMENT BY SEGMENT

Post

This segment comprises letter products, banking services, information logistics and the sale of goods.

The segment is made up of the Post Division (including the subsidiaries CityMail Group, Talk2Me AS and Customer View AB) and the Distribution Network Division.

MNOK	YTD 2007	YTD 2006	Year 2006
Volume (million physical items)	1 479	1 518	3 026
Volume, bank transactions (million transactions)	11,6	12,4	25,1
Operating revenues *	6 275	6 084	12 318
Segment result (EBITDA)*	268	646	1 157
Segment result (EBIT)*	70	449	716

* The comparative figures for 2006 have been restated as a result of organisational changes and a new principle for distributing the Group's common expenses.

The segment's total revenues were 3.1 per cent higher than those for the corresponding period last year, while the total letter volume handled by the parent company was 3.5 per cent less than during the same period in 2006. Unaddressed direct mail advertising fell by 7 per cent compared with the corresponding period in 2006, due to strong competition in this market. This product accounted for 46 per cent of the total letter volume, compared with 48 per cent during the equivalent period last year.

The volume of A-priority mail was the same as for the first half of 2006, while B-economy mail showed a decrease of 3.1 per cent. Addressed direct mail advertising grew by 1.1 per cent so far this year.

The decrease in banking transactions as a result of the transition to electronic solutions continues, and the number of transactions in the first half of 2007 was 6.6 per cent less than in the corresponding period in 2006.

The volumes handled by CityMail Sweden AB as of 30 June 2007 have increased by 2 per cent compared with 30 June 2006, and 43 per cent of households are now covered. CityMail Denmark AS is in a start-up phase.

The reduction in earnings compared with 2006 is mainly due to increased costs related to personnel and transport, and the start-up of CityMail in Denmark. In light of the increased costs and because several postal products have not had price increases the previous two years, there will be price adjustments for some postal products from 1 October 2007.

In the second quarter 2007, the delivery quality for A-priority overnight mail was 86.3 per cent, compared with 86.9 per cent the year before. The licence requirement is 85 per cent. Norway Post has implemented a number of measures to solve the quality problems which arose last winter, and the results for the second quarter show that the actions have had an effect. Norway Post continues to work at stabilising the delivery quality at a high level.

During the second quarter, Norway Post acquired the print production operations of CDG Sandberg. This acquisition helps to strengthen Norway Post's position in the market for information logistics in Norway,

Logistics

This segment consists of general cargo, temperature-controlled transport, air, sea, special and heavy goods transport, third-party logistics, container handling, national and international parcels, courier services in the Nordic region and express-related logistics solutions.

The segment comprises the Logistics Division with its subsidiaries the Nor-Cargo Group, the Frigoscandia Group, the Box Group, the Transflex Group, Nettlast Hadeland AS, the BoxSolutions Group, and PNL AB.

MNOK	YTD 2007	YTD 2006	Year 2006
Volume (million shipments) **	15,7	14,6	30,1
Operating revenues*	6 027	5 266	11 068
Segment results (EBITDA)*	354	223	546
Segment results (EBIT)*	293	155	446

* The figures for 2006 have been altered as a result of organisational changes and a new principle for distributing the Group's common expenses.

** Shows the increase in volume for parcel services excluding courier services. Due to changes in the product portfolio, the volume for 2006 has been changed compared with former reports in order to achieve correct comparison figures.

As of the first quarter 2007, the former Express and Logistics segments have been merged for reporting purposes to form one business area.

As at 30 June 2007, the segment's total revenues were 14.5 per cent higher than for the corresponding period last year. The increases in operating revenue and net income are a result of



acquisitions and volume growth within all business areas, in particular B2B parcels, general cargo and imports.

The volume of business parcels (B2B) increased by 7 per cent during the first half of 2007 compared with the first half of 2006. International parcel volumes have also developed positively with an increase of 23.5 per cent compared with the same period last year.

B2C volumes showed a minor decrease of 1 per cent in the first half of 2007 compared with the corresponding period last year. This is despite an increase in the share of the population buying goods on the Internet to 52.3 per cent, compared with 40 per cent during the same period last year. The number of people buying goods on the Internet on more than five separate occasions is also increasing, and rose to 27 per cent.

In the second quarter Norway Post bought 100 per cent of the shares in Transflex, a Swedish transport and logistics group. The group has 75 employees and had revenues of SEK 417 million in 2006. This acquisition will strengthen the group's position in general cargo in the Nordic region as well as in international land transport.

The logistics industry is still incurring capacity problems, especially a shortage of drivers. This situation has resulted in quality challenges and increased costs for the industry. During the first half of 2007, Norway Post's Logistics segment implemented a number of projects focusing on quality and a more effective supply chain in all areas of the business.

ICT

This segment consists of operations, infrastructure, solutions and consultancy services. The segment comprises the operations of ErgoGroup.

MNOK	YTD 2007	YTD 2006	Year 2006
Operating revenues*	2 688	1 604	3 620
Segment results (EBITDA)*	246	164	374
Segment results (EBIT)*	114	119	214

* The figures for 2006 have been restated as a result of a new principle for distributing the Group's common expenses.

The 68 per cent growth in revenues is mainly due to acquisitions (Allianse ASA and SYSteam AB) and new contracts throughout 2007. The organic growth in the first half-year was 6 per cent. ErgoGroup's revenues from sales to

Norway Post equalled 15 per cent of ErgoGroup's total revenues as at 30 June 2007, compared with 25 per cent in the same period last year.

A large number of new orders from new customers and expanded business from existing customers has contributed to the growth.

ErgoGroups earnings before interest and taxes (EBIT) are reduced since last year, due to the recognition of negative goodwill in 2006 from acquisitions.

During the second quarter, ErgoGroup acquired 100 per cent of the shares in the company ConCentric AS, and is now one of the leading suppliers of Business Intelligence solutions in Norway. ConCentric AS has 12 employees and had revenues of NOK 15.5 million in 2006.

In addition, ErgoGroup acquired Informatikk's operational unit in Ålesund in order to strengthen its local presence in Northwest Norway. The unit has 15 employees.

FUTURE PROSPECTS

Market developments

The Group's strategic plan for 2007-2011 is to develop an integrated, world-class post and logistics group. The Nordic region is Norway Post's domestic market and the goal is to achieve a competitive increase in value through profitable growth and continued efficiency enhancement and industrialisation of Norway Post's production processes.

To ensure continued profitability and maintain and develop strong market positions, Norway Post must participate actively in the extensive changes that are taking place in its markets. Its customers are becoming international, the Nordic region is becoming one market and large, global players are making the competition more intense. The liberalisation of the postal markets together with increased internationalisation and privatisation are leading to a restructuring and consolidation of the postal and logistics industries in Europe.

The Group's future profit developments will continue to be challenged by the decline in A-priority and B-economy mail and banking transactions, a shift in the portfolio towards products with lower margins, and increasing competition combined with a continual growth in prices and wages. A tighter labour market and capacity shortages in the transport industry add to the pressure on margins.

High personell- and transport costs, especially related to fulfilling the delivery requirements for A-priority mail overnight, require increased operational efficiencies. Necessary cost-cutting measures will not affect Norway Post's delivery quality.



The trend towards smaller volumes of addressed letters, increasing sales of direct mail advertising and the replacement of physical messages with new electronic solutions is expected to continue. At the same time the potential for further efficiency improvements has decreased.

Norway Post expects its individual business areas to continue to experience positive revenue development in the future. External revenues from logistics and ICT operations made up 61 per cent of the Group's total revenues in the first half of 2007, compared with 56 per cent during the same period in 2006.

Norway Post is continuing its efforts to stabilise delivery quality at a high level as well as develop more cost-effective processes and increase the flexibility of its costs. In accordance with its new strategy, the letter and parcel production processes have been further coordinated as of 1 January 2007 in order to optimise the value chain.

The most important measure for keeping the delivery quality at a high level in the long term is the building of the new, modern South East Norway mail-sorting terminal at Robsrud in Lørenskog. This terminal will be finished in 2009 and will be the main sorting facility in Norway Post's new terminal structure.

Norway Post's Letter Terminal in Oslo has been sold to KLP Eiendom with an accounting gain of NOK 625 million. Norway Post has sold the property but will rent the floor space for the Letter Terminal operations until 2010.

Norway Post continues to focus on health, safety and the environment (HSE) in order to reduce its sickness absence rate, the number of those incapacitated for work and the number of lost-time injuries.

Norway Post is continuously working with environmental improvement initiatives over the whole organization. The Group, together with eight other European Postal Companies, has committed to decreasing CO2 emissions by 10 per cent during the next five years.

The environmental programme will mainly be oriented towards environmental improvements for transport, buildings,

machines, eco-friendly products, increased use of renewable energy and fuel with low CO2 emissions. The agreement is in accordance with the Kyoto-agreement and reduction goals passed by the EU.

Regulatory conditions

On 18 October 2006, the EU Commission submitted a proposal regarding a new EU Postal Services Directive. This proposal entails the full liberalisation of the EU/EEA area in 2009. The proposal was discussed for the first time by the Parliament in July, which initiated a postponement of the liberalisation until 2011. The Council will discuss the proposal in the beginning of October, but a final clarification will probably not be available until the end of 2007 or the first half of 2008.

Norway Post has conducted a broad assessment of its future channel strategy, and the consequences for the sales network have been presented to the Minister of Transport and Communications in accordance with §10 of Norway Post's articles of association (issues of societal/fundamental importance). The Ministry of Transport and Communication's views will be stated in the Owner's Report on Norway Post. This report is expected to be submitted to the Norwegian Parliament during the Autumn of 2007.

Oslo, 23 August 2007

The Board of Directors



Appendix 1 – Financial information for the first half-year 2007

GENERAL INFORMATION

The half-year report for the first half of 2007 has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. This interim report has been prepared in compliance with the currently applicable accounting standard IAS 34 for interim accounts.

The information contained in this document has not been audited.

CONDENSED INCOME STATEMENT.

Q2 2007	Q2 2006		YTD 2007	YTD 2006	Year 2006
6 668	5 626	Operating revenues	13 388	11 363	23 668
2 589	2 073	Cost of goods and services	5 062	4 149	8 765
2 822	2 251	Payroll expenses	5 535	4 493	9 253
1 008	901	Other operating expenses	2 125	1 786	3 614
6 420	5 224	Operating expenses	12 722	10 428	21 631
249	402	EBITDA	666	935	2 037
199	130	Depreciation and amortization	398	311	750
50	272	EBIT - Income before non-recurring items	268	625	1 287
-10	-2	(Gains) loss from sale of fixed assets/subsidiaries	-634	-5	-16
13	15	Restructuring costs	15	21	13
0	0	Costs related to transfer to new pension scheme	0	0	-22
45	259	EBIT - Income before interest and taxes	886	608	1 313
0	0	Share of profit from associated companies	1	0	-12
160	77	Financial income	206	140	261
131	100	Financial expenses	213	183	363
30	-23	Net financial items	-7	-43	-113
75	236	Income before taxes	879	565	1 200
21	65	Taxes	247	158	344
54	171	Net income	633	407	856

CONDENSED BALANCE SHEET

	30.06.07	30.06.06	31.12.06
Assets			
Intangible assets	6 430	4 850	5 082
Tangible assets	3 832	3 578	3 684
Financial assets	237	240	154
Total fixed assets	10 499	8 668	8 920
Current assets	6 494	6 934	6 713
Assets held for sale	0	5	136
Total assets	16 993	15 607	15 769
Equity and liabilities			
Equity	5 683	5 288	5 604
Provisions for liabilities and charges	1 953	2 015	1 902
Interest-bearing long-term liabilities	2 723	1 499	2 633
Interest-bearing short-term liabilities	265	1 654	61
Interest-free liabilities	6 368	5 151	5 547
Liabilities held for sale	0	0	23
Total equity and liabilities	16 993	15 607	15 769

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Other equity	Other reserves	Minority interests	Total equity
Equity at 01.01.2006	3 120	1 560	31	28	13	4 752
Translation differences			-21			-21
Cash flow hedges						
Recorded in equity/transferred to income				20		20
Tax on equity changes				-6		-6
Available-for-sale investments						
Recorded in equity				-16		-16
Net income for the period			410		-3	407
Other equity transactions			46		106	152
Equity at 30.06.2006	3 120	1 560	466	26	116	5 288
Equity at 01.01.2007	3 120	992	1 476	1	15	5 604
Translation differences			-15			-15
Cash flow hedges						
Recorded in equity/transferred to income				30		30
Tax on equity changes				-8		-8
Net income for the period			631		2	633
Dividends			-488		-5	-493
Distributions to owner			-80			-80
Other equity transactions			12			12
Equity at 30.06.2007	3 120	992	1 536	23	12	5 683

CONDENSED CASH FLOW STATEMENT

	30.06.07	30.06.06	Year 2006
Cash flows from operational activities			
Provided by operations	644	871	1 220
Changes in working capital and other accruals	-191	-988	845
Net cash flow from operational activities	453	-117	2 065
Cash flows from investing activities			
Investments in tangible assets/IT development/subsidiaries	-1 899	-2 095	-2 932
Sales of tangible assets	770	33	57
Changes in other fixed assets	-82	-43	26
Net cash flow from investing activities	-1 212	-2 105	-2 849
Cash flows from financing activities			
Changes in loans and other financial items	231	1 733	1 174
Group contribution/dividends paid	0	2	-124
Net cash flow from financing activities	231	1 735	1 050
Total change in liquid assets	-527	-488	266
Cash and cash equivalents at start of period	2 306	2 040	2 040
Cash and cash equivalents at end of period	1 779	1 552	2 306

Comparative figures for 2006 have been restated as a result of changes in the principles for classification between lines in the Cash Flow Statement.



SEGMENT REPORTING

	Total operating revenues					Earnings before interest and taxes (EBIT)				
	Q2 2007	Q2 2006	YTD 2007	YTD 2006	Year 2006	Q2 2007	Q2 2006	YTD 2007	YTD 2006	Year 2006
MNOK										
External operating revenues	2 504	2 416	5 161	4 947	9 964					
Internal operating revenues	542	554	1 114	1 137	2 354					
Post	3 046	2 970	6 275	6 084	12 318	-100	179	70	449	716
External operating revenues	3 027	2 582	5 969	5 220	10 965					
Internal operating revenues	27	22	58	46	103					
Logistics	3 053	2 604	6 027	5 266	11 068	168	84	293	155	446
External operating revenues	1 136	630	2 255	1 195	2 752					
Internal operating revenues	222	201	433	409	868					
Electronic services	1 359	832	2 688	1 604	3 620	74	83	114	119	214
External operating revenues	3	-2	4	1	-13					
Internal operating revenues	-791	-778	-1 604	-1 591	-3 324					
Other/eliminations	-789	-780	-1 600	-1 590	-3 337	-97	-87	409	-114	-63
Norway Post Group	6 668	5 626	13 388	11 363	23 668	45	259	886	608	1 313

Comparative figures for 2006 have been restated as a result of organisational changes and a change in the principle for distributing the Group's common expenses.

ADDITIONAL INFORMATION

SIGNIFICANT CHANGES IN RELATION TO PREVIOUS YEARS

The increase in intangible assets from the first half of 2006 to the first half of 2007 is largely due to goodwill acquired in connection with the acquisition of Holmskau Transport AS, AddIQ AB, Blomquist Transport og Spedisjon AS, Talk2me AS, Customer:View AB, Scanex B.V., Grenland Transport og Industriservice AS, SYSteam AB, Tranflex AB and ConCentric AS. The process to identify any excess values which can be allocated to specific intangible and tangible assets in connection with these acquisitions has not been completed as of 30 June 2007 and the goodwill amounts are therefore preliminary.

The increase in interest-bearing long-term and short-term liabilities from the first half of 2006 to the first half of 2007 is largely due to new loans to finance acquisitions so far this year.