

Posten Interim Report



January–March  
2006



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## Financial calendar:

Jan.–June Interim report August 30, 2006

Jan.–Sept. Interim report October 27, 2006

Year End Report February 2007

Every care has been taken in the translation of this interim report. In the event of discrepancies, however, the Swedish original will supersede the English translation.

# Business operations

## Messaging & Logistics

### Administrative Mail

Share of consolidated net sales, 53%



Administrative mail products account for the majority of Posten's revenue.

Services encompass mail distribution, periodical distribution and several associated premarket and after-

market services. Mail distribution generates the most revenue in this segment. The customer base mainly comprises businesses. Sweden is the primary market.

### Direct Mail

Share of consolidated net sales, 14%



Posten distributes unaddressed and addressed direct mail. Additionally, Posten offers a number of value-added services that support the entire DM campaign, such as target

audience analysis, addressing, reply mail and effect surveys. Sweden is the primary market.

### Logistics

Share of consolidated net sales, 28%



Posten's logistics solutions span basic services such as palletized logistics, parcels and express delivery, and in-night transportation, and they fulfill stringent requirements regarding time

precision and service. Within third-party solutions, Posten is a full-service supplier, responsible for the customers logistics and distribution functions. Parcels are the basis of Posten's logistics activities. The Nordic region is the primary market.

## Cashier Service

Share of consolidated net sales, 5%



Posten has a legal mandate from the State to provide nationwide financial transaction services. The subsidiary Svensk Kassaservice meets the terms

of this mandate. A 2004 Government inquiry reviewed the mandate, but no decision regarding Svensk Kassaservice has been given.

## Very strong start of 2006

- Net sales totaled SEK 6,559m (6,091)
- Operating earnings totaled SEK 646m (173).
- After-tax earnings totaled SEK 541m (177).
- Equity-assets ratio was 35 (26) percent.
- Cash flows from operating activities totaled SEK 453m (509).
- On March 14, Posten AB made a public offer to the shareholders of Strålfors AB.

### Quarterly data

Key financials (SEKm unless otherwise specified)	Jan.-March 2006	Jan.-March 2005	Change	2005
Net sales	6,559	6,091	468	25,277
Operating earnings	646	173	473	1,281
Pretax earnings	684	176	508	1,302
After-tax earnings,	541	177	364	1,478
Operating margin, %	10	3	7	5
Equity, end of period	5,608	3,896	1,712	5,068
ROE, %, rolling 12 months	39	33	6	34
Equity-assets ratio, %, end of period	35	26	9	33
Cash flows from operating activities	453	509	-56	2,251
CSI, Customer Satisfaction Index	61	63	-2	61
ViP, Employee Satisfaction Index <sup>1)</sup>	63	63	0	63
Average number of employees, from beginning of the year to end of period	31,496	33,117	-1,621	33,520

<sup>1)</sup> excluding Cashier Service

## Message from the CEO

Posten's positive development continued and was strengthened in the first quarter. Significant increases in volume right across our service range lie behind the increased income. The order book has also developed very positively. As a whole, this has been the best quarter earnings-wise in ten years.

Posten's delivery performance for overnight deliveries is world-leading. The volume of these deliveries has declined in recent years due to substitution to e-services and increased competition. Thanks to the high level of activity in the Swedish economy, it rose by approximately one percent during the quarter. Our strategy for meeting the constant challenges faced by mail as a communication device is to develop diverse combinations of physical and electronic communication solutions. Our offer to the shareholders of Strålfors forms part of this initiative. Providing the Swedish Competi-

tion Authority approves the acquisition, we will create a strong strategic platform for information logistics at Posten.

Making our consumer customers feel that it is easy to collect parcels and commission postal services with our agents is a prioritized target in itself, and forms an important part of strengthening Posten's position as a business partner. By reorganizing our 1,600 Posten authorized retail outlets, 2,200 authorized stamp resellers and 380 Posten business mail centers in the first quarter, we have been able to increase clarity at Posten. I am glad to see that the rebranding initiative has been well received by both consumer customers and companies.

*Erik Olsson, President and CEO*

## Net sales

### January-March

Net sales totaled SEK 6,559m (6,091), which is an increase of SEK 468m or 8 percent. The increase in sales is mainly due to increased volumes in Messaging & Logistics. The volume growth can primarily be attributed to the strong economy, which caused increased activity by Posten's customers, as well as by the fact that there were three more workdays in the first quarter than last year. The volumes of cashier service decreased.

## Operating income

### January-March

Operating earnings totaled SEK 646m (173), which is an improvement of SEK 473m. The increase can be attributed to a combination of income growth and a higher level of capacity utilization, achieved through rationalizations carried out in production and administrative functions. These actions also led to a very strong improvement in productivity of approximately 6 percent.

Personnel costs totaled SEK 3,116m (3,117). Rationalizations of the production units and decreases in sickness absenteeism compensated for the payroll and other cost increases caused by increased sales of logistics services, whose costs incorporate a higher proportion of variable costs.

Transportation costs totaled SEK 1,205m (1,098), an increase of SEK 107m or 10 percent. The difference is mainly due to increased transports as a consequence of higher sales of logistics services. There was also a rise in fuel prices.

Other costs amounted to SEK 1,455m (1,537), a decrease of SEK 82m or 5 percent. The decrease is primarily

due to lower IT costs and provisions. Depreciation and amortisation totaled SEK 216m (252).

## After-tax earnings

### January-March

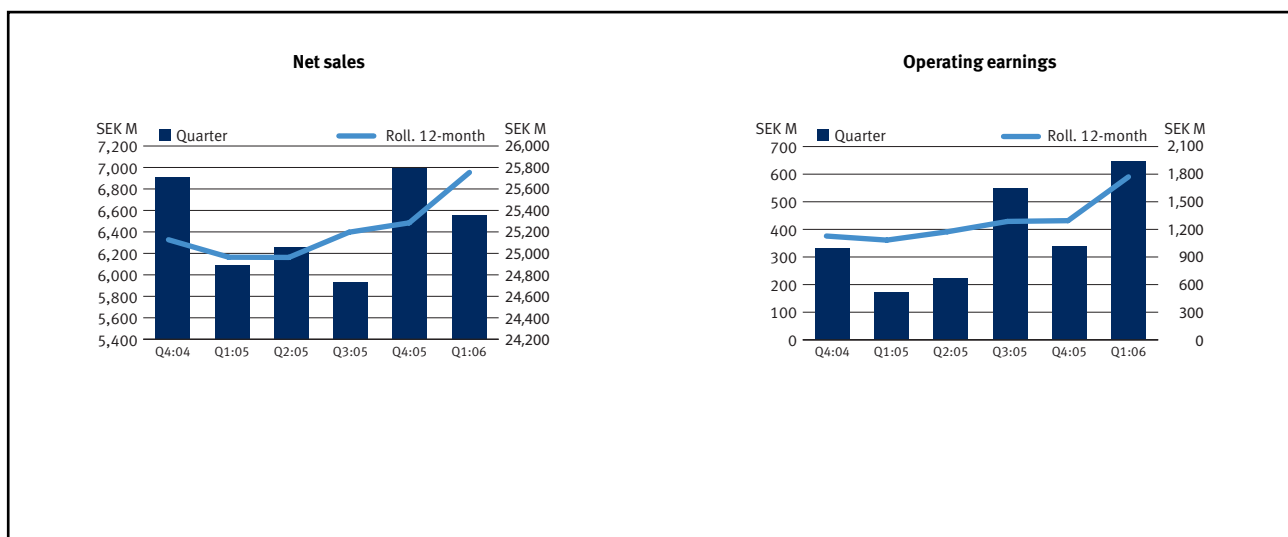
After-tax earnings totaled SEK 541m (177), an improvement of SEK 364m.

Net financial items totaled SEK 38m (3). Financial income was SEK 58m (28). The major difference in comparison with 2005 is that net interest income from pension liabilities was positive by SEK 27m (0). The change is due to the fact that pension calculations made at year-end used a lower discount basis rate for the liability, while the estimated return on assets under management has grown. This has had a positive effect on the net difference between interest income and interest expense in comparison with the same period last year. An increase in net interest-bearing receivables also had a positive effect on net interest income. Financial costs totaled SEK -20m (-25).

Tax totaled SEK -143m (1), of which current tax accounted for SEK -156m (-13) and deferred tax for SEK 13m (14). The increase in current tax costs is due to the fact that Posten had no loss carryforwards left.

## Financial position

Total assets amounted to SEK 16,094m, which is an increase of SEK 542m from December 31, 2005. The increase in total assets is primarily due to positive earnings made during the period, which improved equity, cash and cash equivalents, short-term investments and other receivables. Goodwill totaled SEK 1,008m, which is SEK 2m less than on December 31, 2005. The change is attributable to exchange-rate effects.



## Equity

Equity totaled SEK 5,608m, which is an improvement of SEK 540m from December 31, 2005. See also Changes in equity on page 10. Return on equity, rolling 12-months, was 39 percent, which compares to 34 percent for full-year 2005. Of total equity, SEK 5,598m is attributable to parent company shareholders and SEK 10m to minority interests.

## Equity-assets ratio

The equity-assets ratio was 35 percent, up from 33 percent on December 31, 2005. The increase is due to the positive earnings of the period.

## Cash flows

### January-March

#### Operating activities

Cash flows from operating activities before changes in working capital amounted to SEK 713m (273), primarily due to improved earnings. Changes in working capital amounted to SEK –260m (236), through which cash flows from operating activities totaled SEK 453m (509). Other changes in working capital of SEK –203m (–79) are mainly attributable to an increase in the group's non-interest-bearing receivables in the first quarter.

#### Investing activities

Cash flows from investing activities totaled SEK –327m (–910). The reduction in investments is due to the fact that Posten made large net investments in interest-bearing securities in the first quarter of 2005. Investments made in intangible and tangible non-current assets amounted to SEK 252m (138). Of this total, SEK 81m were purchases of new trans-

portation vehicles, while SEK 39m comprised investments in the Swedish mail and parcel network. Further investments of SEK 73m were made to change signs and display cases, and to increase the efficiency of the mail process. Investments totaling SEK 29m was made in Posten's Danish and Norwegian DPD operations.

#### Financing activities

Cash flows from financing activities totaled SEK –24m (–11), explained primarily by amortized loans.

#### Cash flows for the period

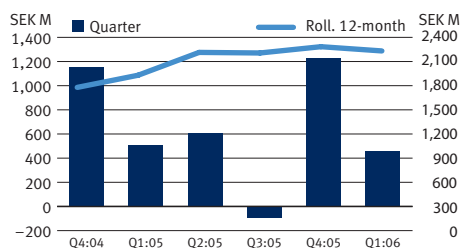
At the end of the period, cash and cash equivalents amounted to SEK 4,690 (3,701). This was an increase of SEK 102m from year-end 2005

## Employees

The average number of employees was 31,496 (33,117), a decrease of 1,621 (2,185). Of the decrease, 26 (1,024) employees were attributable to business divestments. Rationalizations and operational restructuring within production units reduced the average number of employees by 1,060 (537). Rationalizations within Cashier Service caused a decrease of 216 (363) employees. Reductions were also made in administration, including the outsourcing of payroll administration.

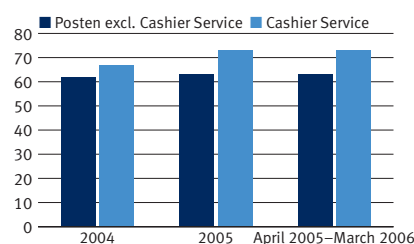
In the first quarter of 2006, the absenteeism rate was 8.2 (8.7) percent of total work hours, which indicates a significant improvement over the same period in 2005. This is thanks to the company's focused health efforts.

Cash flows\*



\* Cash flows from operating activities.

ViP, employee satisfaction Index



The ViP employee satisfaction survey is following up Posten's target of "Engaged Employees". The ViP score for the group excluding Cashier Service remained unchanged at 63 (63) from previous measurement. The Cashier Service score was also unchanged at 73 (73) from previous measurement.

## Reporting of business segments

### Messaging & Logistics

January-March

- Net sales totaled SEK 6,249m (5,739).
- Operating earnings totaled SEK 605m (121).
- Investments totaled SEK 251m (137).

See also Note 2, Reporting of business segments, on page 11.

#### Market trends

Currently Sweden and the rest of the Nordic region are experiencing strong economic growth. A report published by the Swedish National Institute of Economic Research predicts a 4.5 percent growth in global GDP and shows that economies are improving even in the Euro zone. The Swedish GDP is expected to rise by 3.7 percent this year. Economic growth has a positive effect on Posten's volumes, particularly in direct mail and logistics. Mail volumes also increase despite the negative effect of substitution by e-services, which mainly affects overnight deliveries.

A survey conducted by Posten and SIFO shows that more than nine out of ten Swedes still want to receive bills and tax forms sent home in hard copies. The results also showed that nearly 83 percent read or pay attention to the additional materials sent with these kinds of communications. It is therefore reasonable to expect that Posten's customers will continue to find it worthwhile to send bills by mail when combining them with other customer communications. Meanwhile, the Swedish Tax Board has again implemented some changes in order to encourage people to send their tax forms by Internet, SMS or telephone.

The Nordic logistics market is still characterized by acquisitions and new partnerships. On this market, Posten

has a well-developed infrastructure and high distribution capacity. In the first quarter, Posten brought a new parcel processing facility onstream in Kolding, Denmark, with a capacity of 48 million parcels per year.

#### Net sales

External net sales by product category (SEK m)	2006	2005			2005
	Jan.-March	Jan.-March	Change		Full year
Administrative Mail (mail and periodicals)	3,460	3,265	195	6 %	13,270
Direct Mail	934	810	124	15 %	3,588
Logistics	1,843	1,631	212	13 %	6,962
Other	12	33	-21	-64 %	102
<b>Total</b>	<b>6,249</b>	<b>5,739</b>	<b>510</b>	<b>9 %</b>	<b>23,922</b>

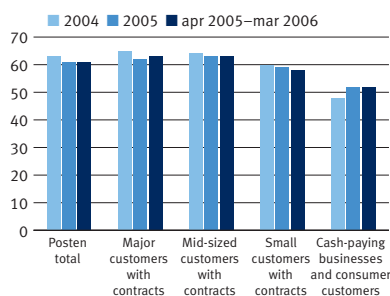
#### Administrative Mail (mail and periodicals)

Net sales totaled SEK 3,460m (3,265). Of the 6-percent increase in income from the segment, Priority Mail accounted for two percentage points, Non-Priority Mail for one percentage point, and Import Mail for another percentage point. The increase is due to volume growth. This can be attributed to the strong economy, which caused increased activity among Posten's customers, as well as by the fact that there were three more workdays in the first quarter as compared to last year. Price increases were also made in mail, periodicals and other services. In addition, there was a price effect on Priority Mail caused by higher average weights, due to the growth in distance trading.

#### Direct Mail

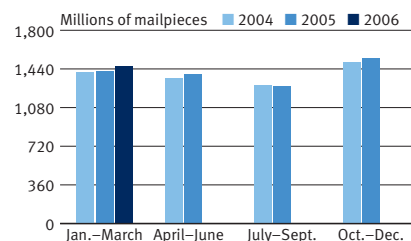
Net sales totaled SEK 934m (810), which meant a 15 percent increase. Addressed and unaddressed direct mail each accounted for just over five percentage points of the increase, mainly due to volume increases from a number of large cus-

CSI, Customer Satisfaction Index



The CSI score was 61, which is still below the target. The result for major customers with contracts improved by one point, while the score for cash-paying customers remained unchanged. The reorganization of the agent network carried out during the quarter is not expected to have an effect until the second quarter at the earliest.

Mail volume, excluding parcels



Volumes encompass mail, periodicals and direct mail. In the first quarter volumes increased by 3 percent in total compared with the same period in 2005. Priority Mail increased by 1 percent during the same period.

tomers involved in the retail and mail order sector. There were also volume increases on behalf of some new customers, including the Swedish Postcode lottery.

### Logistics

Net sales totaled SEK 1,843m (1,631). Of the 13-percent increase, parcel services accounted for eight percentage points. This is due mainly to volume increases in Sweden and in Nordic DPD operations. Volumes also grew in third-party logistics and fourth-party logistics operations, particularly in the health care sector. Palletized and in-night transportations as well as domestic mail parcels increased year on year. The increase in mail parcels is mainly attributable to activities within the distance trading sector.

### Operating earnings

Operating earnings totaled SEK 605m (121), which is an improvement of SEK 484m. The year-on-year increase is mainly attributable to higher income and improved capacity utilization levels.

Personnel costs totaled SEK 2,988m (2,976). Rationalizations of the production units and decreases in sickness absenteeism compensated for the payroll and other cost increases caused by increased sales of logistics services.

Transportation costs totaled SEK 1,194m (1,089), an increase of SEK 105m. The increase in transportation costs is due to higher sales of logistics services and to increased fuel prices.

Other costs amounted to SEK 1,404m (1,476), a decrease of SEK 72m. The decrease is primarily due to lower IT costs and provisions. Depreciation and amortisation totaled SEK 200m (236).

### Investments

Investments totaled SEK 251m (137). Of this total, SEK 81m were purchases of new transportation vehicles, while SEK 39m comprised investments in the Swedish mail and parcel network. Further investments of SEK 73m were made to change signs and display cases, and to increase the efficiency of the mail process. Investments totaling SEK 29m was made in Posten's Danish and Norwegian DPD operations.

### Cashier Service

#### January-March

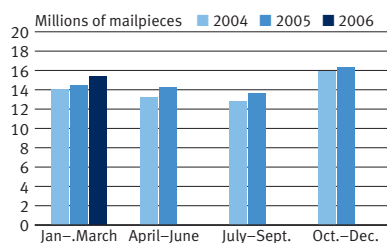
- Net sales totaled SEK 310m (352).
  - Operating earnings including state reimbursements of SEK 100m (100) totaled SEK 41m (52).
  - Operating earnings including closure costs and state reimbursements totaled SEK -5m (9).
  - Investments totaled SEK 1m (1).
- See also Note 2, Reporting of business segments, on page 11.

### Market trends

The market for teller-facilitated transaction services is characterized by a continued decline in demand. In the first quarter, the decrease in transaction volumes was bigger than expected. The number of payment transactions fell by 27 percent year on year. The major decrease took place in deposits and withdrawals through Plusgirot. Posten has decided to close another 136 cashier service branches in 2006 in order to match demand levels.

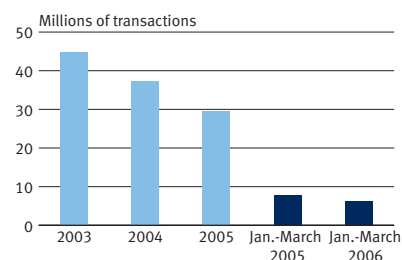
A decision has still not been received on the future of Svensk Kassaservice. The Swedish National Post and Telecom Agency has been commissioned by the Government to specify the need for nationwide cashier services in further detail, providing a report no later than October 31, 2006.

Parcel volume



Parcel volumes are shown exclusive of divested companies' volumes. In the first quarter, volumes increased by 7 percent compared with the same period in 2005.

Cashier service transaction volume



The number of cashier transactions is falling constantly. The decrease for Q1 2006 in comparison with the same period in 2005 was 19 percent.

*Net sales and operating earnings*

Net sales amounted to SEK 310m (352), a decrease of SEK 42m. Operating earnings including state reimbursements of SEK 100m (100) totaled SEK 41m (52). The Government informs the EU Commission regularly regarding the subsidies granted for providing essential financial services. Awaiting an answer from the Commission, Posten has accounted for the reimbursements in accordance with expected levels, which are equivalent to the previous year at SEK 100m. Operating earnings including closure costs and state reimbursements totaled SEK –5m (9). The decrease in earnings is due to the fact that Posten has been unable to fully adjust the costs for the cashier network to reflect a lower demand.

**Parent company**

After the March 1, 2005 merger of Posten AB (publ) with its subsidiary Posten Sverige AB, most of the Posten group's Swedish operations are run by the parent company, Posten AB (publ).

Net sales totaled SEK 5,068m (4,685) and earnings after financial items were SEK 507m (106). Investments totaled SEK 143m (80). Cash and cash equivalents totaled SEK 4,395m (2,985), an increase of SEK 19m from year-end 2005. In January 2006, the parent company set up a wholly owned subsidiary called HIT Norge AS. Posten also divested its subsidiary Falcon Air AB during the first quarter.

On March 14, the Board of Posten AB (publ) made a public offer to the shareholders of Strålfors for the acquisition of 100% of shares. The management of Strålfors supported the acquisition unanimously.

**Key events after the close of the period***Strålfors*

Posten AB's public offer to the shareholders of Strålfors AB has been approved by the Norwegian Competition Authority. The Swedish Competition Authority has promised to provide its corresponding decision at the latest on May 12, 2006, although it may well make a decision earlier than that. Posten has extended the acceptance period for the offer until May 4, 2006. Provided that Posten completes the offer no later than May 12, 2006, settlement to those shareholders who have accepted the offer is expected to begin on or around May 19, 2006. The offer was accepted by shareholders representing more than 90 percent of capital and voting rights.

*Changes in executive management*

Joss Delissen will take over from Per-Inge Olsson as Chief Information Officer and member of Posten's executive management on May 1, 2006.

Stockholm, April 26, 2006

**Posten AB (publ)**

*Erik Olsson*  
President and CEO

This report has not been audited.

## Consolidated financial statements

### Income statements

SEK m	Note	2006		2005	
		Jan.-March	Jan.-March	Full year	
Net sales		6,559	6,091	25,277	
Other operating income		79	86	304	
<b>Total operating income</b>	2	<b>6,638</b>	<b>6,177</b>	<b>25,581</b>	
Personnel costs		-3,116	-3,117	-12,244	
Transportation costs		-1,205	-1,098	-4,688	
Other costs	3	-1,455	-1,537	-6,098	
Depreciation and amortisation of tangible and intangible non-current assets		-216	-252	-1,270	
<b>Total operating costs</b>		<b>-5,992</b>	<b>-6,004</b>	<b>-24,300</b>	
<b>OPERATING EARNINGS</b>		<b>646</b>	<b>173</b>	<b>1,281</b>	
Financial income		58	28	127	
Financial costs		-20	-25	-106	
<b>Net financial items</b>		<b>38</b>	<b>3</b>	<b>21</b>	
<b>Earnings after financial items</b>		<b>684</b>	<b>176</b>	<b>1,302</b>	
Tax		-143	1	176	
<b>NET EARNINGS</b>		<b>541</b>	<b>177</b>	<b>1,478</b>	
<b>Attributable to</b>					
Parent Company shareholders		539	176	1,475	
Minority interest		2	1	3	

## Balance sheets

SEK m	Note	2006 31 March	2005 31 Dec.
<b>ASSETS</b>			
Intangible non-current assets		1,074	1,079
Tangible non-current assets		3,370	3,357
Financial investments		75	79
Long-term receivables		1,694	1,550
Deferred tax assets		813	811
<b>Total non-current assets</b>		<b>7,026</b>	<b>6,876</b>
Inventory		72	82
Tax credit			94
Accounts receivable		2,369	2,380
Pre-paid expenses and accrued income		917	753
Other receivables		371	233
Short-term investments		649	546
Cash and cash equivalents		4,690	4,588
<b>Total current assets</b>		<b>9,068</b>	<b>8,676</b>
<b>TOTAL ASSETS</b>		<b>16,094</b>	<b>15,552</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital stock		600	600
Contributed equity		42	42
Reserves		28	29
Retained earnings		4,928	4,389
<b>Total equity attributable to Parent Company shareholders</b>		<b>5,598</b>	<b>5,060</b>
<b>Minority interest</b>		<b>10</b>	<b>8</b>
<b>TOTAL EQUITY</b>		<b>5,608</b>	<b>5,068</b>
<b>LIABILITIES</b>			
Long-term interest-bearing liabilities		996	1,033
Other long-term liabilities		118	118
Pension provisions	4	712	681
Other provisions	5	2,914	2,946
Deferred tax liabilities		3	3
<b>Total non-current liabilities</b>		<b>4,743</b>	<b>4,781</b>
Current interest-bearing liabilities		471	391
Accounts payable		901	980
Tax liabilities		109	53
Other liabilities		1,581	1,663
Accrued expenses and deferred income		2,309	2,157
Other provisions	5	372	459
<b>Total current liabilities</b>		<b>5,743</b>	<b>5,703</b>
<b>TOTAL LIABILITIES</b>		<b>10,486</b>	<b>10,484</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,094</b>	<b>15,552</b>

## Statements of cash flows

SEK m	2006	2005	Full year
	Jan.-March	Jan.-March	
<b>OPERATING ACTIVITIES</b>			
Earnings after financial items	684	176	1,302
Adjustments for non-cash-flow items:			
Reconciliation of depreciation according to plan	216	252	999
Reconciliation of impairment of non-current assets, etc.		0	271
Capital gain/loss on sale of non-current assets	1	2	31
Pension provisions	-98	18	-120
Other provisions	-84	-120	-262
Other items not affecting cash	1		-20
Tax paid	-7	-55	-126
<b>Cash flows from operating activities before changes in working capital</b>	<b>713</b>	<b>273</b>	<b>2,075</b>
Cash flows from changes in working capital			
Increase (-)/decrease (+), accounts receivable	10	316	163
Increase (+)/decrease (-), accounts payable	-67	-1	123
Other changes in working capital	-203	-79	-110
<b>Changes in working capital</b>	<b>-260</b>	<b>236</b>	<b>176</b>
<b>Cash flows from operating activities</b>	<b>453</b>	<b>509</b>	<b>2,251</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible non-current assets	0	-2	-10
Investments in tangible non-current assets	-252	-136	-813
Acquisition/disposal of affiliated companies	24	0	-2
Divestment of financial non-current assets	0	0	1
Divestment of other non-current assets, etc.	5	9	34
Increase (-)/decrease (+), current financial liabilities	-104	-781	-464
<b>Cash flows from investing activities</b>	<b>-327</b>	<b>-910</b>	<b>-1,254</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised	14	2	1
Loans amortized	-5	-1	-262
Amortisation of leasing liability	-31	-24	-96
Dividend paid	0	0	-152
Increase (+)/decrease (-), other financial liabilities	-2	12	-13
<b>Cash flows from financing activities</b>	<b>-24</b>	<b>-11</b>	<b>-522</b>
<b>CASH FLOWS FOR THE PERIOD</b>	<b>102</b>	<b>-412</b>	<b>475</b>
Cash and cash equivalents, beginning of the period	4,588	4,113	4,113
Cash and cash equivalents, close of the period	4,690	3,701	4,588

## Changes in equity

## Changes in consolidated equity

SEK m	Equity attributable to Parent Company shareholders						Minority interest	Total equity
	Capital stock	Contributed equity	Hedging reserve <sup>*)</sup>	Accumulated translation difference	Retained earnings	Total		
<b>Equity 01/01/2005</b>	<b>600</b>	<b>42</b>		<b>-18</b>	<b>3,071</b>	<b>3,695</b>	<b>7</b>	<b>3,702</b>
Adjustment for accounting change			-6			-6		-6
<b>Adjusted equity 01/01/2005</b>	<b>600</b>	<b>42</b>	<b>-6</b>	<b>-18</b>	<b>3,071</b>	<b>3,689</b>	<b>7</b>	<b>3,696</b>
Translation differences for the period				23		23		23
Total changes in capital wealth charged directly against equity, excluding transactions with the Company's owner				23		23		23
Net earnings					176	176	1	177
Total changes in capital wealth excluding transactions with the Company's owner				23	176	199	1	200
<b>Equity 03/31/2005</b>	<b>600</b>	<b>42</b>	<b>-6</b>	<b>5</b>	<b>3,247</b>	<b>3,888</b>	<b>8</b>	<b>3,896</b>
<b>Equity 04/01/2005</b>	<b>600</b>	<b>42</b>	<b>-6</b>	<b>5</b>	<b>3,247</b>	<b>3,888</b>	<b>8</b>	<b>3,896</b>
Translation differences for the period				23		23		23
Total changes in capital wealth charged directly against equity, excluding transactions with the Company's owner				23		23		23
Net earnings			7		1,292	1,299	2	1,301
Total changes in capital wealth excluding transactions with the Company's owner			7	23	1,292	1,322	2	1,324
Dividend					-150	-150	-2	-152
<b>Equity 12/31/2005</b>	<b>600</b>	<b>42</b>	<b>1</b>	<b>28</b>	<b>4,389</b>	<b>5,060</b>	<b>8</b>	<b>5,068</b>
<b>Equity 01/01/2006</b>	<b>600</b>	<b>42</b>	<b>1</b>	<b>28</b>	<b>4,389</b>	<b>5,060</b>	<b>8</b>	<b>5,068</b>
Translation differences for the period				-1		-1		-1
Total changes in capital wealth charged directly against equity, excluding transactions with the Company's owner				-1		-1		-1
Net earnings					539	539	2	541
Total changes in capital wealth excluding transactions with the Company's owner				-1	539	538	2	540
<b>Equity 03/31/2005</b>	<b>600</b>	<b>42</b>	<b>1</b>	<b>27</b>	<b>4,928</b>	<b>5,598</b>	<b>10</b>	<b>5,608</b>

<sup>\*)</sup> The hedge reserve totaled SEK 1m (-6). The change is explained by the fact that SEK 3m was released from the hedging of estimated power consumption, and SEK 4m was released from the hedging of contractual foreign currency purchases.

## Notes

## Note 1 Accounting principles

**Estimates and assessments**

In making this report in accordance with the International Financial Reporting Standards (IFRS), the executive management has made assessments, estimates and assumptions which affect the application of the accounting principles and certain recorded values. These valuations and assumptions are based on historical experience and a number of other factors which are considered to be applicable in the circumstances. Actual future values presented in other reports may differ from these estimates and assessments.

**Consolidated financial statements**

The consolidated interim report was made in accordance with IAS 34, Interim Financial Reporting, and therefore also with the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim Reporting for Groups. The Posten Group has applied accounting principles according to IFRS since January 1, 2005 in the consolidated financial statements.

The same accounting principles and evaluation methods have been used in this interim report as in the 2005 Annual Report. As previously described, comparative figures for 2004 have been restated in accordance with IFRS, with the exception of financial instruments, where the adoption of IAS 39 was implemented on January 1, 2005 without restatement of 2004 figures.

**Parent company**

As of January 1, 2005, the parent company applies the Financial Accounting Standards Council's Recommendation RR 32, Reporting for Legal Entities. The same accounting principles and evaluation methods have been used in this interim report as in the 2005 Annual Report. As previously described, comparative figures for 2004 have been restated in accordance with IFRS, with the exception of financial instruments, where the adoption of IAS 39 was implemented on January 1, 2005 without restatement of 2004 figures.

## Note 2 Reporting of business segments

Within the Group, the full cost principle is used for internal purchases, apart from those services which are included in Posten's service offering. For these, market prices are applied.

**Posten's primary segment grouping** is based on its universal service obligation for mail and parcels, as well as its legal mandate to provide essential financial transaction services.

INCOME AND EARNINGS	Messaging and Logistics		Cashier service		Eliminations		Posten Group total	
	2006 Jan.-March	2005 Jan.-March	2006 Jan.-March	2005 Jan.-March	2006 Jan.-March	2005 Jan.-March	2006 Jan.-March	2005 Jan.-March
SEK m								
Net sales, external	6,249	5,739	210	252				
Reimbursement, Swedish Government			100	100				
Other operating income, external	78	83	1	3				
Operating income, internal	64	76	8	8	-72	-84		
<b>Total operating income</b>	<b>6,391</b>	<b>5,898</b>	<b>319</b>	<b>363</b>	<b>-72</b>	<b>-84</b>	<b>6,638</b>	<b>6,177</b>
<b>Operating earnings</b>	<b>605</b>	<b>121</b>	<b>41</b>	<b>52</b>			<b>646</b>	<b>173</b>
Financial items							38	3
<b>Earnings after financial items</b>							<b>684</b>	<b>176</b>
Tax							-143	1
<b>Net earnings</b>							<b>541</b>	<b>177</b>

**Posten's secondary segment grouping** is geographic with Sweden as main market. The company has a good position in the Nordic region through subsidiaries and cooperation with other players, and the ability to provide service throughout Europe and the greater part of the world. Customers with a Swedish billing address account for 86 percent of Posten's income. Because other geographic segments account for less than 10% apiece, figures relating to these segments appear only in the Annual Report.

## Note 3 Other cost

SEK m	2006		2005
	Jan.-March	Jan.-March	Full Year
Costs of premises	337	333	1,362
Provisions	-5	8	65
Other	1,123	1,196	4,671
<b>Total</b>	<b>1,455</b>	<b>1,537</b>	<b>6,098</b>

## Note 4 Pension provisions

Pension provisions amounted to SEK 712m, an increase of SEK 102m year on year.

SEK m	2006		2005	
	Jan.-March	Jan.-March	Jan.-March	Jan.-March
Pension liability, OB	681	593		
Early retirements in 2006	87	74		
Other pension income	94	88		
<b>Total pension liability before guarantee in Posten Pension Fund</b>	<b>862</b>	<b>755</b>		
Funds transferred to Posten Pension Fund for Posten AB (publ)	-150	-145		
<b>Pension liability, CB</b>	<b>712</b>	<b>610</b>		

## Posten Pension Fund

The Posten Group funds the Parent Company's pension commitments in the Posten Pension Fund. As from 2005, funds are transferred to the Pension Fund quarterly; this was previously done at year end. Transfers from the Parent Company amounted to SEK 150m (145), and compensation of SEK 159m (151) has been received. After deduction of compensation, the market value of the Posten Pension Fund net assets totaled SEK 13,268m (12,202).

## Posten's Pension Fund assets

SEK m	2006		2005	
	31 March	%	31 Dec.	%
Real estate	296	2	161	1
Real interest bonds	4,732	36	4,768	37
Other interest-bearing assets	3,097	23	3,291	25
Shares and alternative assets	5,143	39	4,831	37
	<b>13,268</b>	<b>100</b>	<b>13,051</b>	<b>100</b>

Net return in 2005 after expenses and tax 2006, amounted to 1.7 percent (1.7). During the year, the fund had a positive return from all types of asset. The market value exceeds outstanding commitments to the extent of SEK 2,278m (1,451). Consolidation was 121 percent (113.5).

## Note 5 Other provisions

Other provisions totaled SEK 3,286m (3,405), of which current provisions accounted for SEK 372m (459), and long-term provisions for SEK 2,914m (2,946).

<b>Review of changes in other provisions, SEK m</b>	<b>01/01/2006 OB</b>	<b>Provisions and reconciliations</b>	<b>Utilizations</b>	<b>03/31/2006 CB</b>
<b>Allocated provisions</b>				
Provisions for future loss contract, Cashier service <sup>1)</sup>	604			604
Closure provisions, Cashier service	705		-49	656
Closure provision, terminal network, Messaging & Logistics	12		-4	8
Provision for downsizing, central administration, year 2004	16		-6	10
Provision for reorganization, Production & Logistics Division	20		-10	10
Provision for workers' benefits	100			100
Provision for future conditional pension benefits	1,478	28		1,506
Provision for disability benefits, effect of conversion to IAS 19 Benefits to Employees	164			164
Other provisions	170	-38	-19	113
<b>Total allocated provisions</b>	<b>3,269</b>	<b>-10</b>	<b>-88</b>	<b>3,171</b>
<b>Unallocated provisions</b>				
Other provisions	136		-21	115
<b>Total unallocated provisions</b>	<b>136</b>		<b>-21</b>	<b>115</b>
<b>Total other provisions</b>	<b>3,405</b>	<b>-10</b>	<b>-109</b>	<b>3,286</b>

<sup>1)</sup> Impact on Cashier service is on same basis as a loss contract.

Impact on earnings, SEKm 2006, Jan.-March	Provisions and reconciliations				Utilizations		
	Messaging & Logistics	Cashier service	Un-allocated	Total	Messaging & Logistics	Cashier service	Total
<b>Allocated provisions</b>							
Personnel costs	-28			-28	31	45	76
Other costs	38			38	8	1	9
Financial costs						3	3
	<b>10</b>			<b>10</b>	<b>39</b>	<b>49</b>	<b>88</b>
<b>Unallocated provisions</b>							
Personnel costs					21		21
Other costs							
Financial costs							
					<b>21</b>		<b>21</b>
<b>Total</b>	<b>10</b>			<b>10</b>	<b>60</b>	<b>49</b>	<b>109</b>

Impact on earnings, SEKm 2005, Jan.-March	Provisions and reconciliations				Utilizations		
	Messaging & Logistics	Cashier service	Un-allocated	Total	Messaging & Logistics	Cashier service	Total
<b>Allocated provisions</b>							
Personnel costs	-14			-14	76	40	116
Other costs	-8			-8		4	4
Financial costs						3	3
	<b>-22</b>			<b>-22</b>	<b>76</b>	<b>47</b>	<b>123</b>
<b>Unallocated provisions</b>							
Personnel costs	-16			-16	37		37
Other costs	-2			-2			
Financial costs							
	<b>-18</b>			<b>-18</b>	<b>37</b>		<b>37</b>
<b>Total</b>	<b>-40</b>			<b>-40</b>	<b>113</b>	<b>47</b>	<b>160</b>

### Note 6 Pledged assets and contingent liabilities

SEK m	2006	2005
	31 March	31 Dec.
<b>Assets pledged</b>		
Endowment insurance policies for employees and former employees	92	92
Assets pledged as security	36	27
<b>Total assets pledged</b>	<b>128</b>	<b>119</b>
<b>Contingent liabilities</b>		
Guarantee commitments, FPG	73	73
Cashier service <sup>1)</sup>	850	850
Residual value guarantee in real estate lease <sup>2)</sup>	171	171
Other security given	20	18
<b>Total contingent liabil</b>	<b>1,114</b>	<b>1,112</b>

<sup>1)</sup> The decisions which will follow the completed state reports, primarily the government bill concerning Cashier service that was previously advised for June 2005, may have a considerable effect on Posten. On account of uncertainty regarding the timing of the decision regarding Posten's involvement in Cashier service, a contingent liability is reported for possible future losses on account of the legislative requirement to provide nationwide cashier service coverage. This can be compared with a loss contract. Over and above this, see also Note 5 Other provisions.

<sup>2)</sup> The contingent liability involves Posten being responsible at the conclusion of the contract for 90 percent of that part of the property's sale value that is less than SEK 190m. The market value of the property at beginning of 2000 amounted to a considerably larger amount than SEK 190m, subsequently, the market trend in the region has been positive. This means that the assessment is that the contingent liability as it appears at present will not be required.

### Note 7 Forward-looking statements

Certain information in this report reflects the management's views on future situations. Such forward-looking statements involve risks and uncertainties which may affect the actual values reported in future financial statements.

### Note 8 Significant transactions with associated parties

#### Swedish State

Under the Essential Financial Transaction Services Act, Posten provides nationwide essential financial transaction services through its subsidiary Svensk Kassaservice AB. A subsidy of SEK 100m (100) has been accounted for as a receivable from the Government to support the provision of services in commercially unviable areas lacking suitable alternatives.

Posten has paid SEK 3.3m (2.8) to the National Post and Telecom Agency for its permit to provide postal services. The National Post and Telecom Agency appropriated SEK 9.5m (12.2) to Posten for physical disability compensation, corresponding to Braille services and services to senior citizens living in sparsely populated areas.

#### Other organizations

Posten's insurance association insures Posten's commitments regarding employee disability and family pensions in accordance with ITP-P. During the quarter, Posten paid premiums totaling SEK 71m (70) to the association, and received compensation totaling SEK 19m (18).

For Posten's interaction with Posten's Pension Fund, see Note 4.

### Note 9 Investment commitments

As of March 31, 2006, Posten had some open commitments related to acquiring tangible non-current assets. These commitments were to the value of SEK 261m, and were mainly associated with sorting equipment and vehicles.

## Quarterly data

	2004				2005				2006
	Jan.-March	April-June	July-Sep.	Oct.-Dec.	Jan.-March	April-June	July-Sep.	Oct.-Dec.	Jan.-March
Net sales, SEKm	6,253	6,263	5,699	6,905	6,091	6,261	5,933	6,992	6,559
Operating earnings, SEKm	217	131	436	331	173	221	548	339	646
Pretax earnings, SEKm	198	121	418	342	176	219	566	341	684
After-tax earnings, SEKm	360	123	401	413	177	204	558	539	541
Operating margin, %	3	2	8	5	3	4	9	5	10
Equity, SEKm, end of period	2,802	2,920	3,291	3,702	3,896	3,985	4,533	5,068	5,608
ROE, %, rolling 12 months	<sup>1)</sup>	<sup>1)</sup>	<sup>1)</sup>	42	33	35	35	34	39
Equity-assets ratio, %, end of period	20	20	24	25	26	27	30	33	35
Cash flows from operating activities, SEKm	360	333	-91	1,151	509	612	-98	1,228	453
CSI, Customer Satisfaction Index	61	62	63	63	63	62	61	61	61
ViP, Employee Satisfaction Index <sup>2)</sup>	61	61	62	62	63	62	63	63	63
Average number of employees, from beginning of the year to end of period	35,302	35,465	36,068	35,731	33,117	33,192	33,771	33,520	31,496

<sup>1)</sup> Comparative data have not been provided since 2003 figures have not been restated under IFRS.

<sup>2)</sup> excluding Cashier Service.

# Definitions

**Return on equity:** Net earnings divided by average equity.

**Average number of employees:** The total number of paid employee hours divided by the standard number of hours for a full-time employee.

**Customer Satisfaction Index (CSI):** CSI is a performance metric that reflects achievement relating to the "customer satisfaction target" has been achieved. 2,000 measurements are regularly conducted among business and consumer customers throughout the year. Statistical information is compiled quarterly. First-quarter results are counted as full-year results and measured against stated targets. Units responsible for providing customer services set and follow up goals using the CSI. The method yields information about key improvements that will enhance customer satisfaction. The results also provide an issue specific scorecard as well as a holistic assessment of service quality.

**Changes in productivity:** Result trend which is wholly dependent on volume-related revenue and cost changes, for example, more parcels or fewer employees. Price-related revenue and cost changes, for example postage increases or wage increases, have thus been excluded from the result trend as regards the calculation of productivity.

**After-tax earnings:** Earnings before minority share.

**Operating margin:** Operating earnings after depreciation expressed as a percentage of net sales.

**Sickness absenteeism:** The rate of sickness absenteeism is calculated by relating the number of sickness absenteeism hours in relation to contracted work time. By contracted work time is meant collective agreements and employment agreements. Sickness absenteeism refers only to the absence of the individual.

**Equity-assets ratio:** Equity plus the minority's share of equity divided by year-end total assets.

**ViP-Index:** ViP is a performance indicator that measures achievement relating to the employee dedication target. Measurements are performed regularly throughout the year via surveys. At least once a year, employees are provided the opportunity to evaluate their immediate supervisor and advancement horizons as well as rate their overall work situation.

Posten connects people and organizations around the world by delivering mail promptly, reliably and cost-effectively. We drive value creation by combining conventional postal services and convenient electronic solutions, and integrating these services into customer businesses. With approximately 4,000 retail service outlets, we provide daily service to 4.5 million homes and 900,000 businesses in Sweden. Every day we handle close to 20 million pieces of mail. With sales of over SEK 25 billion and more than 30,000 employees, the group is one of the largest in Sweden. The group's parent, Posten AB (publ), is wholly owned by the Swedish state. For more information, please visit our website at [www.posten.se](http://www.posten.se)

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