

Posten 2003 Year-End Report



- Net sales totaled SEK24,519m (23,632).
- After-tax earnings totaled SEK-233m (-796), including restructuring provisions of SEK-544m. After-tax earnings for the year-ago period included net provisions of SEK801m.
- Adjusted operating earnings were SEK78m (-703), including a SEK-183m (0) restructuring provision. Fourth-quarter adjusted operating earnings totaled SEK225m.
- Cash flow before financing activities totaled SEK-524m (-1,813). Fourth-quarter cash flow before financing activities totaled SEK344m.



Message from the CEO

2003 was a year marked by a continuing process of urgent organizational change. Posten's initiative has several core aims: to streamline customer and employee interactions, achieve operational efficiencies and simplify decision-making and follow-up procedures. A strategy-setting effort, using the aforementioned aims as points of departure, was launched in the fall of last year. So far we have revised Posten's vision and mission and crafted brand-new business strategies. In 2004 we have begun to formulate concrete targets in action plans.

We have also reorganized six business units into two divisions: Marketing & Sales and Production & Logistics. Further, we have dramatically reduced the number of management functions and downsized our central administrative department, which will see additional efficiency increases in 2004. The terminal network was slimmed during the year, and units in Norrköping and Växjö have been marked for closure.

Svensk Kassaservice has set a target date of 2005 to achieve an operating break-even position. The retail network will therefore be trimmed by 200 branch offices, and rural letter carriers will take over the financial-transaction duties of an additional group of outlets.

In light of the economic reality confronting the financial-transaction arm, stemming from declining volumes, Posten has petitioned the government to review the terms under which Svensk Kassaservice operates. An inquiry was launched in October 2003 and a report on essential financial-transaction services will be published in May 2004. The inquiry will also address price regulation, a matter Posten also included in its petition.

2003 **adjusted operating earnings** were SEK78m, a dramatic year-over-year improvement attributable mainly to increased revenues and cost containment measures. Rate adjustments account for the single largest jump in revenues. Downsizing and a reduction in the use of external consultants has begun to affect costs. Overall, productivity has grown nearly two percent. At the same time, the slimming of the terminal network, massive downsizing of the central administrative function and divestment of non-core business operations continue to incur heavy non-recurring costs in the form of provisions. This has impacted 2003 **after-tax earnings**, which, though an improvement year over year, remained negative at SEK-233m. **Cash flow**, which too has improved, remains negative at SEK-524m.

The steps that have been taken and the plans that will be implemented going forward will help to build a profitable business that is valued by customers. We're moving in the right direction financially but we still have plenty of work ahead and further cutbacks will likely be necessary.

Erik Olsson

Posten Group

Posten operates in the market for administrative messaging, direct mail and logistics services. Sweden is Posten's core geographic market. Internationally we serve customers via a premier strategic alliance network. Our mandate is to provide letter mail, parcel and essential financial-transaction services across Sweden, while at the same time growing shareholder value. Our vision is to be an effective and sought-after hub of the wheel that keeps Sweden rolling, and the logistical network that connects the Nordic region. Our mission is to connect people and businesses by delivering mail reliably, cost-effectively and on time. Posten aims to create outstanding customer and business value by combining conventional and electronic mail.

Key financial data

	2003					2002				
	FY	Oct-Dec	July-Sept	Apr-June	Jan-March	FY	Oct-Dec	July-Sept	Apr-June	Jan-March
Net sales, SEK m	24,519	6,565	5,827	6,022	6,105	23,632	6,318	5,625	5,815	5,874
Adjusted operating earnings ¹⁾ , SEK m	78	225	151	-282	-16	-703	-278	-79	-413	67
Adjusted operating margin ²⁾ , %	0.3	3.4	2.6	neg	neg	neg	neg	neg	neg	1.1
Unallocated provisions/reversals ³⁾ , SEK m	-356	-86	-55	-215		732	-184		916	
Operating earnings, SEK m	-278	139	96	-497	-16	29	-462	-79	503	67
After-tax earnings ⁴⁾ , SEK m	-233	168	82	-496	13	-796	-1152	-51	329	78
Total assets, SEK m, closing balance	12,662	12,662	12,976	13,672	13,130	13,863	13,863	14,509	15,142	15,954
Equity, SEK m, closing balance	2,308	2,308	2,121	2,066	2,585	2,587	2,587	3,671	3,710	3,377
Return on equity (ROE), %	neg	6.7	3.5	neg	0.5	neg	neg	neg	10.6	2.3
Return on capital employed (ROCE), %	neg	3.5	2.6	neg	0.6	3.7	neg	neg	8.6	1.5
Equity-assets ratio, %, closing balance	18	18	16	15	20	19	19	25	25	21
Cash flow before financing activities ⁵⁾ , SEK m	-524	344	-479	126	-515	-1,813	-1,208	-649	66	-22
Investments in tangible and intangible fixed assets, SEK m	919	207	162	262	288	1,740	654	356	432	298
Customer Satisfaction Index, CSI, rolling 12-month	60	60	61	61	60	61	61	62	62	62
Average no of employees, beginning of the year to the end of the period	37,905	37,905	38,500	37,761	37,504	39,554	39,554	39,630	38,776	38,132

1) Adjusted operating earnings: Operating earnings excluding unallocated provisions.

2) Adjusted operating margin: Adjusted operating earnings divided by net sales

3) Unallocated provisions/reversals: Provisions in operating earnings not directly attributable to a specific business segment.

(See page 15, Segment report - business segments and geographic areas.)

4) After-tax earnings comprises earnings before minority's share

5) 2002 has been restated due to an accounting change (See Accounting principles, etc. Page 14)

Operating income

In 2003 net sales were SEK24,519m (23,632) and other operating income totaled SEK122m (130). Operating income therefore amounted to SEK24,641m (23,762), a SEK879m or four-percent increase compared to last year. The increase is attributable to rate adjustments and increased parcel volume.

Fourth quarter

Fourth-quarter (October-December) operating income totaled SEK6,628m, a SEK792m or 14-percent increase compared to SEK5,836m in the preceding quarter. Normal seasonal variations account for the change. The parcel arm has lower third-quarter income and high holiday-season volume generates extremely strong fourth-quarter income. Further, accounts with other national postal service organizations were settled at year-end. Compared to SEK6,334m in the fourth quarter of 2002, this marks a SEK294m or 4.6-percent increase, which is mainly attributable to rate adjustments.

Adjusted operating earnings

The group's adjusted operating earnings (operating earnings excluding unallocated provisions) totaled SEK78m (-703), an improvement of SEK781m compared to the same period last year. The improvement is primarily attributable to income increases as well as cost containment. Excluding non-recurring costs in the form of provisions totaling SEK-183m (0) related to terminal-network cutbacks, operating costs declined SEK85m.

Despite pay increases, growing social security costs and higher sick pay totaling SEK676m or 5.6 percent, total personnel costs declined SEK144m. The decline is explained in part by downsizing in both the production and administrative units during the year, and in part by costs related to the implementation of the retail service network, which burdened last year's earnings.

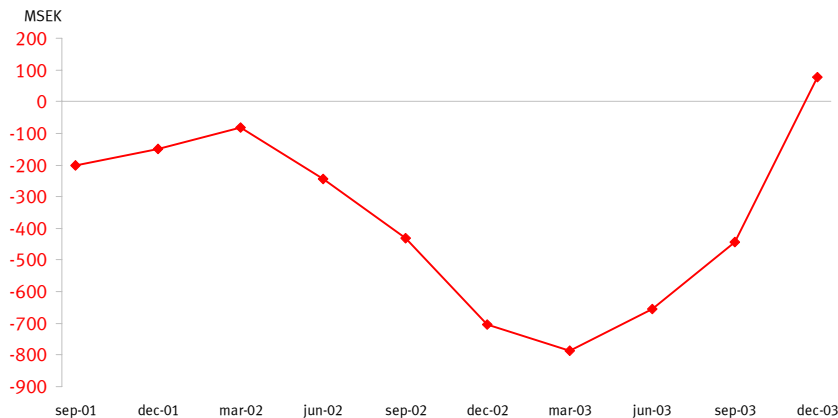
Other costs, despite an inflation effect of two percent, or SEK200m, declined SEK32m. The decline is explained primarily by a reduction in consulting costs. The SEK91m increase in depreciations is mainly related to investments in the retail service network and a new enterprise resource planning (ERP) system.

The Messaging & Logistics business segment posted positive earnings, SEK905m, despite provisions totaling SEK-183m. The Cashier Service business segment's shortfall was offset by previously made provisions. Group-wide efficiency-improvement costs grew according to plan.

Fourth quarter

Fourth-quarter adjusted operating earnings were SEK225m, up SEK151m from the preceding quarter. Over and above seasonal variations featuring both higher costs and revenue, continued cost-control measures are underpinning earnings improvement. Compared to SEK-278m for the fourth quarter of 2002, earnings grew SEK503m. Approximately half of the improvement is attributable to growing revenues in the form of rate increases; the remainder is attributable to lower costs in the form of, in part, downsizing and in part costs related to the implementation of the retail service network, which burdened last year's earnings.

Rolling 12-month adjusted operating earnings have entered positive territory, amounting to SEK78m.



After-tax earnings

Full-year after-tax earnings were SEK-233m (-796). After-tax earnings were burdened by provisions/reversals totaling SEK-544m (801). The provisions were primarily made for administrative personnel cutbacks and the closure of two terminals (see page 6).

Net interest income totaled SEK25m (40). The decline compared to the year-ago period is primarily attributable to lower interest rates. Tax for the year amounted to SEK20m (-865), comprising tax on net earnings for the year of SEK130m (-95) and a write-down of a deferred tax credits totaling SEK-110m (-770).

Fourth quarter

Fourth-quarter after-tax earnings were SEK168m, up from SEK82m in the third quarter. Compared to SEK-1,152m in the fourth quarter last year, this marks an improvement of SEK1,320m. The increase is primarily attributable to higher revenues, lower costs and last year's tax credit write-down.

Financial position

As of December 31, 2003 total assets amounted to SEK12,662m, a decrease of SEK1,201m compared to year-end 2002. The decline in total assets is primarily attributable to the amortization of fixed assets, lower short-term investments and current liabilities. Fourth-quarter total assets declined SEK314m due to lower current receivables and pension provisions, which are covered by Posten's Pension Fund.

Equity

As of December 31, 2003 equity totaled SEK2,308m, a SEK279m decline since year-end 2002. Full-year return on equity (ROE) was negative; fourth-quarter ROE was 6.7 percent. (Change in equity, see page 13)

Equity-assets ratio

As of December 31, 2003 the equity-assets ratio was 18 percent, a decrease of one percentage point compared to year-end 2002. The decline is primarily attributable to lower equity resulting from negative full-year after-tax earnings.

Compared to the third quarter of 2003, the equity-assets ratio increased two percentage points in the fourth quarter. The increase is attributable to both the positive earnings figures and the decline in total assets.

Provisions

Since 1999 the group's provisions have been material, totaling SEK3,898m (4,095) as of December 31, 2003. The provisions relate primarily to conditional pension commitments as well as restructuring and loss reserves for the financial-transaction services arm.

Pension Provisions totaled SEK366m as of December 31, 2003, an increase of SEK23m since year-end 2002. In the fourth quarter SEK689m of the accrued liability was transferred to Posten's Pension Fund. Earlier in the year SEK29m was transferred, making the total SEK718m. The remaining liability relates to group companies whose pensions are not guaranteed by the fund.

Other Provisions totaled SEK3,523m as of December 31, 2003, a SEK229m decrease since year-end 2002. The change is attributable to utilizations amounting to SEK-773m and new provisions totaling SEK544m. In the fourth quarter other provisions declined SEK155m as a net effect of utilizations and new provisions mainly for downsizing the central administrative unit.

Review of changes in Other provisions, SEK m	OB	Provisions and reversals	Utilizations	CB
Allocated provisions				
Provision for future losses, Cashier Service (against operating costs -136, financial costs -36 and financial provision reversals -27)	803	-27 ³⁾	-172 ^{1), 3)}	604
Closure provisions, terminal network, Messaging & Logistics	0	155 ²⁾	-5 ¹⁾	150
Total allocated provisions	803	128	-177	754
Unallocated provisions				
Provision for workers' compensation	139		-11 ¹⁾	128
Provision for future conditional pension benefits	1 157		-24 ¹⁾	1 133
Post office network	1 256	27 ^{2), 3)}	-267 ¹⁾	1 016
Provision for downsizing, central administration	0	296 ²⁾	-89 ¹⁾	207
Other provisions	397	93 ²⁾	-205 ¹⁾	285
Total unallocated provisions	2 949	416	-596	2 769
Total Other provisions	3 752	544	-773	3 523
<u>Allocated provisions</u>				
1) Impact on operating earnings, "Operating costs" line			141	141
2) Impact on operating earnings, "Provisions" line		-183		-183
3) Impact on financial results		27	36	63
<u>Unallocated provisions</u>				
1) Impact on operating earnings, "Operating costs" line			596	596
2) Impact on operating earnings, "Provisions" line		-356		-356
3) Impact on financial results		-32		-32
		<u>-544</u>	<u>773</u>	<u>229</u>

Cash flow

During the year cash flow before financing activities, the key corporate-level operating internal benchmark, was SEK-524m. Fourth-quarter cash flow before financing activities totaled SEK344m.

Operating activities

During the year cash flow from operating activities totaled SEK281m, comprising SEK611m relating to operating earnings after adjustments for non-cash items, which has been enhanced, and SEK-330m relating to changes in working capital. Changes in working capital are explained by decreased accounts payable and increased accounts receivable.

Investing activities

During the year cash flow from investing activities totaled SEK-805m. Investing activities primarily concern expenditures relating to a new ERP system, transportation and commercial real estate.

Financing activities

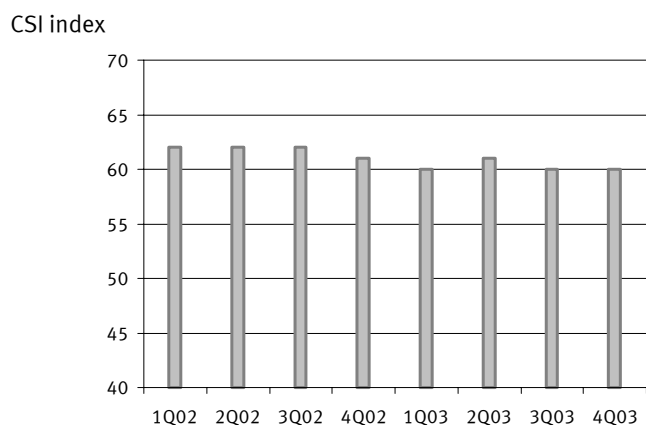
During the year cash flow from financing activities totaled SEK100m, which is primarily explained by loans raised and lower amortization.

Cash flow for the year

Liquid funds therefore have decreased SEK424m since the beginning of the year and increased SEK198m since the third quarter. As of December 31, 2003, liquid funds totaled SEK2,900m.

Customer Satisfaction Index, CSI

The 2003 CSI target was 62. CSI indicators stagnated in 2003, and Posten achieved a score of 60, which can be traced to the considerable changes Posten has undergone in recent years.



Net sales and operating earnings by business segment

Messaging and Logistics business segment

Brief facts	2003	2002
Operating income, SEK m	23 897	22 747
Adjusted operating earnings, SEK r	905	2
Average number of employees	35 475	35 871

Letter mail and parcel services are the bedrock of Posten's business. The businesses can be divided into three so-called flows: the administrative flow, direct mail flow, and logistics flow. All of the aforementioned flows are both national and international. Letter mail services still account for the lion's share of group earnings.

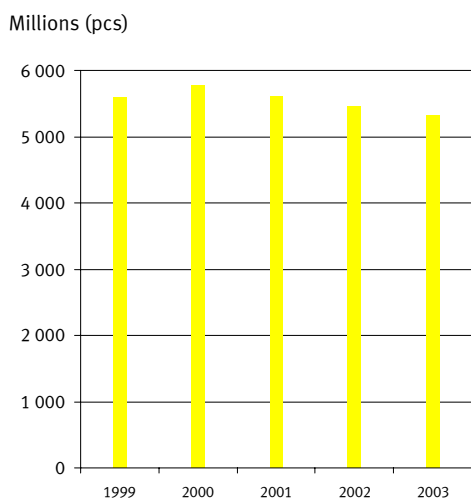
A change initiative has been launched at the Messaging and Logistics business segment in a move to better meet customer needs. The goal of the initiative is to devise more straightforward channels to business and consumer customers and to develop the range of products and services.

Sales and earnings

In 2003 Messaging and Logistics' operating income grew five percent to SEK23,897m (22,747). Rate increases instituted at the beginning of the year and growing parcel volumes offset lower volumes of other categories. Year-over-year parcel volume grew six percent while the volume of other mail items declined 2.4 percent.

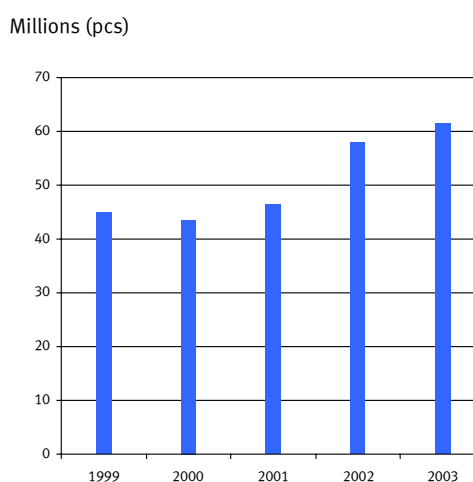
Adjusted operating earnings improved to SEK905m (2), despite the negative impact of SEK-183m owing to the closure of postal terminals in Norrköping and Växjö. In addition to rate increases, the improvement is attributable in part to downsizing and in part by costs related to the implementation of the retail service network, which burdened last year's earnings.

Mail volume, excluding parcels



Since 2000 mail volume excluding parcels has declined 7.6 percent or an average of 2.5 percent. In 2003 volumes shrank 2.4 percent.

Parcel volume



Since 2000 parcel volume has grown 40 percent, or an Average of 13 percent. Volume increased 6 percent in 2003.

Fourth quarter

Fourth-quarter adjusted operating earnings totaled SEK492m, up from SEK281m in the preceding quarter. The increase is explained by increased revenues.

Cashier Service business segment

Brief facts	2003	2002
Operating income, SEK m	1 250	1 188
Reimbursement, SEK m	400	400
Total operating income, SEK m	1 650	1 588
Adjusted operating earnings, SEK m	-136	-260
Average number of employees	2 225	3 475

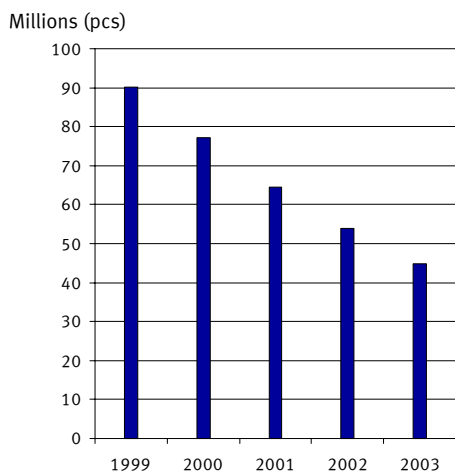
The Cashier Service business segment offers essential financial-transaction services as defined by Posten's public service mandate. The government is currently conducting an inquiry into the public need for essential financial-transaction services. The Cashier Service retail service network consists of 1,020 outlets/point of service. 350 of these outlets are operated by local alliance partners, chiefly in smaller cities. In- and out-payment transfer services are also provided along Posten's 2,500 rural letter carrier routes. Cashier Service offers customers a range of standard solutions and fast, reliable and quality service. Cashier service outlets provide transaction services on behalf of participating banks as well as a line of proprietary services.

Sales and earnings

Cashier Service's 2003 operating income totaled SEK1,650m (1,588). Adjusted operating earnings were SEK-136m (-260). Despite SEK400m in compensation from the government for the provision of service in commercial unviable areas lacking suitable alternatives, the business continues to show a loss. Cashier Service has set a target date of 2005 to achieve an operating break-even position.

Measures include outlet closures, downsizing, rate increases and renegotiation of the agreements that regulate fees paid by banks. 108 outlets were closed during the year and a further 93 will be closed by summer 2004. Further, Cashier Service will continually adapt its service footprint to reflect declining demand, e.g., by replacing branch offices in some areas with service via rural letter carriers.

Transaction volumes, Cashier Service



Changes in customer behavior have halved transaction volume at the Cashier Service in four years. In 2003 volumes shrank 17 percent.

Fourth quarter

Fourth-quarter adjusted operating earnings were SEK-26m, compared to SEK21m in the preceding quarter.

Group-wide

Group-wide includes, in addition to costs relating to the corporate functional areas, those costs associated with corporate projects such as the E25 efficiency improvement program, which necessitated the introduction of a new ERP system: SAP. E25 aims to simplify, improve and enhance the efficiency of Posten's administration and sales functions, and will lead to new, less staff-intensive working methods.

Group-wide net costs for the period totaled SEK-827m (-705). The higher costs concernscheduled costs for corporate projects, excluding the reduced net costs for the management functions due to downsizing of the administration.

Parent Company

Operations

The business conducted by the parent company, Posten AB (publ), is limited in scope. Posten AB (publ) will be merged with Posten Sverige AB. Under the merger, which is expected to be completed in 2004, all Posten Sverige AB operations will be transferred to Posten AB. The merger offers a number of advantages – mainly a slimmed administrative function.

The former subsidiary corporation Direct Link was restructured in the fall; Posten AB (publ) acquired its subsidiaries: U.S.-based Direct Link Worldwide Inc., Direct Link Worldwide Ltd. in England and Direct Link Worldwide Distribution Pte Ltd. in Singapore. The former parent company, Direct Link Worldwide NV, was subsequently divested. Posten AB (publ) also owned a 50-percent interest in HIT Finland Oy until June 1, when it acquired shares that increased its total shareholding interest to 68.75 percent.

Accounting change

Loss provisions at the cashier service business segment as well as other reserves that were previously solely reported in the group financial statements have now been included in the financial statements of Posten AB (publ). This entails an accounting change and figures from 2002 have been restated accordingly. The points of departure when restating these figures have been Cashier Service's 2002 opening balance for loss provisions (SEK2,093m) and a related deferred tax credit of SEK586m. The net of these two items, SEK1,507m, has reduced 2002 opening balance of non-restricted equity. The effects of the accounting change on the 2002 financial statements comprise SEK1,206m in provisions and, as a consequence, SEK-487m in deferred tax, of which SEK-149m relates to the write-down of the deferred tax credit. The changes in provisions have been entered on the line entitled Provisions under financial items totaling SEK991m and as a utilization against costs totaling SEK215m.

Sales and earnings

Net sales for the year were SEK0m (1). Net financial income was SEK93m (4,955). Earnings after financial items totaled SEK21m (4,768) and after-tax earnings were SEK-20m (4,245). The high net interest income and earnings figures from 2002 were primarily attributable to dividends from subsidiaries.

Financial position

Total assets were SEK7,631m, a decline of SEK1,061m compared to last year. The decline is primarily attributable to the change in intra-group liabilities and receivables. Total assets grew SEK217m in the fourth quarter.

Short-term investments totaled SEK1,208m, a decline of SEK557m since last year. Released funds have been used to increase Cash and cash equivalents, which subsequently amounted to SEK866m, as well as a decline in intra-group liabilities. Last year Cash and cash equivalents totaled SEK697m.

Equity amounted to SEK5,167m, a decline of SEK188m since 2002, given that 2002 equity has been restated due to an accounting change. The equity-assets ratio increased from 62 percent in 2002 to 68 percent.

Long-term liabilities increased to SEK420m through Posten AB's (publ) issuance of MTN bonds totaling SEK400m divided into two loans of SEK200m apiece. The loans mature in 2.5 and three years, respectively. Current liabilities totaled SEK1,351m, a decline of SEK1,028m compared to 2002, and were primarily attributable to internal items.

No investments were made in tangible fixed assets during the year.

The parent company had issued SEK567m in capital adequacy guaranties benefiting wholly owned subsidiaries, a year-over-year increase of SEK273m. Further, an unlimited capital adequacy guaranty has been issued for Posten Sverige AB. Posten AB's total guaranties amount to SEK1,291m, an increase of SEK453m compared to 2002.

Proposed dividend

The board of directors will propose to the shareholders' meeting that no dividend be paid out for 2003.

Key events after the close of the fiscal year

Review of central administration

In 2003 Posten launched a reorganization aimed, among other things, at enhancing customer satisfaction, cutting costs and facilitating governance and follow-up processes. Trimming the central administrative function has been a step in this effort. In January 2004, amid the reorganization, Posten's executive management sanctioned further downsizing. Posten estimates that 250 positions will be eliminated from the central administrative function in 2004. The reductions will be implemented by summer 2004.

Employee benefits

Starting January 1, 2004, Posten is applying Recommendation RR 29, Employee Benefits, of the Swedish Financial Accounting Standards Council, which will impact the calculation of Posten's pension commitments. The non-recurring effect of this change will be reported directly against 2004 opening-balance equity in accordance with Recommendation RR 5, Reporting accounting changes, of the Swedish Financial Accounting Standards Council. Though the effort to restate pension liabilities in accordance with RR 29 is underway, progress has been insufficient to report the effects in a manner that reflects a high degree of certainty. The change will not affect the group's cash flow.

Switch to IFRS 2005

Starting January 1, 2005 Posten will prepare its financial statements according to International Financial Reporting Standards (IFRS). The 2005 financial statements will include 2004 comparative figures restated in accordance with IFRS.

Acting in concert with external accounting experts, Posten has identified the current differences between the group's present accounting principles and IFRS, as well as potential effects the switch could have on the group's income statements, balance sheets and supplementary disclosures. The group has also considered proposed changes to the current IFRS code that are expected to be approved by the International Accounting Standards Board, IASB, in Q1 2004. However, the changes must also be accepted by the European Union before they may be used for the group's 2005 financial statements.

Because most Swedish accounting standards more or less mirror existing IFRS regulations, we deem the potential effects on the financial statements to be immaterial. However, it should be noted that a change to IFRS has been proposed whereby goodwill would not be depreciated but instead be subject to annual impairment tests. Further, IFRS rules concerning the reporting of derivatives and hedge accounting deviate considerably from Swedish rules, which does not have a material affect on Posten, as it currently only hedges future currency transactions with a limited use of derivative instruments. In many respects IFRS requires substantially more supplementary disclosure than dictated by current Swedish rules.

In August 2003 Posten launched an internal project aimed at making the limited requisite adaptations of systems and routines. In 2004 internal reporting will be done according to both the current rules and IFRS.

Stockholm, March 1, 2004

Posten AB (publ)

Board of Directors

The information contained in this report has not been audited.

Next financial report April 28, 2004: Interim results January - March 2004

Financial review

Consolidated income statements

SEK m	2003		2002	
	FY	Oct-Dec	FY	Oct-Dec
Net sales	24,519	6,565	23,632	6,318
Other operating income	122	63	130	16
Total operating income	24,641	6,628	23,762	6,334
Personnel expenses	-12,821	-3,341	-12,965	-3,609
Other external expenses	-10,481	-2,791	-10,498	-2,742
Depreciation and amortization of tangible and intangible fixed assets	-1,076	-235	-984	-254
Earnings from shares of associated companies	-2	-2	-18	-7
Provisions	-539	-120	732	-184
Total operating costs	-24,919	-6,489	-23,733	-6,796
Operating earnings	-278	139	29	-462
Financial items	30	-26	-29	-96
Provisions	-5	-5	69	69
Total financial items	25	-31	40	-27
Earnings after financial items	-253	108	69	-489
Tax expense for the year	20	60	-865	-663
After-tax earnings	-233	168	-796	-1,152
Minority's share of net earnings	-5	-5	8	1
Net earnings	-238	163	-788	1,151

Consolidated statements of cash flows

SEK m	2003	2002
	FY	FY 1)
Cash flow from operating activities		
before changes in working capital	611	-148
Changes in working capital	-330	126
Cash flow from operating activities	281	-22
Cash flow from investing activities	-805	-1,791
Cash flow before financing activities	-524	-1,813
Cash flow from financing activities	100	-550
Cash flow for the period	-424	-2,363
Liquid funds, beginning of period	3,324	5,687
Liquid funds, close of period	2,900	3,324

1) 2002 has been restated due to an accounting change, see Accounting principles, etc. below.

Consolidated balance sheets

SEK m	2003		2002
	Dec. 31	Sept. 30	Dec. 31
ASSETS			
Fixed assets			
Intangible fixed assets	1,676	1,682	1,640
Tangible fixed assets	3,274	3,372	3,742
Financial fixed assets	608	556	560
Total fixed assets	5,558	5,610	5,942
Current assets			
Inventory	112	125	109
Current receivables	3,520	4,305	3,643
Short-term investments	1,264	700	1,831
Cash and cash equivalents			
Own funds	1,636	2,002	1,493
Funds in transfer	572	234	845
Total cash and cash equivalents	2,208	2,236	2,338
Total current assets	7,104	7,366	7,921
TOTAL ASSETS	12,662	12,976	13,863
EQUITY AND LIABILITIES			
Equity			
Restricted equity	1,998	2,203	2,293
Non-restricted equity	310	-82	294
Total equity	2,308	2,121	2,587
Minority interest	20	16	12
Provisions			
Pension provisions	366	851	343
Deferred Tax Liabilities	9	0	0
Other provisions	3,523	3,678	3,752
Total provisions	3,898	4,529	4,095
Long-term liabilities			
Interest-bearing liabilities	898	905	555
Non-interest-bearing liabilities	103	76	60
Total long-term liabilities	1,001	981	615
Current liabilities			
Interest-bearing liabilities	582	395	1,124
Non-interest-bearing liabilities	4,853	4,934	5,430
Total current liabilities	5,435	5,329	6,554
TOTAL EQUITY AND LIABILITIES	12,662	12,976	13,863

As of the January-June 2003 interim report Short-term investments and Cash and cash equivalents are reported separately.

Changes in equity

Group, SEK m	Share capital	Restricted reserves	Non-restricted reserves	Net earnings	Total
Opening balance 1/1/2002	600	693	-1,426	3,432	3,299
Appropriated earnings			3,432	-3,432	0
Transfers between restricted and non-restricted reserves		1,000	-1,000		0
Translation difference			76		76
Net earnings for the year				-788	-788
Closing balance 12/31/2002	600	1,693	1,082	-788	2,587
Appropriated earnings			-788	788	0
Transfers between restricted and non-restricted reserves		-295	295		0
Translation difference			-41		-41
Net earnings for the period				-238	-238
Closing balance 12/31/2003	600	1,398	548	-238	2,308

Accounting principles, etc.

This financial report was prepared in accordance with Recommendation RR 20, Interim Reporting, of the Swedish Financial Accounting Standards Council (including the change published June 5, 2003). This change has not had any impact on the reporting of business segments other than the manner in which they are presented.

The accounting principles and methods of calculation used in the most recent annual report have also been used in this financial report, apart from the statements of cash flows.

Under the accounting change the payment of pension benefits has been transferred from *Cash flow from financing activities* to *Cash flow from operating activities before changes in working capital* in the statements of cash flows.

Impairment tests are continually performed on assets in accordance with Recommendation RR 17 of the Swedish Financial Accounting Standards Council. A minor amortization of SEK5m was identified and amortized for the interim 2003 reporting period.

The full costing principle is applied to internal purchases, aside from services included in Posten's range of services, for which market prices apply.

Segment report – Business segments and geographic areas

The breakdown of business segments is based on Posten's mandate to provide nationwide mail and essential financial transaction services.

INCOME AND EARNINGS	Messaging & Logistics		Cashier Service		Group-wide		Elimination		Posten Group	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
SEKm										
External net sales	22 979	22 048	1 139	1 181	1	3				
Reimbursement, state			400	400						
Internal net sales	326	463	52		38	42	-416	-505		
Total net sales	23 305	22 511	1 591	1 581	39	45	-416	-505	24 519	23 632
Other operating income, external	116	123	6	7					122	130
Other operating income, internal	476	113	53		13	3	-542	-116		
Total operating income	23 897	22 747	1 650	1 588	52	48	-958	-621	24 641	23 762
Earnings by business segment before changes in provisions below	1 088	2	-136	-260	-827	-705				
Utilization of provisions corresponding to earnings, Cashier Service			136	260						
Other changes in allocated provisions	-183									
Operating earnings by bus. segment	905	2			-827	-705			78	-703
"Adjusted operating earnings" apart from Cashier Service ¹⁾										
Unallocated provisions/reversals									-356	732
Operating earnings									-278	29
Financial items										
Earnings from securities and receivables that are fixed assets									4	-3
Other interest income and similar income items									104	197
Interest expense and similar cost items									-78	-223
Provisions									-5	69
Earnings after financial items									-253	69
Tax expense									20	-865
Minority's share of net earnings									-5	8
Net earnings for the year									-238	-788

Notes:

As of the January-June 2003 interim report, net sales and earnings by business segment will be reported in accordance with changes to Recommendation RR 20, Interim Reporting, of the Swedish Financial Accounting Standards Council. The changes to RR 20 concern the application of RR 25, Reporting of segments – business segments and geographic areas, in interim reports. This change has not had any impact on the reporting of business segments other than the manner in which they are presented. Since the Q3 report additions have been made to the lines in accordance with the upcoming 2003 Annual Report.

1) Cashier Service's adjusted operating earnings comprises "Earnings by business segment before changes in provisions below."

The full costing principle is applied to internal purchases, aside from services included in Posten's range of services, for which market prices apply.

Geographic areas SEK m	Sales per market		Assets		Investments	
	2003	2002	2003	2002	2003	2002
Sweden	21 933	20 965	11 649	13 003	869	1 705
Rest of Nordic region, Baltic region	1 930	2 083	706	582	43	34
Other countries	778	714	307	278	7	1
Total	24 641	23 762	12 662	13 863	919	1 740

Though Sweden is Posten's core geographic market, subsidiaries and strategic alliances give the company a solid position in the Nordic region and provide the opportunity to service Europe and beyond.

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