

Posten Year End Report



# January–December 2006



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## Financial calendar::

Annual Report 2006	March, 2007
Annual General Meeting	March 29, 2007
Interim Report	January-March April 27, 2007
Interim Report	January-June August 23, 2007
Interim Report	January-September October 26, 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 and Logistics

### Administrative Mail

Share of consolidated net sales, 48%



Administrative mail products account for the majority of Posten's revenue. Services encompass mail distribution, periodical distribution and several associated premarket and aftermarket 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, 27%



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.

## Strålfors

Share of consolidated net sales, 7%



Strålfors was acquired on May 22, 2006. Strålfors is an IT-focused Business-to-Business company with a graphic tradition, operative in complete solutions within the

area of information transfer. Strålfors develops, produces and delivers systems, services and products for the effective communication of critical business information.

## Cashier Service

Share of consolidated net sales, 4%



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. The government has announced a proposition for March 22, 2007.

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Posten will operate in a new operational structure as of January 1, 2007.

## Strong 2006 lays the ground for increased competitiveness

- Net sales totaled SEK 27,823m (25,277)
- Operating earnings totaled SEK 1,442m (1,281)
- The fourth quarter was weighed down by costs of SEK 617m for Posten's restructuring activities, which will result in annual cost reductions of SEK 300m
- Net earnings totaled SEK 1,013m (1,478)
- Equity-assets ratio was 33 (33) percent
- Cash flows from operating activities totaled SEK 2,602m (2,251)
- The Board proposes that SEK 400m (175) be paid out in dividends

Key financials (SEKm unless otherwise specified)	Jan-Dec			Okt-Dec		
	2006	2005	Change	2006	2005	Change
Net Sales	27,823	25,277	2,546	7,940	6,992	948
Operating earnings	1,442	1,281	161	-159	339	-498
Earnings after financial items	1,578	1,302	276	-119	341	-460
Net earnings	1,013	1,478	-465	-300	539	-839
Operating margin, %	5	5	0	-2	5	-7
Equity, end of period	5,831	5,068	763	5,831	5,068	763
ROE, % rolling 12 months	19	34	-15	19	34	-15
Equity-assets ratio, % end of period	33	33	0	33	33	0
Cash flows from operating activities	2,602	2,251	351	1,512	1,228	284
CSI, Customer Satisfaction Index	62	61	1	62	61	1
ViP, Employee Satisfaction Index <sup>1)</sup>	64	63	1	64	63	1
Average number of employees, from beginning of the year to end of period	33,395	33,520	-125	33,395	33,520	-125

<sup>1)</sup> Excluding Cashier Service and Strålfors

### Message from the CEO

Posten is performing well. Once again, we are delivering strong earnings that surpass our financial goals. We have reached operating earnings of SEK 1,442m for the full year, despite costs of SEK 617m for Posten's restructuring and transition to a new operational structure in the fourth quarter. These will result in annual cost reductions of SEK 300m, fully effective by 2008, thus reinforcing our long-term competitiveness.

The acquisition of Strålfors together with a robust economy and our intensified sales efforts have resulted in Posten setting a sales record for 2006. Both Posten's logistics and direct marketing services have grown by 8 percent each.

The expanding market for information logistics services is a key growth area for Posten. During the year, Strålfors grew by a full 20 percent in this area. Earnings for Strålfors have also been weighed down by structural costs that will strengthen the company's competitiveness in the face of

future challenges. In order to take advantage of the identified synergies, Posten and Strålfors are merging their printing operations in Sweden.

Posten's end-to-end solutions for the growing distance trade have, together with the upswing in the economy, softened the fall in mail volumes. This has maintained the income level from Messaging, Posten's largest business area, keeping it the same as last year.

With our new and more specialized operational structure as a base, Posten will continue to make our customers' messaging and goods flows more effective while also offering unique receiver relations with all of Sweden's households and businesses.

Posten is entering 2007 with excellent chances for further expansion and an even sharper competitive edge.

*Erik Olsson, President and CEO*

## Net Sales

### January-December

Net sales totaled SEK 27,823m (25,277), an increase of SEK 2,546m, or 10 percent. SEK 1,930m or 8 percentage points of the increase stems from Strålfors. Otherwise, the higher sales can mainly be explained by an 8 percent increase in income in both the direct marketing and logistics segments. The improvement has been achieved through intensive sales efforts and a strong economy. The Cashier Service sales have continued to decrease.

### Fourth quarter

Net sales totaled SEK 7,940m (6,992), an increase of SEK 948m or 14 percent. SEK 902m or 13 percentage points of the increase stems from Strålfors.

## Operating earnings

### January - December

Operating earnings amounted to SEK 1,442m (1,281). The fourth quarter was weighed down by Posten's costs of SEK 617m for restructuring and the transition to a new operational structure, and can mainly be attributed to reductions in personnel. The costs have added to personnel costs of SEK 74m, and other costs of SEK 543m in the form of provisions. The restructuring costs, primarily for rationalizations within administration, sales and production operations, will give annual cost reductions of at least SEK 300m once fully effective in 2008. The new operational structure will increase Posten's competitiveness by enabling Posten to offer better and more specialized service to customers and by making operations more efficient. Excluding the restructuring, operating earnings amounted to SEK 2,059m. This strong development in earnings is a result of increased sales combined with rationalizations in production and administration as well as reduced sick absenteeism. Productivity improved by 2 percent.

Personnel costs amounted to SEK 12,917m (12,244), an increase of SEK 673m or 5 percent. Excluding Strålfors and the costs of restructuring, personnel costs decreased by SEK 29m. Rationalizations and reduced sick absenteeism compensated for cost increases caused by increased sales, primarily of logistics services, as well as payroll increases.

Transportation costs amounted to SEK 4,998m (4,688), an increase of SEK 310m or 7 percent. Excluding Strålfors, the costs increased by SEK 269m or 6 percent, mainly explained by the increased sales of logistics services.

Other costs totaled SEK 7,660m (6,098), an increase of SEK 1,562m or 26 percent. Excluding Strålfors, the costs increased by SEK 424m, or 7 percent. Aside from restructuring costs of SEK 543m, the increase can be explained by higher costs of goods and materials due to new business in the area of third-party logistics. The higher costs are counterbalanced by lower IT costs.

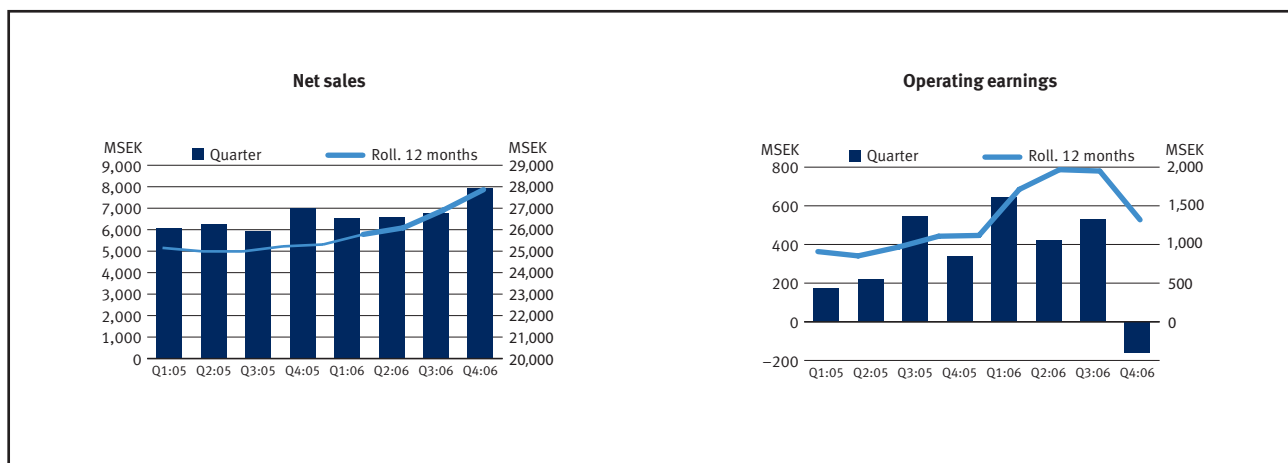
Impairments and depreciation totaled SEK 1,019m (1,270), of which impairments were SEK 0m (271).

### Fourth quarter

Operating earnings totaled SEK -159m (339). The fourth quarter included Posten's restructuring costs of SEK 617m. Excluding the restructuring, operating earnings amounted to SEK 458m. The costs for restructuring have weighed down personnel costs down by SEK 74m, and other costs by SEK 543m.

Personnel costs totaled SEK 3,698m (3,302), an increase of SEK 396m or 12 percent. Excluding Strålfors and the restructuring costs, personnel costs increased marginally. Rationalizations and reduced sick absenteeism largely compensated for cost increases caused by increased sales, primarily of logistics services, as well as payroll increases.

Transportation costs amounted to SEK 1,365m (1,299), an increase of SEK 66m or 5 percent. Excluding Strålfors the costs increased by SEK 46m, which can be explained by the increased sales of logistics services.



Other costs totaled SEK 2,778m (1,633), an increase of SEK 1,145m. Excluding Strålfors, other costs increased by SEK 592 or 36 percent. Aside from restructuring costs of SEK 543m, the increase can be explained by higher costs of goods and materials generated by new business within third-party logistics.

Impairments and depreciation totaled SEK 295m (513), of which impairments were SEK 0m (271).

## Net earnings

### January-December

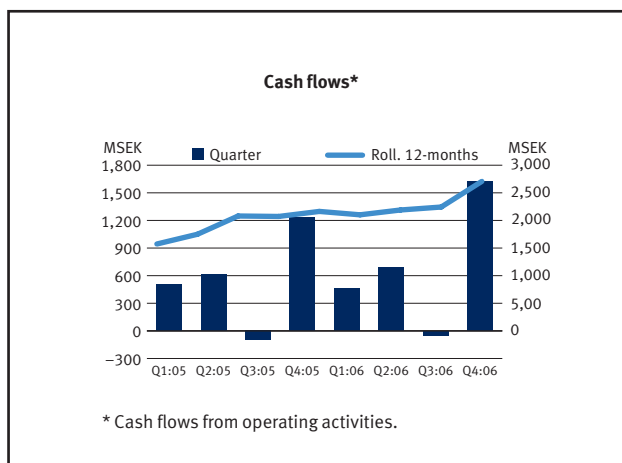
Net earnings totaled SEK 1,013m (1,478).

Tax totaled SEK -565m (176), of which current tax was -370m (-33) and deferred tax was -195 (209). The higher current tax costs can be explained by an improvement in earnings after financial items, as well as Posten's use of larger portions of fixed deficit deductions last year. The increase in deferred tax is mainly due to an increase in financial assets as well as the deferred tax on depreciation in excess of plan.

Net financial items totaled SEK 136m (21), an improvement of SEK 115m. The year-on-year improvement can be explained by an SEK 114m increase of the net interest income from pension liabilities. The higher net interest income is attributable to the fact that pension calculations for 2006 used a lower discount rate for the liability, and that the estimation of expected returns on assets under management has been raised.

### Fourth quarter

Net earnings totaled SEK -300m (539), a change of SEK -839m. The fourth quarter was weighed down by Posten's restructuring costs of SEK 617m. Tax amounted to SEK -181m (198). Net financial items amounted to SEK 40m (2). Financial income totaled SEK 73m (27), and financial costs SEK -33m (-25). The increase in net financial items stems mainly from the improved net interest income from pension liabilities.



## Financial Position

Total assets on December 31st amounted to SEK 17,589m, which was SEK 2,037m more than December 31, 2005. The increase in total assets is primarily due to positive earnings of SEK 1,013m, and the acquisition of Strålfors (see Note 10 for more information).

### Equity

On December 31, equity totaled SEK 5,831m, which is an increase of SEK 763m from December 31, 2005. See also "changes in equity". Return on equity was 19 percent compared to 34 percent for the full-year 2005. Of total equity, SEK 5,817m is attributable to parent company shareholders and SEK 14m to minority interests.

### Equity-assets ratio

The equity-assets ratio was 33 percent, unchanged from the previous year.

## Cash Flows

### January-December

#### Operating activities

Cash flows from operating activities amounted to SEK 2,602m (2,251). The positive development is mainly due to the strong earnings after financial items. Cash flows from working capital decreased as a result of increased accounts receivable stemming from increased sales.

#### Investing activities

Cash flows from investing activities amounted to SEK -2,389m (-1,254). During the period corporations have been purchased and sold, which has affected investment activities by SEK -1,860m (-2), of which SEK 1,857m comprised the acquisition of Strålfors AB. For more information see Note 10 on "acquisition of operations". Investments made in tangible non-current assets amounted to SEK 999m (813), of which Strålfors was SEK 107m. Investments in new technologies and capacity in the letter and parcel network amounted to SEK 303m. Replacement investments in premises, vehicles and IT amounted to SEK 539m.

#### Financing activities

Cash flows from financing activities amounted to SEK -882m (-522), explained primarily by amortizations of loans as well as paid dividends.

### Cash and cash equivalents

Cash and cash equivalents totaled SEK 3,919m (4,588). Compared to the year-end results of 2005, cash and cash equivalents have decreased by SEK 669m, which can be explained mainly by the acquisition of Strålfors for SEK 2,014m, which was paid in cash.

## Employees

The average number of employees was 33,395 (33,520), a decrease of 125. The sale of companies reduced the average number of employees by 43, while the purchase of companies increased the average number of employees by 1,189. Rationalizations and operational changes reduced the average number of employees within the Messaging and logistics production by 886, and within Kassaservice by 262. Rationalizations have also been made within the administration, partly through outsourcing the payroll administration.

The rate of sickness absenteeism was 7.8 (8.2) percent of total work hours. The improvement is a result of Posten's focused and persistent efforts towards reduced sickness absenteeism. Broad health measures and rehabilitation at an early stage of sick leave have positively influenced sickness absenteeism.

## Business Segments

### Messaging and Logistics

#### January-December

- Net sales totaled SEK 24,712m (23,922)
- Operating earnings totaled SEK 1,326m (1,126)
- Investments totaled SEK 892m (815)

See also Note 3, reporting of business segments.

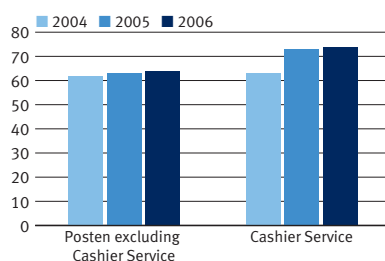
### Market trends

According to the National Institute of Economic Research, Swedish GNP grew by 4.3 percent in 2006. According to a prognosis from the Institute for Advertising and Media Statistics, Swedish companies' advertising and media investments in 2006 increased by almost 9 percent to an estimated 29.6 billion kronor. In 2006, the Swedish direct mail market was worth SEK 4.3 billion, corresponding to 16 percent of the total media investments. The healthy economy and its bolstering effect on the financial and administrative activities of companies had a positive impact on Posten's volumes, mainly in direct mail and logistics. In combination with Posten's intensive sales efforts, the economy has also led to a stabilisation of mail volumes in 2006.

Both the messaging and logistics markets were characterized by a lasting heavy pressure to adapt. The messaging market is undergoing a deep structural transformation due to substitution towards e-services. Overnight deliveries of letters decreased on an average of about 4 percent per year between 2001-2006. The logistics market is characterized by an extensive consolidation where development is driven by a few global logistics companies. The year has seen acquisitions and competition from international logistics players who showed a keen interest in establishing services adapted to the Swedish and Nordic markets. At the same time, the growing distance trade, largely driven by increased e-commerce, has become a growth area within both Posten's logistics and messaging segments.

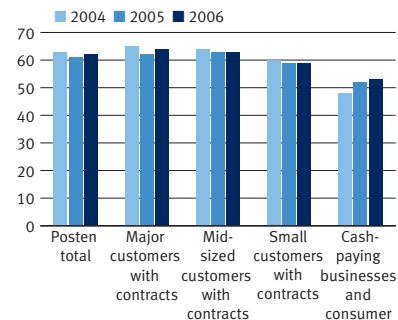
It is becoming increasingly important to offer services which enable the customer to adapt both the message and the form of communication to the target group. To meet these customer needs, Posten is developing new services that combine electronic and physical mailings and that make the customers' message flows more efficient. The integration of

VIP Employee Satisfaction Index



The ViP employee satisfaction survey is a follow-up to Posten's target of Engaged Employees. The Vip score for Posten improved by one point, reaching 64. The improvement was noticeable in the quality factors trustworthiness and leadership. Results of 73 for the Cashier Service were unchanged.

CSI, Customer Satisfaction Index



The result for Posten's CSI was 62, an improvement of one point compared to the year before. The most significant improvement has been noted among major customers with contracts where CSI increased by three points. Positive development continued for cash-paying businesses and private persons.

Strålfors strengthens Posten's competitiveness in this area, since the core business of Strålfors lies in the interface between electronic and physical communication.

#### Net sales

Net sales by product category (SEKm)	2006		2005		Change
	Jan. – Dec.	Jan. – Dec.	Jan. – Dec.	Jan. – Dec.	
Administrative Mail (mail and periodicals)	13,261	13,270	-9	0%	
Direct Mail	3,887	3,588	299	8%	
Logistics	7,532	6,962	570	8%	
Other	32	102	-70	-69%	
<b>Total, Messaging and Logistics</b>	<b>24,712</b>	<b>23,922</b>	<b>790</b>	<b>3%</b>	

#### Administrative mail (mail and periodicals)

Net sales totaled SEK 13,261m (13,270). Lower volumes of mainly periodicals and stamp sales were compensated by price increases on letters and periodicals. Furthermore, there is a price effect as a result of higher average weights, due to growth in distance trading.

#### Direct mail

Net sales totaled SEK 3,887m (3,588). The increase is distributed evenly between addressed and unaddressed direct mail and can be explained by volume increase at a number of large customers within retail and distance trading. Also, a number of new businesses, including the Post Code Lottery, increased the volumes. The economy had a positive effect on the development.

#### Logistics

Net sales totaled SEK 7,532m (6,962). Of the line of business' 8 percent increase, parcel services accounted for half. The increased parcel net sales are mainly due to volume increases in Sweden and in Nordic parcel operations. The

increase in Sweden is generally due to a strong economy and increased business within distance trading sector. Price pressing in the logistics industry means that price development is weak. For third-party logistics, volumes, mainly for health care logistics, have increased after new agreements with two counties. Volumes also grew for pallet and system transport, which can be partly explained by new businesses for system transports in Norway and Finland.

#### Operating earnings

Operating earnings totaled SEK 1,326m (1,226), an improvement of SEK 200m or 18 percent.

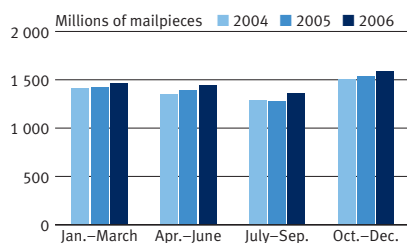
Excluding restructuring costs of SEK 602m, operating earnings totaled SEK 1,928m. The improvement in earnings is attributable to higher net sales and improved capacity utilization due to rationalizations carried out in production and administration functions.

Personnel costs totaled SEK 11,834m (11,713), an increase of SEK 121m or 1 percent. The increase is mainly a result of the costs of restructuring. Excluding these costs, rationalizations and reduced sickness absenteeism have largely compensated for the payroll and other cost increases caused by higher sales of logistics services.

Transportation costs totaled SEK 4,921m (4,653), an increase of SEK 268m or 6 percent. The higher transportation costs are mainly due to increased sales of logistics services.

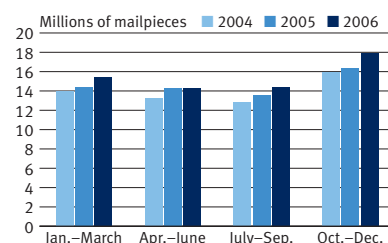
Other costs amounted to SEK 6,286m (5,803), an increase of SEK 483m or 8 percent. The increase is mainly attributable to the cost of restructuring. The higher costs were set back by lower IT costs. Depreciation and impairments amounted to SEK 810m (1,205), of which impairments were SEK 0 (271).

Mail volume



Volumes encompass mail, periodicals and direct mail. In the fourth quarter volumes increased in total by 3 percent compared to the fourth quarter in 2005. Priority-Mail decreased by 1 percent, which is partly due to the fact that there was one less weekday than in 2005. The volume increase was mainly in Direct Mail. For the full year 2006, total volumes increased by 4 percent compared to 2005. Priority-mail decreased by 1 percent.

Parcel volume



Parcel volumes are shown exclusive of divested companies' volumes. Volumes increased by 9 percent in the fourth quarter of 2006 compared to the same period in 2005. For the full year 2006, there was a year-on-year volume increase of 6 percent.

### Investments

Investments totaled SEK 892m (815). Investments in new technology and improved capacity in the mail and parcel network totaled SEK 303m, replacement investments in premises, vehicles and IT totaled SEK 535m, and investments in re-profiling signs and display cases totaled SEK 47m.

### Fourth quarter

#### Net sales

Net sales by product category (SEKm)	2006		2005		Change
	Oct.–Dec.	Oct.–Dec.	Oct.–Dec.	Oct.–Dec.	
Administrative Mail (mail and periodicals)	3,566	3,665	-99	-3%	
Direct Mail	1,062	990	72	7%	
Logistics	2,126	1,969	157	8%	
Other	3	43	-40	93%	
<b>Total</b>					
<b>Messaging and Logistics</b>	<b>6,757</b>	<b>6,667</b>	<b>90</b>	<b>1%</b>	

#### Administrative mail (mail and periodicals)

Net sales totaled SEK 3,566m (3,665). This line of business' 3 percent decrease can mainly be explained by lower volumes, partly a result of one less weekday than the same period in the previous year.

#### Direct mail

Net sales totaled SEK 1,062m (990). The segment's income increase of 7 percent is mainly due to higher volumes of both addressed and unaddressed direct mail. The volume increases with both existing and new customers also contributed to the increase.

#### Logistics

Net sales totaled SEK 2,126m (1,969). Of the line of business' 8 percent increase in income, half is attributable to third-party logistics, which is mainly a result of new agreements within health care logistics. Additional increases are mainly for parcels, due mostly to higher volumes in Sweden and in the Nordic parcel operations.

#### Operating earnings

Operating earnings totaled SEK -151m (347), a decrease of SEK 498m. Excluding restructuring costs of SEK 602m, operating earnings totaled SEK 451m.

Personnel costs totaled SEK 3,307 m (3,164), an increase of SEK 143m, or 5 percent. Transportation costs totaled SEK 1,338 (1,292), an increase of SEK 46m or 4 percent. Other costs amounted to SEK 2,143m (1,510), an increase of SEK 633m or 42 percent. Depreciation and impairments totaled SEK 217m (497), of which impairments were SEK 0 (271).

#### Investments

Investments totaled SEK 237m (292). Investments in new technology and improved capacity of the mail and parcel network totaled SEK 95m, and replacement investments of premises,

vehicles and IT totaled SEK 132m, and investments in re-profiling signs and display cases totaled SEK 6m.

### Strålfors

#### January-December

- As of May 22, 2006 Posten has established a new business segment with the acquisition of Strålfors AB.
- Net sales totaled SEK 1,930m.
- Operating earnings totaled SEK -23m.
- Operating earnings excluding amortisation of surplus value from Posten's acquisition of Strålfors and structural measures within the labelling operations totaled SEK 58m.
- Investments totaled SEK 113m.

See also Note 3 Reporting of Business Segments and Note 10 Acquisitions of Operations.

Strålfors is an IT-focused Business-to-Business company with a graphic tradition, operative in complete solutions within the area of information transfer. Strålfors develops, produces and delivers systems, services and products for the effective communication of critical business information. The integration process designed to encourage and develop the business synergies is running according to plan.

Strålfors has three divisions; Information Logistics, Graphic Solutions and System and Product-related Information Transfer, SPI. Information Logistics includes printing and enveloping, electronic payment services, e-communication and logistics solutions. Graphic Solutions encompasses graphic products and services, self-adhesive labels and labelling solutions. SPI offers expendable materials related to computer use and office operations as well as machine systems for paper handling before and after high-speed printers (Lasermax Roll Systems, half-owned).

#### Market Trends

The rapid technology development has created needs for new and cost-efficient communication solutions, which has led to the emergence of a new industry – information logistics. With production in eight countries, Strålfors is well-positioned to further develop as a specialist in information transfer. Strålfors has a strong position in the Nordic region with Denmark, Finland, Norway and Sweden as a home market for the business areas Information logistics, Graphics, Labels and Supplies. The largest customers are mainly banks, IT/telecom companies, pharmaceutical and gaming companies, authorities and energy companies, and companies with customer loyalty programs.

Strålfors is a Nordic market leader for information logistics. Market development is stable with a growing interest for e-solutions within the administrative area, namely invoicing, account information and similar areas. It is mainly tradi-

tional graphic players who are active on the information logistics market, but IT-companies have also strengthened their positions on the Swedish market during the last year. The Graphics area is characterized by a reduced demand for the traditional product assortment. This is compensated by a strong focus on the areas gaming, pharmaceutical information, and security printing, as well as a rising demand for marketing communication.

The industry is starting to notice a tendency for form printers to consolidate. In addition, the labelling market is characterized by an over-capacity with ongoing consolidation. The ongoing consolidation in the Swedish and Norwegian markets is expected to continue with a general positive effect on the market.

Strålfors also operates on the market for traditional computer and office supplies. This market is diminishing somewhat, and characterized by price pressing.

#### Net Sales

Net sales totaled SEK 1,930m. SEK 785m comes from Information Logistics, SEK 728m from Graphic Solutions, and SEK 417m from System and Product-related Information Transfer, SPI.

#### Net sales for January-December (entire period before and after the acquisition)

Net sales per division (SEKm)	2006		2005	
	Jan.-Dec.	Jan.-Dec.*	Change	
Information Logistics	1,343	1,117	226	20%
Graphic Solutions	1,305	1,352	-47	-3%
System- and Productrelated Information Transfer, SPI	745	906	-161	-18%
<b>Total Strålfors</b>	<b>3,393</b>	<b>3,375</b>	<b>18</b>	<b>1%</b>

\*) The financial information for the previous year is for Strålfors when this segment was not a part of Posten.

#### Information Logistics

Net sales totaled SEK 1,343m (1,117). The increase comes from acquisitions in Finland, Denmark and England, as well as organic growth in the Nordic region.

#### Graphic Solutions

Net sales totaled SEK 1,305m (1,352). The decrease in sales is partly attributable to the fact that 2005 includes the divestiture at the turn of 2005/2006 of the subsidiary Collamat Stralfors AG. Otherwise the decrease is due to reduced sales in the labelling operations.

#### System- and Product-related Information Transfer, SPI

Net sales amounted to SEK 745m (906). The lower sales can be explained by divested companies as well as the shift of some parts of the organization to more profitable products.

#### Operating earnings

Operating earnings totaled SEK -23m. Excluding amortisation of surplus value for non-current assets stemming from Posten's acquisition of Strålfors and structural measures within the labelling operations, the operating earnings totaled SEK 58m.

#### Operating earnings for January-December (entire period before and after the acquisition)

Operating earnings totaled SEK 14m (64\*). Excluding costs of SEK 68m for structural measures within the labelling operations, the merging of factories in Denmark, and the costs in connection with Posten's acquisition of Strålfors, operating earnings totalled SEK 82m (65\*).

Personnel costs totaled SEK 1,111m (1,023\*), an increase of SEK 88m or 9 percent. The increase is mainly attributable to acquired operations in Finland, Denmark and England.

Transportation costs totaled SEK 113m (117\*).

Other costs totaled SEK 2,010m (2,025\*) and pertain mainly to input goods.

Depreciations totaled SEK 177m (174\*), excluding amortisation of surplus value for non-current assets stemming from Posten's acquisition of Strålfors.

#### Investments

Investments totaled SEK 113m.

#### Investments for January-December (entire period before and after the acquisition)

Investments totaled SEK 173m (141\*) and pertained mainly to investments brought about by new customer contracts and replacement investments

#### Fourth quarter

##### Net Sales

Net sales per division SEKm	2006		2005	
	Oct.-Dec.	Okt.-Dec.*	Change	
Information Logistics	380	347	33	10%
Graphic Solutions	327	344	-17	-5%
System- and Productrelated Information Transfer, SPI	195	235	-40	-17%
<b>Total Strålfors</b>	<b>902</b>	<b>926</b>	<b>-24</b>	<b>-3%</b>

#### Information Logistics

Net sales totaled SEK 380m (347). The increase is mainly due to acquisitions in England

#### Graphic Solutions

Net sales totaled SEK 327m (344). The change includes smaller acquisitions in Sweden and Denmark, the divestiture of the Swiss subsidiary Collamat Straflors AG, as well as diminished sales in the labelling operations.

#### System- and Product-related Information Transfer, SPI

Net sales totaled SEK 195m (235). The explanation for the changes is largely the same as during the period January-December.

### Operating earnings

Operating earnings totaled SEK -21m. Excluding amortisation of surplus value for non-current assets stemming from Posten's acquisition of Strålfors and structural measures within the labelling operations, operating earnings totaled SEK 39m (20\*).

Personnel costs totaled SEK 281m (282\*), transportation costs SEK 40m (41\*), other costs SEK 554m (555\*), and impairments SEK 46m(46\*).

### Investments

Investments totaled SEK 57m (33\*).

<sup>\*)</sup> The financial information for the previous year is for Strålfors when this segment was not a part of Posten.

## Cashier Service

### January–December

- Net Sales totaled SEK 1,181m (1,355).
- Operating earnings, including state reimbursements of SEK 400m (400) totaled SEK 216m (215).
- Operating earnings, including closure costs and state reimbursements, totaled SEK 28m (68).
- Investments totaled SEK 4m (8).

See also Note 3, Reporting of business segments.

### Market trends

The market for teller-facilitated transaction services is undergoing great changes, and demand has continued to dramatically decrease over the last few years. When customers choose to take care of their payments and transfers via the Internet, cash cards, mailed giros, and telephone services, there is less of a need to conduct transactions over a counter. For the Cashier Service, this has meant that the customer base and thereby the transaction volumes have declined every year. Between 2001-2005, transactions dwindled on average by about 18 percent per year. In 2006 volumes fell by 21 percent.

In April 2006, the Swedish National Post and Telecom Agency (PTS) was commissioned to map out the cashier service network in relation to the state's established goals, and to map out which basic payment services are required by various user groups. The PTS report, which was presented on October 31, 2006, concludes that even if the distance to a Cashier Service fixed service point has increased in recent years, the fixed service network together with the counter services provided by the rural delivery service, provides a service that fulfils the objectives prescribed by the government. PTS' proposal for how manual cashier services should be provided in the future is being handled by the Swedish Government Offices. The government has announced a proposition for March 22.

### Net sales and operating earnings

Net sales totaled SEK 1,181m (1,355), a decrease of SEK 174m or 13 percent. Operating earnings, including state reimbursements of SEK 400m (400), totaled SEK 216m (215). Operating earnings, including closure costs and state reimbursements, totaled SEK 28m (68). The decrease in operating earnings is due to the fact that closure costs were higher than the previous year.

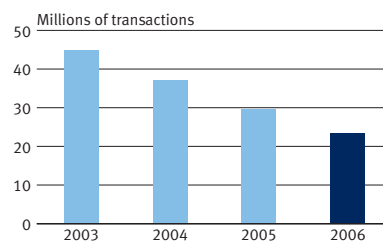
### Parent Company

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 for 2006 totaled SEK 20,033m (19,321) and earnings after financial items were SEK 909m (741). Investments in tangible non-current assets totaled SEK 464m (429). Investments regarding the acquisition of Strålfors, see Note 10. Cash and cash equivalents totaled SEK 3,190m (4,376), a decrease compared to year-end 2005, attributable mainly to the acquisition of Strålfors. During the year the parent company reduced its interest-bearing current liabilities by SEK 200m.

In March, Posten divested its subsidiary Falcon Air AB. After the divestment the company changed the direction of its operations and declared bankruptcy in December 2006. Falcon Air has, by applying for a summons, claimed compensation from Posten. Throughout the year, Posten AB has also formed a wholly-owned subsidiary – HIT Norge AS. It has also acquired the transportation company Sal-Trans Oy in Finland, and acquired the majority of shares in Strålfors AB, see Note 10. The acquisition of Strålfors adds to Posten's operations mainly in the area of information logistics

Cashier service transaction volume



The number of cashier transactions is falling constantly. Compared to 2005, the number of transactions decreased by 21 percent.

## Outlook

Posten continues to have a strong financial position despite the fact that fourth quarter results for 2006 were weighed down by restructuring costs of SEK 617m, mainly for rationalizations in connection with the shift to Posten's new organizational structure. These will give annual cost reductions of at least SEK 300m when fully effective in 2008. The new operational structure that came into effect on January 1, 2007 will increase Posten's competitiveness by offering improved and more specialized service to the customers. Thus, Posten's messaging and logistics operations will have even better conditions for developing in their respective markets.

A clear development on the messaging market is increasingly tough competition, increased internationalization of corporate customers, and substitution of electronic forms of communication, which leads to decreased letter volumes. Within the framework of the action program, Posten is implementing the necessary cost rationalizations for its mail process, so that Posten can continue to meet the demands for excellent nationwide postal service. In fall 2007, a more effective mail handling process will be implemented in Malmö and in Sundsvall. Posten will also develop the capacity to capture the growing flows of cross-border shipments. The new foreign letter terminal at Arlanda, which was inaugurated in 2006, is a part of this ambition. Direct mail is a growth area for Posten's messaging operations.

Strålfors will continue to develop its position as a Nordic market leader in information logistics. In 2007, Posten and Strålfors' Swedish printing operations will be concentrated to three places in order to increase the effectiveness and strengthen the offer to customers. In light of the EU Commission's proposed deregulation of the European postal market, Strålfors' presence in Europe will mean new business opportunities. The logistics operations will continue to strengthen its competitiveness and develop its international network to position Posten as the most natural partner in the Nordic region.

## Annual General Meeting 2006

The Annual General Meeting is scheduled for March 29th, 2007 at 14.00 at Posten's head office, Terminalvägen 24, Solna. The notice and invitation will be available at [www.posten.se](http://www.posten.se). Printed annual reports in both Swedish and English may be ordered from Posten AB, 105 00 Stockholm, or via e-mail: [ir@posten.se](mailto:ir@posten.se) from the middle of March. See also [www.posten.se](http://www.posten.se)

### *Proposal for dividends*

The Board proposes that SEK 400m (175) be paid out in dividends.

## New Operational Structure

On January 1, 2007, Posten will be working through a new operational structure. The purpose is to be able to offer improved and more specialized service to customers and to simplify Posten's management. The decision means that Posten will operate through four specialized operating business segments. The traditional postal operations for private households and companies will continue under an unchanged brand – Posten. Logistics operations will be united in a specialized Business-to-Business company. Strålfors will continue to use its current brand. The Cashier Service will not be affected by the change. As of January 1, 2007, the new corporate management structure will consist of a President and CEO in addition to Presidents for Posten Meddelande AB, Strålfors AB, and Posten Logistics AB, and the heads of Posten's corporate management functions.

## Key events after the close of the period

Posten has entered into an agreement with ICA Norge, which means that a network of service outlets for parcel distribution will be established at about 400 ICA and Rimi stores in Norway in 2007.

Stockholm February 15, 2007  
Posten AB (publ)

*Erik Olsson*  
President and CEO

## Consolidated Financial Statements

### Income statements

SEKm	Note	2006		2005	
		Jan.–Dec.	Oct.–Dec.	Jan.–Dec.	Oct.–Dec.
	1.2				
Net sales		27,823	7,940	25,277	6,992
Other operating income		213	37	304	94
<b>Total operating income</b>	3	<b>28,036</b>	<b>7,977</b>	<b>25,581</b>	<b>7,086</b>
Personnel costs		-12,917	-3,698	-12,244	-3,302
Transportation costs		-4,998	-1,365	-4,688	-1,299
Other costs	4	-7,660	-2,778	-6,098	-1,633
Depreciation and impairment of tangible and intangible non-current assets.		-1,019	-295	-1,270	-513
<b>Total operating costs</b>		<b>-26,594</b>	<b>-8,136</b>	<b>-24,300</b>	<b>-6,747</b>
<b>OPERATING EARNINGS</b>		<b>1,442</b>	<b>-159</b>	<b>1,281</b>	<b>339</b>
Financial income		258	73	127	27
Financial costs		-122	-33	-106	-25
<b>Net financial items</b>		<b>136</b>	<b>40</b>	<b>21</b>	<b>2</b>
<b>Earnings after financial items</b>		<b>1,578</b>	<b>-119</b>	<b>1,302</b>	<b>341</b>
Tax		-565	-181	176	198
<b>NET EARNINGS</b>		<b>1,013</b>	<b>-300</b>	<b>1,478</b>	<b>539</b>
<b>Attributable to</b>					
Parent company shareholders		1,009	-300	1,475	540
Minority interest		4	0	3	-1

## Balance Sheets

SEKm	Note	2006 Dec. 31	2005 Dec. 31
	1. 2		
<b>ASSETS</b>			
Intangible assets		2,550	1,079
Tangible assets		4,137	3,357
Financial investments		68	79
Long-term receivables	5	1,844	1,550
Deferred tax assets		315	811
<b>Total non-current assets</b>		<b>8,914</b>	<b>6,876</b>
Inventory		317	82
Current tax assets		21	94
Accounts receivable		3,147	2,380
Pre-paid expenses and accrued income		710	753
Other receivables		460	233
Short-term investments		101	546
Cash and cash equivalents		3,919	4,588
<b>Total current assets</b>		<b>8,675</b>	<b>8,676</b>
<b>TOTAL ASSETS</b>		<b>17,589</b>	<b>15,552</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital stock		600	600
Contributed equity		42	42
Reserves		-55	22
Retained earnings		5,230	4,396
<b>Total equity attributable to Parent Company shareholders</b>		<b>5,817</b>	<b>5,060</b>
<b>Minority interest</b>		<b>14</b>	<b>8</b>
<b>TOTAL EQUITY</b>		<b>5,831</b>	<b>5,068</b>
<b>LIABILITIES</b>			
Long-term interest-bearing liabilities		912	1,033
Other long-term liabilities		130	118
Other long-term liabilities	5	943	681
Other provisions	6	3,095	2,946
Deferred tax liabilities		3	3
<b>Total long-term liabilities</b>		<b>5,083</b>	<b>4,781</b>
Current interest-bearing liabilities		413	391
Accounts payable		1,387	980
Current tax liabilities		307	53
Other liabilities		1,605	1,663
Accrued expenses and deferred income		2,389	2,157
Other provisions	6	574	459
<b>Total current liabilities</b>		<b>6,675</b>	<b>5,703</b>
<b>TOTAL LIABILITIES</b>		<b>11,758</b>	<b>10,484</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,589</b>	<b>15,552</b>

## Statements of cash flows

SEKm	2006	2005
<b>OPERATING ACTIVITIES</b>		
Earnings after financial items	1,578	1,302
Adjustments for non-cash-flow items:		
Reconciliation of depreciation according to plan	1,019	999
Reconciliation of impairments of non-current assets, etc.		271
Capital gain/loss on sale of non-current assets	38	31
Pension provisions	-159	-120
Other provisions	284	-262
Other items not affecting cash	-19	-20
Tax paid	-31	-126
<b>Cash flows from operating activities before changes in working capital</b>	<b>2,710</b>	<b>2,075</b>
Cash flows from changes in working capital		
Increase (-)/decrease (+), accounts receivable	-261	163
Increase (+)/decrease (-) accounts payable	131	123
Other changes in working capital	22	-110
<b>Changes in working capital</b>	<b>-108</b>	<b>176</b>
<b>Cash flows from operating activities</b>	<b>2,602</b>	<b>2,251</b>
<b>INVESTING ACTIVITIES</b>		
Investments in intangible assets	-10	-10
Investments in tangible assets	-999	-813
Acquisition/disposal of affiliated companies	-1,860	-2
Divestment of financial non-current assets, etc.		1
Divestment of other non-current assets, etc.	24	34
Increase (-)/ Decrease (+), current financial liabilities	456	-464
<b>Cash flows from investing activities</b>	<b>-2,389</b>	<b>-1,254</b>
<b>FINANCING ACTIVITIES</b>		
Loans raised	40	1
Loans amortized	-564	-262
Amortization of leasing liability	-107	-96
Dividend paid	-177	-152
Increase (+)/Decrease (-), other financial liabilities	-74	-13
<b>Cash flows from financing activities</b>	<b>-882</b>	<b>-522</b>
<b>CASH FLOWS FOR THE PERIOD</b>	<b>-669</b>	<b>475</b>
Cash and cash equivalents, beginning of the year	4,588	4,113
Cash and cash equivalents, close of the period	3,919	4,588

## Changes in equity

SEKm	Equity attributable to Parent Company shareholders					Total	Minority interest	Total equity
	Capital stock	Contributed equity	Hedging reserve	Accumulated translation difference	Balanced result			
<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>
Adjustments for modified accounting principles			-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				46		46		46
Total changes in capital wealth charged directly against equity, excluding transactions with the Company's owner				46		46		46
Net earnings					1,475	1,475	3	1,478
Total changes in capital wealth excluding transactions with the Company's owner				46	1,475	1,521	3	1,524
Dividend <sup>1)</sup>					-150	-150	-2	-152
<b>Equity 12/31/2005</b>	<b>600</b>	<b>42</b>	<b>-6</b>	<b>28</b>	<b>4,396</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>-6</b>	<b>28</b>	<b>4,396</b>	<b>5,060</b>	<b>8</b>	<b>5,068</b>
Translation differences for the period				-83		-83	-1	-84
Change in hedging reserve <sup>2)</sup>			6			6		6
Additional capital from acquisitions							5	5
Total changes in capital wealth charged directly against equity, excluding transactions with the Company's owner			6	-83		-77	4	-73
Net earnings					1,009	1,009	4	1,013
Total changes in capital wealth excluding transactions with the Company's owner					1,009	1,009	4	1,013
Dividend <sup>1)</sup>					-175	-175	-2	-177
<b>Equity 12/31/2006</b>	<b>600</b>	<b>42</b>	<b>0</b>	<b>-55</b>	<b>5,230</b>	<b>5,817</b>	<b>14</b>	<b>5,831</b>

<sup>1)</sup> Dividends of SEK 175m (150) have been disbursed from the parent company to the owner and SEK 2m (2) from Adresspoint International AB to the minority.

<sup>2)</sup> The hedging reserve's opening balance of SEK -6m has been dissolved during the year, and reported in the income statement at the same time as a corresponding change in value of the hedged items were reported in the income statement. Henceforth, Posten will not use hedge accounting, and the hedge accounting's closing balance is thus zero.

## Notes

## Note 1 Accounting principles

**Statement of compliance**

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), together with interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), to the extent that they have been approved by the EC Commission for application within the EU.

**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 values reported in future 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 Reporting Standards Council's recommendation RR 31, Interim Reporting for Groups.

The same accounting principles and evaluation methods have been used in this Interim report as in the 2005 Annual Report.

**Parent company**

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 the interim report as well as the 2005 Annual Report.

## Note 2 Special estimates and assessments

In making of these financial reports, the executive management has made assessments and estimates which affect the company's reported accounts. These estimates and assessments are based on historical experience and assumptions that the executive management considers reasonable under the current circumstances. The conclusions drawn by the executive management form the basis for the values presented in the reported financial statements. Actual values, estimates and assessments in future financial reports may differ from those in this report, due to changing environmental factors and new knowledge and experience.

For Posten, the most significant of those estimates and assessments have been made in the areas described below.

### Impairment of goodwill and other intangible assets

Assumptions are made about the future conditions in order to calculate future cash flows that determine the recoverable value of goodwill, brand, and customer relations. The recoverable value is compared with the reported value for these assets, and forms the basis for possible impairments or reversals. The assumptions that affect the recoverable value the most are future volume growth, profit margin development, the discount rate, and estimated useful life of the asset. If future environmental factors and circumstances change, these assumptions may be affected so that the reported values of the intangible assets are changed.

### Pension commitments

In the actuarial calculations of Posten's defined benefit pension plans, a number of estimates are made in order to set reasonable assumptions. The most significant is the assumption of the discount rate and future returns on assets under management. Modifications of the assumptions due to changing environmental factors may influence Posten's financial statements if the effects of the revised assumptions should fall outside the "corridor". Modified assumptions also affect the cost forecast for the upcoming year.

### Provisions

Provisions are made for future closure costs and the negative financial results of Posten's legal obligation to provide cashier services in Sweden (equal to a loss contract). These contain estimates and forecast for financial transaction volumes, which depend on successively changing consumer behaviour, the geographic reach of the cashier service, and the length of the legally mandated period for fulfilling the obligations. These factors have a considerable effect on the size of the provisions. An assumption has also been made that the present state subsidy level of SEK 400m will still apply after 2007. Changes in actual consumer behaviour may deviate from the assumptions and lead to more dramatically different volumes, thus impacting the needs for provisions. The Swedish National Post and Telecom Agency (PTS) will use their investigation to

determine whether Posten fulfils its obligation as outlined in the law (Law 2001:1276 on essential financial transaction services and Ordinance 2005:882 on essential financial transaction services). If PTS should change its interpretation of how Posten fulfils its obligation or if political forces influence the law or the application of the law, it may lead to different provision needs than those stated in the financial reports. A different view of the state subsidies within the state budget process and the EU Commission may influence the necessary amount of provisions.

In the process of becoming a corporate entity, Posten has assumed a contingent liability (special transition regulations) which means that certain categories of the workforce may choose to enter early retirement at the ages of 60 and 63. The contingent liability is recorded as a liability (provision for future conditional pension benefits) in the balance sheet and is calculated based on previous experience of the number of persons who choose to exercise their right to early retirement in accordance with these provisions. If the number of those who choose this option should change, the liability will change accordingly.

### Taxes

The degree of capitalization of the tax losses carryforward has been made based on business plans and estimations of future taxable profits that can utilize tax losses carryforward. Estimations have been made of non-deductible costs and non-taxable income in accordance with the tax rules that apply today. Furthermore, consideration has been taken of the next six years' future financial results in order to evaluate the reported tax claim at the currently applicable tax rate.

Changes to the tax laws in Sweden and other countries where Posten operates, and changed interpretations and applications of applicable legislation may influence the size of the reported tax claims and liabilities. Changed circumstances that impact the assumptions will also influence net earnings.

### Contingent liabilities

A number of state inquiries have been conducted and a proposition has been made, but not submitted to the parliament for a decision. The Swedish National Post and Telecom Agency (PTS) has conducted an inquiry and a new proposition has been suggested. Considering the political uncertainty surrounding Posten's obligation to provide cashier service, the executive management has made assumptions in order to evaluate this uncertainty and report the maximum risk exposure, in addition to what is reported in the financial statements under provisions, as a contingent liability. The contingent liability of SEK 850m is estimated based on a nationwide cashier service network with an unlimited length of obligation. If a proposition should be made that in some way limits Posten's obligation to provide cashier service, the value of the contingent liability may be reduced or eliminated.

### Note 3 Reporting of business segments

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

**Posten's primary segment grouping** is based on its universal service obligation for mail and parcels, as well as essential financial transaction services. With the acquisition of Strålfors, Posten has established a new segment, which is run in a way similar to Messaging and Logistics and the Cashier Service, respectively.

Income and Earnings SEKm	Messaging and Logistics		Strålfors <sup>1)</sup>	Cashier Service		Eliminations		Posten Group total	
	2006	2005	2006	2006	2005	2006	2005	2006	2005
Net sales, external	24,712	23,922	1,930	781	955			27,423	24,877
Reimbursement, Swedish Government				400	400			400	400
Other operating income, external	187	294	21	5	10			213	304
Operating income, internal	278	284	21	37	40	-336	-324	0	0
<b>Total operating income</b>	<b>25,177</b>	<b>24,500</b>	<b>1,972</b>	<b>1,223</b>	<b>1,405</b>	<b>-336</b>	<b>-324</b>	<b>28,036</b>	<b>25,581</b>
<b>Operating earnings per segment</b>	<b>1,326</b>	<b>1,126</b>	<b>-23</b>	<b>216</b>	<b>215</b>	<b>-24<sup>2)</sup></b>		<b>1,495</b>	<b>1,341</b>
Unallocated provisions								-53	-60
<b>Operating earnings</b>								<b>1,442</b>	<b>1,281</b>
Financial items								136	21
<b>Earnings after financial items</b>								<b>1,578</b>	<b>1,302</b>
Tax								-565	176
<b>Net earnings</b>								<b>1,013</b>	<b>1,478</b>

<sup>1)</sup> Pertains to 22 May – December 31, 2006

<sup>2)</sup> Elimination of intercompany gains

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 82 percent of Posten's income.

### Note 4 Other costs

MSEK	2006	2005
	Jan.–Dec.	Jan.–Dec.
Costs of premises	1,492	1,362
Provisions	622	65
Other	5,546	4,671
<b>Total</b>	<b>7,660</b>	<b>6,098</b>

### Note 5 Pensions provisions

Pension provisions amounted to SEK 943m, an increase of SEK 262m, compared to the corresponding period in 2005.

SEKm	2006	2005
	Jan.–Dec.	Jan.–Dec.
Pension Liability, OB	681	593
Early retirements in 2006	422	288
Additional pension liabilities <sup>1)</sup>	138	
Other pension income	234	342
<b>Total Pension liability before guarantee in Posten Pension Fund</b>	<b>1,475</b>	<b>1,223</b>
Funds transferred to Posten Pension Fund for Posten AB (publ.)	-532	-542
<b>Pension liability, CB</b>	<b>943</b>	<b>681</b>

<sup>1)</sup> Pertains to the acquisition of Strålfors AB

Included in long-term claims are assets in trust exceeding Posten's commitments and thereby the corresponding payroll tax receivables of SEK 1,832m (1,550).

### Posten Pension Fund

The Posten Group funds the Parent Company's pension commitments in the Posten Pension Fund. As of 2005, funds are transferred to the Pension Fund quarterly; this was previously done at year end. Transfers from the Parent Company amounted to SEK 532m (542), and compensation of SEK 637m (627) has been received. After deduction of compensation, the market value of the Posten Pension Fund net assets totaled SEK 13,712m (13,051).

Actuarial assumptions (in accordance with IFRS)	2007	2006	2005
Discount rate %	4.00	4.00	4.50
Expected return on assets in trust %	5.00	5.00	4.80

### Posten's pension fund assets

SEKm	2006		2005	
	Dec. 31	%	Dec. 31	%
Type of asset				
Real estate	605	4	161	1
Real interest bonds	4,979	36	4,768	37
Other interest-bearing assets	2,288	17	3,291	25
Shares and alternative assets	5,840	43	4,831	37
	<b>13,712</b>	<b>100</b>	<b>13,051</b>	<b>100</b>

Net return after expenses and tax amounted to 5.9 (9.4) percent. The market value exceeds the outstanding commitments calculated according to the law on safeguarding pension commitments by SEK 2,573m (2,169). Consolidation was 123 (120) percent. Market value exceeds outstanding commitments calculated according to IAS 19 by SEK 1,213m (1,084).

## Note 6 Other provisions

Other provisions totaled SEK 3,669m (3,405), of which current provisions accounted for SEK 574m (459), and long-term provisions for SEK 3,095m (2,946).

<b>Review of changes in other provisions, SEKm</b>	01/01/2006 OB	Additional provisions in connection with the acquisition of Strålfors	Provisions and reconciliations	Utilizations	12/31/2006 CB
<b>Allocated provisions</b>					
Provisions for future loss contract, Cashier service <sup>1)</sup>	604				604
Closure provisions, Cashier service	705			-200	505
Closure provision, terminal network, Messaging & Logistics	12		-2	-9	1
Provision for downsizing, central administration, year 2004	16		-2	-10	4
Provision for reorganization, Messaging & Logistics 2005	20		-1	-18	1
Provision for reorganization 2006			480		480
Provision for workers' benefits	100		9	-7	102
Provision for future conditional pension benefits	1,478		58	-40	1,496
Provision for disability benefits,	164		12	-21	155
Other provisions	170	25	61	-68	188
<b>Total allocated provisions</b>	<b>3,269</b>	<b>25</b>	<b>615</b>	<b>-373</b>	<b>3,536</b>
<b>Unallocated provisions</b>					
Other provisions	136		53	-56	133
<b>Total unallocated provisions</b>	<b>136</b>		<b>53</b>	<b>-56</b>	<b>133</b>
<b>Total other provisions</b>	<b>3,405</b>	<b>25</b>	<b>668</b>	<b>-429</b>	<b>3,669</b>

<sup>1)</sup> Posten's obligation of handling the Cashier service is on same basis as a loss contract.

Impact on earnings, SEKm 2006, Jan.-Dec.	Provisions and reversals				Utilizations		
	Messaging and Logistics	Cashier service	Unallocated	Total	Messaging and Logistics	Cashier service	Total
<b>Allocated provisions</b>							
Personnel costs	491			491	-116	-173	-289
Other costs	124			124	-57	-15	-72
Financial costs						-12	-12
	<b>615</b>			<b>615</b>	<b>-173</b>	<b>-200</b>	<b>-373</b>
<b>Unallocated provisions</b>							
Personnel costs			47	47	-54		-54
Other costs			6	6	-2		-2
Financial costs							
			<b>53</b>	<b>53</b>	<b>-56</b>		<b>-56</b>
<b>Total</b>	<b>615</b>		<b>53</b>	<b>668<sup>2)</sup></b>	<b>-229</b>	<b>-200</b>	<b>-429</b>

Impact on earnings, SEKm 2005, Jan.-Dec.	Provisions and reversals				Utilizations		
	Messaging and Logistics	Cashier service	Unallocated	Total	Messaging and Logistics	Cashier service	Total
<b>Allocated provisions</b>							
Personnel costs	115			115	-193	-138	-331
Other costs	18			18	-41	-12	-53
Financial costs						-9	-9
	<b>133</b>			<b>133</b>	<b>-234</b>	<b>-159</b>	<b>-393</b>
<b>Unallocated provisions</b>							
Personnel costs			60	60	-60		-60
Other costs							
Financial costs							
			<b>60</b>	<b>60</b>	<b>-60</b>		<b>-60</b>
<b>Total</b>	<b>133</b>		<b>60</b>	<b>193<sup>3)</sup></b>	<b>-294</b>	<b>-159</b>	<b>-453</b>

<sup>2)</sup> of which other costs are SEK 622m

<sup>3)</sup> of which other costs are SEK 65m

## Note 7 Pledged assets and contingent liabilities

SEKm	2006 Dec. 31	2005 Dec. 31
<b>Assets pledged</b>		
Endowment insurance policies for employees and former employees	96	92
Assets pledged as security	22	27
<b>Total</b>	<b>118</b>	<b>119</b>
<b>Contingent liabilities</b>		
Guarantee commitments, FPG	78	73
Cashier service <sup>1)</sup>	850	850
Residual value guarantee in real estate lease <sup>2)</sup>	171	171
Other security given	24	18
<b>Total</b>	<b>1,123</b>	<b>1,112</b>

1) The decisions which will follow the completed inquiries, primarily the government proposition 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 6 Other provisions.

2) 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 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 400m (400) has been accounted for in 2006 as a receivable from the Government to support the provision of services in commercially unviable areas lacking suitable alternatives.

Posten has paid SEK 13.8m (10.8) to the National Post and Telecom Agency for its permit to provide postal services, as well as SEK 5.4m (5.6) for handling undeliverables. The National Post and Telecom Agency appropriated SEK 39.9m (46.0) 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 285m (281) to the association, and received compensation totaling SEK 16m (23).

For more information about Posten's Pension Fund, see Note 5.

## Note 9 Investment commitments

As of December 31, 2006, Posten had some open commitments related to acquiring tangible assets. These commitments were at a value of SEK 286m (376), and were mainly associated with sorting equipment and vehicles.

## Note 10 Acquisition of Operations

### Strålfors

On May 22, 2006 Posten acquired Strålfors AB. By December 31, 2006, Posten AB was in possession of 99.2 percent of the shares and 99.5 percent of the votes in Strålfors AB. Cash paid for these shares totaled SEK 2,014m. Strålfors AB is the parent company of a corporation comprised of 36 companies in 12 countries, and had net sales of SEK 3,375m in 2005. Strålfors runs businesses in information logistics and graphic production.

Strålfors contributed SEK 8m to Posten's net earnings for the year excluding amortisations of surplus values of non-current assets. If the acquisition had been made on January 1, 2006 (with corresponding conditions) the Posten group's net sales would have amounted to SEK 29,266m, with earnings of SEK 976m for the year. Strålfors net sales for Jan.-Dec. 2006 totaled SEK 3,393m (3,375), and net earnings totaled SEK -10m (27). Excluding the capital gains from the sale of operations and the costs pertaining to Posten's acquisition of Strålfors as well as the merging of two factories in Denmark, net earnings were SEK 14m.

The surplus values reported through the acquisition of Strålfors for the non-current assets (excluding Goodwill) in the Posten group have been amortized according to plan by SEK 42m. If the acquisition had been made on January 1, 2006, the amortisation would have totaled SEK 73m. For the brand and customer relations an amortisation period of 10 years is applied.

The acquisition of Strålfors has the following effects on Posten's assets and liabilities:

SEKm	Reported value of Strålfors before the acquisition	Actual adjusted value	Actual value reported in the Posten group.
Brand		266	266
Customer relations	134	420	554
Other intangible assets	19	15	34
Tangible assets	744	84	828
Financial non-current assets	11		11
Deferred tax assets	34	7	41
<b>Total non-current assets</b>	<b>942</b>	<b>792</b>	<b>1,734</b>
Current assets	1,044	24	1,068
<b>TOTAL ASSETS</b>	<b>1,986</b>	<b>816</b>	<b>2,802</b>
Provisions	143	22	165
Deferred tax liabilities	102	220	322
Long-term liabilities	305		305
Short-term liabilities	685		685
Minority	5		5
<b>TOTAL LIABILITIES</b>	<b>1,240</b>	<b>242</b>	<b>1,482</b>
<b>NET ASSETS</b>	<b>746</b>	<b>574</b>	<b>1,320</b>
Goodwill on acquisitions			713
Purchase consideration in cash <sup>1)</sup>			2,033
Cash (acquired)			176
Net cash flow			1,857

1) Including compensation for legal services and other acquisition costs totaling SEK 19m.

Goodwill is included in the acquisition of Strålfors in addition to the acquired customer relations and brand. Goodwill is comprised of synergy effects, potential for improved financial results, and additional competence and knowledge to develop Strålfors' area of operations.

### Sal-Trans Oy

In April 2006, Posten AB acquired 100 percent of the shares in the Finnish company Sal-Trans OY. The company's operations consist of system transportation, and the company works in cooperation with Posten's Finnish subsidiary, HIT Finland OY.

## Quarterly Data

Key financials, amounts in SEKm unless stated otherwise	2006				2005				2004			
	Oct.–Dec.	July–Sep.	Apr.–June	Jan.–March	Oct.–Dec.	July–Sep.	Apr.–June	Jan.–March	Oct.–Dec.	July–Sep.	Apr.–June	Jan.–March
Net sales	7,940	6,757	6,567	6,559	6,992	5,933	6,261	6,091	6,905	5,699	6,263	6,253
Operating earnings	-159	531	424	646	339	548	221	173	331	436	131	217
Earnings after financial items	-119	564	449	684	341	566	219	176	342	418	121	198
Net earnings	-300	449	323	541	539	558	204	177	413	401	123	360
Operating margin, %	-2	8	6	10	5	9	4	3	5	8	2	3
Equity, end of period	5,831	6,185	5,742	5,608	5,068	4,533	3,985	3,896	3,702	3,291	2,920	2,802
ROE, %, rolling 12 months	19	35	40	39	34	35	35	33	42	1)	1)	1)
Equity-assets ratio, %, end of period	33	36	33	35	33	30	27	26	25	24	20	20
Cash flows from operating activities	1,512	-53	690	453	1,228	-98	612	509	1,151	-91	333	360
CSI, Customer Satisfaction Index	62	62	62	61	61	61	62	63	63	63	62	61
ViP, Employee Satisfaction Index <sup>2)</sup>	64	64	63	63	63	63	62	63	62	62	61	61
Average number of employees, from beginning of the year to end of period	33,395	33,146	32,018	31,496	33,520	33,771	33,192	33,117	35,731	36,068	35,465	35,302

1) Comparative data have not been provided since 2003 figures have not been restated under IFRS.

2) Excluding Cashier Service and Strålfors

## 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 change 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 change as regards the calculation of productivity.

**Net earnings:** All income and costs after tax and before minority share.

**Operating margin:** Operating earnings after depreciation and impairments 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.

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