Posten Annual Report

2004


POSTEN

A letter from the CEO, pages 4–5

Posten's market, pages 6–11

Contents

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

Posten at a glance

Posten is one of the Nordic region's largest messaging and logistics operators. With 35,000 employees and revenue in excess of 25 billion Swedish kronor, Posten also is one of Sweden's larger corporations. Posten serves both small and large companies, organizations, public agencies, municipalities, county councils and consumers. Business customers generate nine of ten revenue kronor.

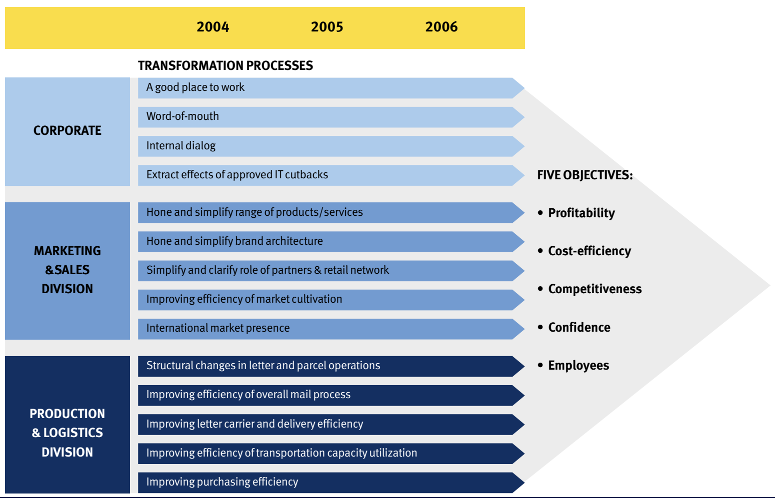
Posten is a worldwide leader in service quality and delivery performance. From single mailpieces to major logistics solutions, Posten reaches every address in Sweden – fast, reliably and cost-efficiently. Through its premier network of operating companies and strategic partners, Posten provides Nordic and global letter mail and parcel delivery service. Posten has a four-billion-kronor international business.

Posten makes postal services available to the entire country of Sweden, daily serving 4.5 million homes and 800,000 businesses. Every day, Posten handles over 20 million pieces of mail. Further, Posten is mandated by the State to provide nationwide essential financial-transaction services. The subsidiary Svensk Kassaservice meets the terms of this mandate.

2005 financial calendar

January–March Interim Report	April 27, 2005
January–June Interim Report	August 26, 2005
January–September Interim Report	October 28, 2005
2005 Year-End Report	February 21, 2006

See also www.posten.se



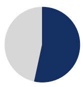
Objectives, strategies and action program, pages 12–17
Business operations pages 18–29

Business operations

Messaging & Logistics

Administrative Mail

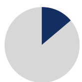
Share of consolidated operating income, 53%



Administrative Mail products account for the majority of Posten's revenue. There are four product categories: Mail Distribution, Newspaper Distribution, Postal Service and Concept Solutions. Mail Distribution generates the most revenue in this segment. The customer base mainly comprises businesses. Sweden is the primary market.

Direct Mail

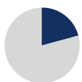
Share of consolidated operating income, 14%



Posten distributes addressed and unaddressed direct mail. Posten also offers a number of additional value-added services, such as Reply Mail, Addressing, Picking & Packing, and Target Audience Analysis. Sweden is the primary market.

Logistics

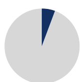
Share of consolidated operating income, 27%



Logistics spans Parcels, Courier and Express Delivery as well as Palletized Logistics, In-Night Transportation and Third-Party Solutions. Posten has a strong position in the market for parcels weighing up to 35 kilos. Posten continually develops custom logistics solutions to meet stringent delivery-precision and service-performance requirements. The Nordic region is the primary market.

Cashier Service

Share of consolidated operating income, 6%



Posten has a legal mandate to provide nationwide essential financial-transaction services. The subsidiary Svensk Kassaservice meets the terms of this mandate. A 2004 Government inquiry has reviewed the essential financial-transaction services mandate. A proposition will be announced in June 2005.

Employees, pages 30–32

Financial review and financial statements, page 36

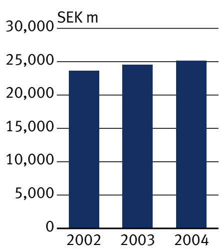
2004 financial highlights

- Net sales grew 2 percent to SEK 25,120m (24,519)
- Operating earnings increased SEK 1,269m to SEK 991m (–278).
  Net earnings include provisions totaling SEK –397m (–539) and capital gains of SEK 206m (–1).
- After-tax earnings improved by SEK 1,458m to SEK 1,225m (–233).
- The equity-assets ratio was 28 (18) percent, a dramatic improvement.
- Cash flows before financing activities totaled SEK 1,274m (–524).
- Posten proposes, for the first time since 1993, a dividend to the owner of SEK 150m.

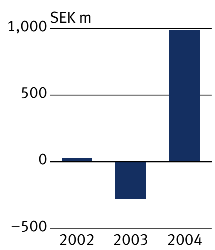
Key financials (SEK m unless otherwise specified)	2002	2003	2004
Net sales	23,632	24,519	25,120
Operating earnings	29	–278	991
After-tax earnings [1]	–796	–233	1,225
Operating margin, %	neg	neg	4
Equity	2,587	2,308	3,930
ROE, %	neg	neg	37
Equity-assets ratio, %	19	18	28
Cash flows before financing activities	–1,813	–524	1,274
CSI, Customer Satisfaction Index	61	60	63
ViP employee satisfaction score, excluding Cashier Service	60	61	62
ViP employee satisfaction score, Cashier Service		64	67
Average number of employees	39,554	37,905	35,731

[1] Earnings before minority's share.

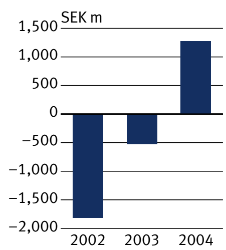
NET SALES



OPERATING EARNINGS



CASH FLOW



Our tireless efforts and restructuring initiatives over the past few years have borne fruit. We've introduced a new organizational structure for the business, which has proven successful. And as the change effort proceeded, Posten's day-to-day business has continued to perform well. The drive to create a valued and profitable company is moving forward.

Successful change

The rest of the board and I have been deeply involved in the effort to restructure Posten over the past few years. Work began in 2003 with a situation assessment and revision of the company's strategies, vision and objectives. We then created a new organizational structure for the business and crafted an action plan aiming to bridge the earnings gap and transition Posten's business to more accurately reflect prevailing market conditions.

Even the best laid plans can go awry. That said, Posten's performance trend indicates that the right strategies were advocated and pursued.

Posten employees and management deserve tremendous praise for their Herculean work ethic. Efforts coupling restructuring initiatives with internal analyses, while at the same time successfully running the day-to-day business operations, have been demanding and very risky. But they have paid off. At the same time, an employee survey astonishingly shows satisfaction rising during this turbulent time. This is impressive, to be sure.

In 2004 the board has devoted considerable time to several major Government inquiries with potentially huge implications for Posten's business: The postal and payment transactions inquiry, freedom of information inquiry as well as the privatization and liberalization inquiry. Clear and timely findings from these inquiries, on which Posten can base its actions, are key. Not least when it comes to our employees. Uncertainty benefits no one.

In the near term a parliamentary decision concerning the future of Svensk Kassaservice is a key concern for employees and customers alike. The Government has planned to table a proposition in Parliament in late spring.

The new retail service network is becoming increasingly popular among mailers. Proximity and extended hours, and thereby accessibility, have improved thanks to this change. Parcels, moreover, don't sit on shelves as long as they used to, and parcel volume is up. This is great news for e-tailers and mail order firms, especially since business is booming.

I'm delighted to report that, after trending down for several years, Posten's Corporate Image rating is seeing an upward movement as well. We're still making up lost ground, though.

In light of Posten's solid 2004 results, the board will propose that shareholders vote to approve a 150-million-kronor dividend—the first since its incorporation.

Posten's board comprises seven (one of which stepped down during the year) directors as well as the union-appointed representatives; everyone actively participates in the board's actions. After having reviewed the new corporate governance code, the board is pleased to report that Posten largely complies with the guidelines applicable to privately owned companies with one owner. More, the board's actions are annually audited as part of the ongoing dialog with the owner.

Despite the recent initiatives, Posten must proceed with its change effort. The deregulated postal services market and the advent of electronic mail substitutions lead to increased competition and continuing demands for competitive prices. It's also important for Posten to strengthen its position in areas where we can create new revenue streams, such as parcel delivery and direct mail.

In 2004 Posten has demonstrated its ability to adapt to future needs, and I'm confident it will continue to heed this call to action.

Stockholm, 2005

Marianne Nivert
Chairman of the Board

Posten competes in the world's most deregulated postal market. At the same time, we have a universal service obligation and its associated requirements for reach, service and quality. In 2004 Posten continued to sharpen its competitive edge for the future. We have completed a comprehensive review of the entire business and achieved the necessary operating improvements. This has given Posten freedom of action for the remaining change initiatives.

A stronger Posten

During the year Posten went from being a company with major financial problems, to one that reported improved quarterly results. Our far-reaching change initiatives are beginning to have a visible financial impact. Posten is generating revenue while at the same time significantly improving cash flow.

An analysis of this improvement reveals huge savings made due to cutbacks in consulting fees. We have also continued to make cutbacks in other areas, closing several mail processing facilities and boosting efficiency in central administration. However the financial result also includes the appearance of non-recurring items such as capital gains, realized on the divestment of some companies. Furthermore we have also managed to achieve a slight upturn in volume.

The improvement in our financial situation must continue, not least in order to create the best possible platform for the future. In 2004 we created a more decentralized business and now work considerably closer to our customers. Posten's central administration reduced its costs by 50% in 2003 and 2004. In addition to this, at year-end in 2004 we carried out a comprehensive organizational change initiative. We introduced a new local organization, recruited new local area managers and strengthened our sales force.

Productivity also grew during the year, while earning higher satisfaction ratings from customers and partners. Both the Corporate Image and Customer Satisfaction Index (CSI) ratings saw improvements, as did that of our internal employee satisfaction survey (ViP).

Consumer satisfaction with the new retail service is higher, although I am the first to concede that Posten could be even clearer in its interface with customers.

We therefore have major challenges ahead of us with regard to clarifying Posten's offering and service content. Clarity in the consumer market must be enhanced. Our company and brand structures remain somewhat unclear. Our sales initiatives need to be more effective and we have to improve customer service.

All of Posten's business areas now face competition, which is increasing in new forms of communication as well as national and international players competing at various points along Posten's value chain - from customer cultivation to delivery.

Posten's customers often use alternative service providers to meet their needs. A range of strong competitors with sound finances and excellent cost efficiency, are active in the messaging and logistics market. These players operate under different circumstances from Posten's. They are much freer to choose markets and products as well as a customer segments.

Competition has emerged mainly in market segments featuring growth and good profitability prospects. Competition in international messaging comprises primarily of postal operators in countries with which Sweden has high volumes of reciprocal mail, i.e. the Nordic countries, Northern Europe, the United Kingdom and the United States. The international logistics competition is largely made up of

international corporations such as DHL, Schenker and TNT, many of which are owned by other postal operators.

Norway Post is currently competing in Sweden's mail delivery market though its majority stake in City Mail. City Mail has over a 50 percent market share in the areas which have elected to compete, i.e., the major cities.

If one adds electronic substitution to this competitive picture, that is people and businesses choosing digital communication rather than regular mail, it is obvious why Posten must become better equipped to meet tomorrow's challenges.

We can clearly see the continuing decline in the volume of mail. This trend is going to continue and is likely to accelerate. Currently, businesses and public agencies account for 90 percent of Sweden's mail volume. At the same time we receive signals on a daily basis that this sector intends to increase its dependence on electronic communication. Although Posten is trying to become more competitive in the electronic messaging market, a rapid migration from physical mail could entail an enormous loss of future revenue for the company. One should also bear in mind that large parts of our infrastructure comprise fixed costs, given current legislation and additional regulations.

There are of course major opportunities going forward. Posten is a wide-ranging and modern business. It is becoming much more of a service and less of a place.

It strikes me everyday how anonymous the business aspect is, of this otherwise high-profile company. Few, aside from our specialized customers, recognize Posten's capabilities in modern messaging and logistics and are aware of the huge transformation that Posten has undergone during the last decade. I think I can claim that we are one of the world's most modern postal operators.

The challenge ahead is to create new forms of revenue. We are going to need them. This requires becoming more competitive by strengthening and sharpening our current offering, primarily that which targets business customers. Furthermore we have to engage in business development of both the messaging and logistics businesses.

The postal and payment transaction inquiry, commissioned by the Government has been completed and its findings published. It was Posten's initiative in summer 2003 to call on the government to examine the framework for Svensk Kassaservice's future business operations. The conclusions reached by the lead inquiry are now to be put forward for review and the parts relating to Svensk Kassaservice have already been reviewed and the government has announced it will be introducing a bill in June 2005. Taking into consideration the capable employees at Svensk Kassaservice and their remaining customers, I hope that the company's situation will be clearly mapped out for the future.

Posten achieved profitability in 2004 as well as high levels of service and quality. Meanwhile, looking to the future, Posten needs greater freedom of action in order to evolve and meet the challenges it faces. Current price regulation must change, as indicated by the postal and payment transactions inquiry.

After almost two years as CEO of Posten, I can state that we have excellent employees. For several years in a row we have achieved the world's highest quality of postal services.

We have an enormous wealth of expertise in advanced messaging and logistics solutions. We also have a completely unique infrastructure. Furthermore I have witnessed immense loyalty during the enormous changes that have taken place. Posten is not only a world class messaging and logistics company. We also have employees who are highly skilled in managing change.

This gives me confidence for the future and great pride in Posten.

Stockholm 2005

Erik Olsson
President and CEO

Posten's business and operating environments continue to change at high speed. Increasing competition, the shift to electronic communication and continuing postal deregulation in Europe are all strong change drivers that impact Posten's future. Posten is continually evolving its service offering to meet new needs, working to strengthen its position as Sweden's and the Nordic region's leading messaging and logistics service provider.

Changing market

Market for Posten's services in the Nordic countries
Posten competes in two markets, Messaging & Logistics.

- Messaging comprises:
  - Administrative Mail, spanning mail and newspaper distribution as well as various special services.
  - Direct Mail, spanning the production and distribution of addressed and unaddressed direct mail.
- Logistics spans parcels, courier and express mail services as well as palletized logistics, in-night transportation and third- and fourth-party solutions.

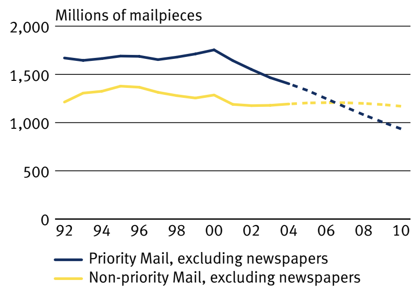
The Nordic market for Posten's services is worth 275 billion Swedish kronor, of which the Swedish market accounts for 110 billion kronor.

The message forwarding market is characterized by a slight decline in mail volume, sharper focus on special services and growing demand for direct mail services. Both customer needs and Posten's competitive environment are expected to change materially in the coming years. Development is being driven mainly by major business customers and their focus on boosting efficiency in administrative flows.

The logistics market is exhibiting low but even growth and relatively low margins owing to fierce competition.

Heavy logistics, such as container shipping, accounts for a major portion of the market. An international consolidation of the logistics market is underway; existing international operators are strengthening their positions through acquisitions and strategic alliances while specialists are moving into niche segments. Development is being driven by a few global logistics companies.

MAIL VOLUME: TREND AND FORECAST



Priority Mail (overnight delivery) volume is expected to decline in coming years and Non-priority Mail (delivery within three days) volume is expected to remain relatively stable.

Posten's strength in terms of competitiveness and market share can be found in its primary market, Sweden. In the Nordic region and internationally, Posten serves customers via a network of operating companies and strategic partners.

Change drivers

The market for Posten's services is in a phase of rapid change. Three key factors are driving development:

In response to *global competition* many customers are either centralizing or outsourcing non-core operations to boost efficiency. Large customers increasingly purchase Posten's services at the European or even global level. Many corporate departments have been centralized and relocated outside Sweden. The outsourcing of, among other functions, billing, supply chain management, IT, legal, and accounting services is becoming increasingly common.

75 percent of Posten's largest customers are part of an international corporation. The ability to manage international mail flows is growing increasingly important, tracking the increasing internationalization of customer businesses.

Posten's international business is worth 4 billion kronor, the equivalent to 20 percent of Posten's sales in Messaging and Logistics. Today a number of European operators compete in the Swedish market. Because many of Posten's customers increasingly belong to international corporations, Posten's international business is key to assuring Posten's competitiveness in Sweden and the wider Nordic region.

The technology shift, primarily the transition to electronic communications, has been underway since the late 1990s. Competition, in the form of digital substitutes, is on the rise. For many companies, email, text messaging and the Internet complement traditional mail. Businesses, public agencies and people are gaining access to means of communication that are faster, cheaper and easier to use. This trend is expected to continue and accelerate in the coming years.

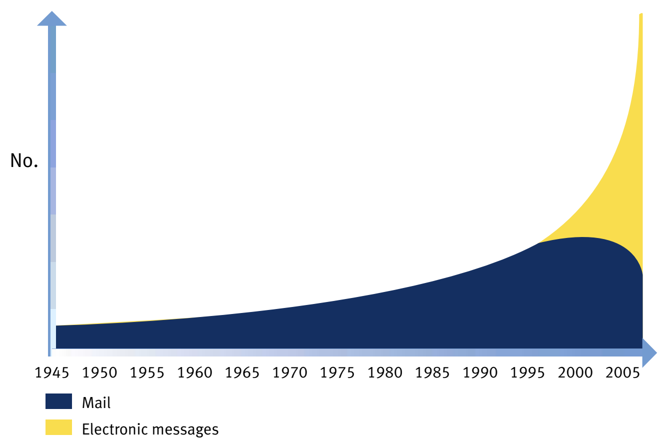
Posten's market

Posten has thus far managed to remain at the leading edge, developing new services in a bid to defend its position in the message forwarding market. Large Posten customers, such as banks and insurance companies, were early movers when it comes to tapping technological opportunities in customer communications. More and more categories of business have followed suit. Posten has driven development to complement its offering with various special services. By combining electronic and conventional mail services, Posten helps to simplify, improve or replace certain activities in customers' overall messaging effort—i.e., sending, receiving, storing and distributing. One example of this is an arrangement where Posten receives company data files containing billing information, whereupon it prints, stuffs and distributes outgoing bills.

Deregulation was implemented in Sweden's postal market in 1993. Once a Government-owned agency protected by its monopoly, Posten has over the past decade transformed into a modern, competitive company with a growing international dependence.

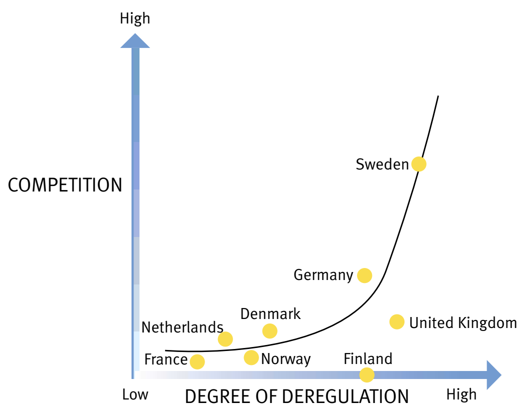
Though the trend has been slower in the rest of Europe, the wider postal market is moving toward deregulation. Today domestic mailpieces weighing up to 100 grams remain the sole responsibility of monopolies in European Union member states. In 2006 the EU will review the effects heretofore of deregulation. The EU's objective is to abolish the monopoly, probably incrementally, by 2009. Most postal operators have launched far-reaching efficiency programs and, as was seen in the logistics market, mergers and acquisi-

VOLUME TREND, WRITTEN CORRESPONDENCE



The most important factor affecting Posten's core business is the transition from traditional to electronic correspondence. More and more alternatives are meeting needs for fast, easy and inexpensive communication.

EFFECT OF DEREGULATION ON EUROPEAN MARKET



Postal operators in Europe have made varied progress when it comes to deregulation. The move toward increased market freedom is clear, but the Swedish market is the only featuring full deregulation and real competition.

tions can be expected in the postal market. In light of these trends, Posten must raise the bar when it comes to achieving further operating efficiencies going forward.

Posten's business evolves

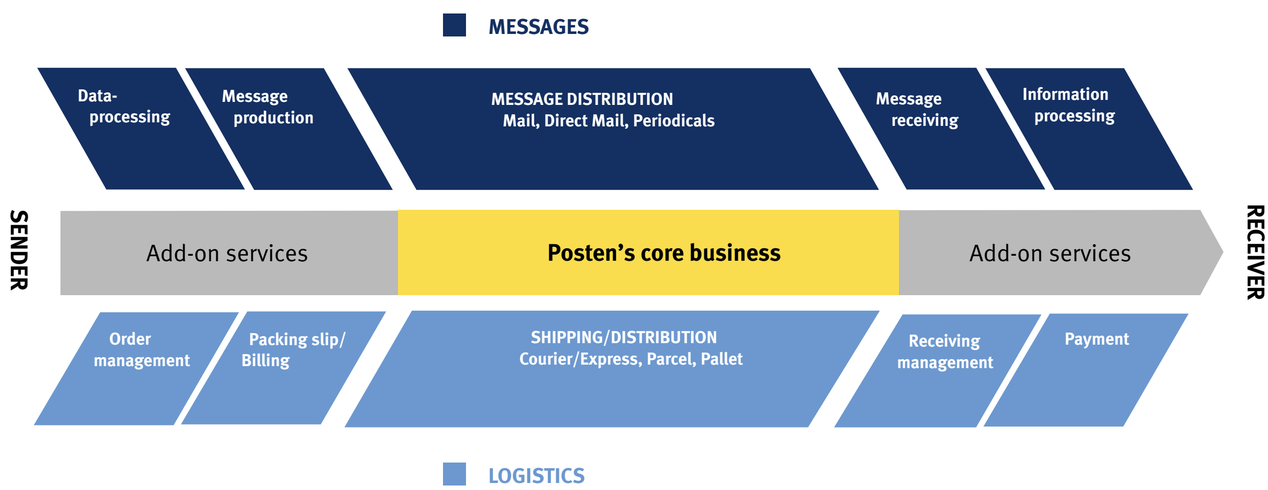
Customers' needs for higher efficiency in business processes are continually increasing when it comes to communications flows in both Messaging and Logistics. The entire flow, from sender to receiver, is more in focus than previously, where the physical distribution makes up only a part of the solution. Distribution is complemented with both pre- and aftermarket services to span the entire flow.

Posten has developed services across its entire range in a move to cover more pre- and aftermarket services. Posten offers combinations of physical and electronic mail in order to manage the entire chain, from production to distribution and receiving. Today the Administrative Mail customer offering centers largely on financial information as well as order, billing and payroll management.

In addition to the actual distribution service itself, Direct Mail deals with, for instance, electronic customer databases enabling the targeting of carefully selected customer groups or individuals.

Posten's Logistics offering centers around, among other things, reducing customer costs related to capital tied up in the logistics chain via solutions that reduce inventory or create more effective mail order through e-tail services.

POSTEN'S ROLE IN CUSTOMER VALUE CHAIN



Posten's core business is the distribution of messages and logistics. To meet customer needs for efficient business processes and to strengthen the core business, distribution is complemented with both pre- and aftermarket services. Posten offers combinations of conventional and electronic mail services in order to manage the entire chain from production to distribution and receiving.

Posten's universal service obligation

The Postal Act mandates the provision of nationwide postal service, enabling everyone to send and receive addressed mailpieces weighing up to 20 kilos. These postal services must be of good quality, equitable and affordable.

Posten is licensed by the National Post and Telecom Agency (PTS) to provide postal services. The license is conditional upon Posten's acceptance of the universal service obligation. The licensing terms and conditions include regulations pertaining to infrastructure, point of collection and a comprehensive information obligation to PTS.

Posten also has a legal mandate to provide nationwide essential financial-transaction services, which is met by the subsidiary Svensk Kassaservice. The mandate is framed by the Essential Financial Services Act, under which everyone in Sweden is entitled to uniformly priced services enabling them to receive and make payments. Posten receives a 400-million-kronor annual reimbursement from the Swedish Government to provide these services in commercially unviable areas of the country.

The set of requirements imposed by the Swedish Government on Posten, in addition to efficiency and profitability, comprise Posten's universal service obligation. Posten employees are proud of this mandate, which is a central part of Posten's mission. Many customers choose to partner with Posten due to the standalone delivery performance and reach afforded by its universal service obligation.

Ongoing Government inquiries

Posten's business, particularly in the areas governed by the Postal Services Act and Essential Financial Services Act, is affected by market trends as well as public policy and regulations.

In October 2003 the Swedish Government launched an inquiry to examine the need for new postal regulations as well as the need for subsidized financial-transaction services.

In a 2004 lead report on the financial-transaction services question, the inquiry noted that the Government's responsibility should extend to essential bill-payment. The inquiry proposes that the Government procure these services for areas of the country where it would be commercially unviable to provide equivalent services. Moreover, the inquiry proposes that bill-payment services be provided by Posten's rural letter carriers. If the Government adopts the inquiry's proposals, Svensk Kassaservice would be phased out. The timetable suggested by the inquiry would entail a phase-out in spring 2006. The Government is expected to present a proposition on the matter in 2005.

The inquiry also addresses postal market regulation and examines conditions for a fully functioning postal market featuring efficient, accessible and needs-based services.

The inquiry presented its final report on January 25, 2005. It states that postal deregulation has been positive, that customers have gained a wider selection of products and services, and that Posten has strengthened its competitiveness. Several key proposals include the removal of the rate ceiling, which would be replaced with new rules, as well as a new role for the National Post and Telecom Agency as regards the promotion of competition. Further, the inquiry proposes that mailpieces with no or too little postage be classed as dead letters.

Mission, vision, objectives and strategies

Posten has reviewed and revised its mission, vision, objectives and strategies. Five concrete objectives have been formulated in a move to enhance clarity and efficiency, positioning Posten as an attractive business partner to Swedish and Nordic companies. The main objective revolves around customer perceptions—bringing the offering into sharper focus, improving service performance and boosting the organization's efficiency. Simply put, we want to simplify the customer experience.

MISSION

"Posten's 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."

Vision

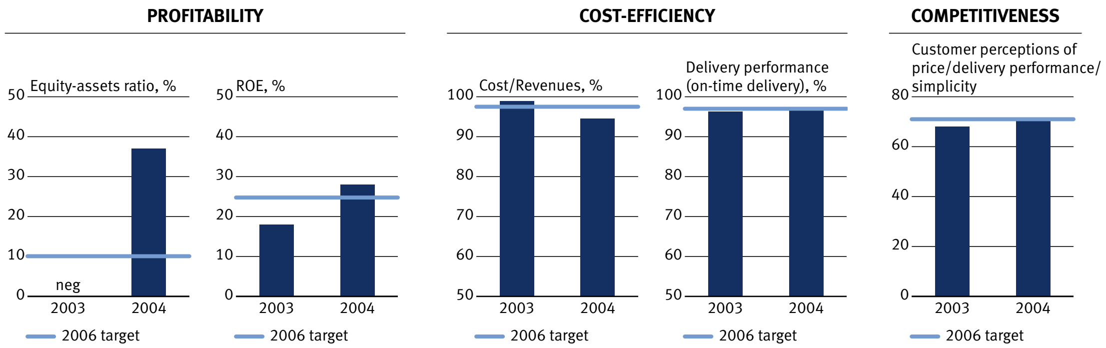
Posten's vision is to be the sought-after hub of the wheel that keeps Sweden rolling, and the logistical network that connects the Nordic region.

Posten's five core objectives

Since 2004 Posten has been working toward five core objectives, to be met by year-end 2006. Several of these objectives were met in 2004. Posten continues, however, to strive for the sustainable maintenance of these goals.

Profitability
– A profitable company

The owner, the Swedish State, requires that Posten operate profitably. A profitable, financially stable business builds confidence among customers, employees and owners. Over the past two years Posten has taken a number of measures aimed at improving profitability. Posten has set an ROE target of 10 percent by 2006, and an equity-assets ratio target of 25 percent.



These profitability targets were met already in 2004. The full-year 2004 equity-assets ratio was 28 percent and ROE was 37 percent.

Dividend policy

Posten's owner has stipulated that Posten pay a dividend totaling 40 percent of net earnings by year-end 2006 at the latest. The company's financial position and capital requirements are to be taken into consideration. For 2004 the board of directors and chief executive officer propose a dividend totaling 150 million Swedish kronor. This marks the first such dividend proposal since Posten's incorporation in 1993.

Cost-efficiency – Efficient and reliable processes

Posten will achieve high delivery performance and cost-efficiency regardless mail and parcel volume trends. Posten's overall operating efficiency measurement is a cost-to-revenue ratio. The delivery performance target combines three independent measurements—First-Class Mail, unaddressed direct mail and business parcels—which are weighted according to their relative revenues. The goal is to grow delivery performance to 97.1 percent and to reduce the cost-to-revenue ratio to 97.5 percent by year-end 2006. In 2004 delivery performance improved 0.4 percentage points to 96.7 percent. The cost-to-revenue ratio also improved, dropping to 94.5 percent through ardent cost-containment.

Competitiveness – High levels of service quality and offer competitive prices

Posten measures competitiveness by surveying customers on rates, delivery performance and convenience. Posten wants customers to experience a positive relationship between quality and price. At year-end 2004 Posten's competitiveness rating had grown three points to 71, in line with the long-range (2006) target.

Confidence – Satisfied customers

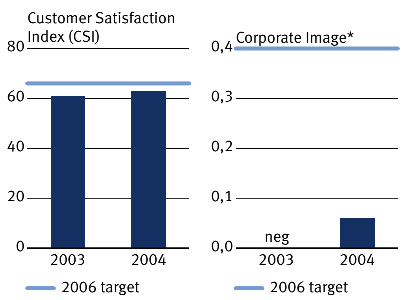
Posten aims to build good corporate confidence among all customer groups, business and strategic partners as well as other stakeholders. Posten tracks its confidence trend using two metrics: Customer Satisfaction Index (CSI) and Corporate Image.

The changes pursued by Posten in recent years have weighed on Posten's image rating and dented confidence, mainly among consumer customers and small business owners. Posten has, however, retained some of the confidence of medium-sized and large companies. An ongoing effort is underway to foster the perception of Posten as clear and reliable. Posten's target for year-end 2006 is a CSI score on par with that of 2001 and a Corporate Image rating moving decisively into positive territory. In 2004 the CSI score climbed three points to 63 and the most recent Corporate Image measurement revealed that Posten had snapped a seven-year-long downward trend. The Corporate Image score improved slightly to 0.06.

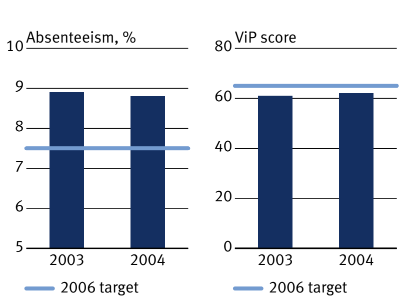
Employees – Improved health and wellness, higher motivation and enhanced efficiency

Posten will be a company with healthy and engaged employees. Posten uses two metrics to measure the effectiveness of its efforts in this area: absenteeism divided by total work hours as well as the ViP employee satisfaction score. Posten aims to reduce absenteeism from 8.9 percent to 7.5 percent and grow the ViP score, excluding Svensk Kassaservice, from 61 to 65 by the end of 2006. Absenteeism declined successively during the year, totaling 8.8 percent of 2004 work hours. The ViP score improved both for Posten and Svensk Kassaservice, totaling 62 and 67, respectively, in year-end measurements. Improvement initiatives are incorporated into the wider "Good Place to Work" change effort. You can find out more about the progress being made in this are under the section titled Employees on page 30.

CONFIDENCE



EMPLOYEES



* Measurement by Temo.

Strategy

Business strategy

Posten will be a competitive messaging and logistics company. Posten's strength lies in its primary market, Sweden, where it can leverage all its competitive advantages. Posten's customer orientation will feature well-defined customer groups. Posten's offering will be grounded on a number of simple and straightforward core mail services. Posten will have a competitive offering for businesses operating in the Nordic region. Internationally, Posten will have access to message-forwarding and logistics capacity via a network of subsidiaries and strategic partners.

Channel strategy

Accessibility is key to Posten. In a move to cement existing customer relationships and develop new ones, Posten is striving to improve and sharpen its sales channels. Today, customer interactions take place via personal sales, electronic channels and Posten's retail service outlets. Consumer and cash-paying customers also interface with Posten via franchisees, such as supermarkets and service stations. Posten is one of Europe's biggest franchisors.

Product and service strategy

A change effort—aimed at creating a simpler and leaner offering—has been launched in a bid to better meet customer needs for clarity and simplicity. Posten will base its products and services on a straightforward baseline offering. Special services and customer-unique solutions may then be added. The product and service strategy will help improve Posten's efficiency.

Employee strategy

Employees play a crucial role when it comes to achieving optimum business efficiency. The point of departure for the employee strategy is the employee's ability to serve as a valued brand ambassador and sharpen the customer focus. The anchor of the strategy rests not only in the employee's sense of motivation and participation in the company's progress, but also in possessing the power to affect their career and the right skills for their position. The work environment will be designed to promote continued health and wellness.

2004–2006 Action program

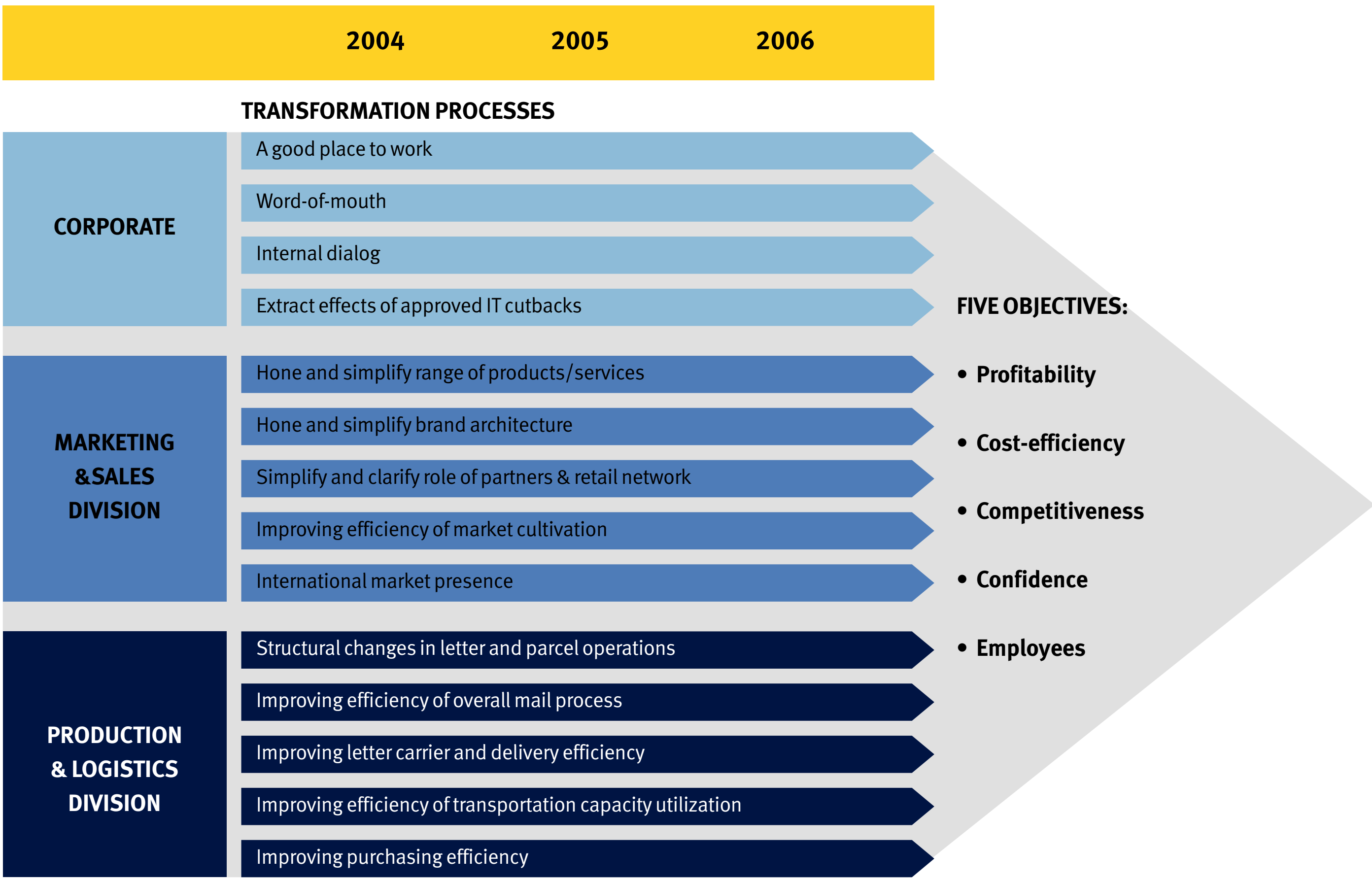
Posten crafted an action program comprising 14 change processes to be implemented between 2004 and 2006 in a move to achieve and foster a long-range commitment to its five main objectives. The structural measures contained in the action program will have a one-billion-kronor impact on earnings between 2004 and 2006. The goal is to achieve long-term profitability and competitive overhead and productivity levels across the entire business.

The strategic challenge facing Posten is to—tracking market trends and maturity—meet customers' varying needs for efficiency improvements in Messaging and Logistics. Success hinges on a far-reaching and long-range efficiency overhaul of Posten's business.

At year-end 2003 work began to create a clearer, more focused Posten capable of achieving long-term financial balance between costs and revenues. In 2004 Posten completed its revision of the strategy that had been in place since 1999, and five main objectives were approved by the board.

To facilitate the achievement of the five main objectives, Posten crafted a concrete and cohesive action program to be coordinated by a special unit.

The action program comprises 14 change processes. These improvement processes in turn comprise some 50 corporate projects, all aimed at realizing the five main objectives. The projects will, among other things, improve cost-efficiency, build higher customer satisfaction, and bring the products and services into sharper focus as well as improve operational control and follow-up.



Overview of projects comprising the action program

A good place to work

A good place to work is a process aiming to increase engagement and reduce absenteeism among Posten employees. In 2004 Posten initiated a certification process for every workplace based on criteria including good staffing, competency planning and absenteeism as well as measures aimed at preventing and reducing absenteeism.

Communications

The communications effort encompasses two processes: *word-of-mouth* and *internal dialog*. The word-of-mouth process aims to grow external knowledge and awareness about Posten, its business and operating conditions.

The second process is the invitation to a continuing and systematic internal dialog cutting across the entire organization. The first dialog, which gained traction in 2004 and will be introduced to all Posten employees beginning in February 2005, focuses on Posten's environment, market and business.

IT savings

Posten *extracts the effects of approved IT cutbacks* in a move to create efficient and reliable processes. In 2004 Posten extracted the earnings effects of outsourcing, and began implementation of company-wide methods and procedures. The goal is to improve the efficiency of the IT operation.

Hone and simplify range of products and services

Honing and simplification of products and services aims to create a few baseline products, while at the same time increasing the focus on customer-unique solutions, in a bid to enhance accessibility and bring the offering into sharper focus for customers. Efforts began in 2004 to simplify the structure in the baseline, special and customer-unique services. For example, the range of letter mail products is being trimmed and clearer product categories are being created for the customer.

Brand clarity

The *honing and simplification of the brand architecture* will clarify the Posten brand and strengthen long-range competitiveness. In 2004 shared principles were crafted to identify links to Posten's identity and to determine which areas benefit from separate profiling.

Partners and the retail service network

The *simplification and clarification of the role of partners and retail network* will improve Posten's long-term relationships. Posten is striving to be clearer, strengthen relationships with small and medium-sized businesses as well as preserve accessibility for consumer customers. Posten's physical channels will be visible, distinguishing and promote sales. Posten is devising one physical concept for businesses and two for the consumer market.

Improving market cultivation

By *improving the efficiency of its market cultivation* Posten will ensure that all of its business is grounded in a holistic perspective and driven by customer needs. In 2004 Posten acted to identify and tap into the growth potential in the existing customer base

International market presence

Posten's *international market presence* was analyzed in 2004. Posten mapped its international business and assessed its importance to competitiveness in Sweden and to Nordic customer relationships.

Letter mail, parcels and transportation

Four projects—*structural changes in letter and parcel delivery, improving efficiency in the overall mail process, improving the efficiency of rural letter carrying and delivery* and *more effective utilization of transportation capacity*—have been launched to improve the overall letter mail and parcel delivery processes. Efforts have been underway in 2004.

The mail process is the total production apparatus that handles everything from the collection to the delivery of mail, and consequently constitutes a major portion of Posten's business operations. Posten's goal is to improve time and capacity utilization in an effort to lower costs and create efficient solutions.

Improving route planning for rural letter carriers, for instance, creates a better balance between the work force and volume variations. Technological advancements, too, boost cost-efficiency by growing the percentage of machine-sorted mail.

To achieve more efficient utilization of transportation capacity, Posten analyzed the current transportation operation (motorized fleet, trains and aircraft) in 2004. By improving coordination and optimization of the planning, procurement, acquisition and financing of transportation capacity Posten aims to grow customer competitiveness.

Improved purchasing efficiency

In a move to achieve *improvements in purchasing* Posten audited framework agreements with various suppliers and ensured that existing contracts are used as often as possible in order to optimize economies of scale.

Posten around the clock

Domestic mail flow »»

Drop-off »»
30,000 collection boxes
3,000 retail service outlets

Induction at mail processing facility »»
11 mail processing facilities

Inter-regional transportation »»
29 air routes
14 freight trains
269 trucks
move mail every night

With 35,000 employees and over 25 billion Swedish kronor in revenue, Posten is one of Sweden's larger corporations. Sweden is Posten's primary market, and more than 3,000 retail outlets serve 4.5 million homes and 800,000 businesses. Every day, Posten handles over 20 million pieces of mail. Through a premier network of operating companies and strategic partners, Posten delivers letters and parcels to the wider Nordic region and the rest of the world.

Posten serves almost every home and business in Sweden. The key to Posten's excellent service is the nationwide infrastructure footprint in Sweden and its people's tremendous expertise and devotion to customer service.

Business customers with contracts account for the bulk, 90 percent, of Posten's revenue. Consumer customers and cash-paying businesses account for roughly 10 percent.

The hub of Posten's business is the infrastructure enabling the transportation of mailpieces across Sweden, the Nordic countries, and beyond. An efficient, company-wide production system enables Posten to offer high-quality and reliable services, regardless whether customers are mailing a single letter or require a major logistics solution.

Posten's business operations comprises: Messaging, Logistics and Cashier Service. Messaging features two product families: Administrative Mail and Direct Mail. Svensk Kassaservice offers essential financial-transaction services across the country.

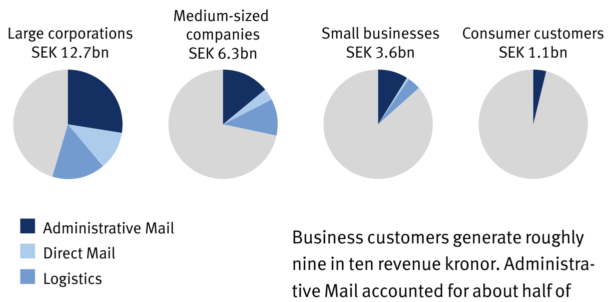
Distribution from mail process facility ›››
11 area distribution centers

Inter-regional transportation ›››
Posten logs 850,000 kilometers every night

Letter carrier centers ›››
673 letter carrier centers

Delivery
15,000 letter carriers, including 2,500 rural letter carriers

REVENUE BY CUSTOMER CATEGORY*



Business customers generate roughly nine in ten revenue kronor. Administrative Mail accounted for about half of 2004 revenue.

Customers' efforts to improve efficiency in the flow of administrative messages is a strong trend in the messaging market. Messaging is Posten's top revenue stream, of which mail distribution accounts for a significant percentage. Posten's messaging business faces huge challenges going forward, since mail volume is expected to dwindle in the coming years. Direct mail volume, however, is expected to grow.

World-class quality

MESSAGING

Posten's messaging business includes all mail services, direct mail, periodical distribution as well as a number of pre- and aftermarket services. The business has two product families: Administrative Mail and Direct Mail. Messaging accounts for 80 percent of revenue, making it Posten's top revenue stream. In 2004, Messaging reported sales of 16.9 billion Swedish kronor.

Administrative Mail

This product family includes four service segments: Mail Distribution, Periodical Distribution, Postal Service and Concept Solutions. Administrative Mail posted 2004 sales of 13.5 billion Swedish kronor. The Swedish market accounts for the lion's share of the business. Posten's biggest customers operate in sectors such as banking, finance and public administration.

Mail distribution, chiefly letter mail from businesses, accounts for most of the revenue generated. Mail revenue is generated in part from shipments comprising a bulk of letter mail of identical size and weight (e.g., bills), and in part from single letters.

Posten also distributes morning newspapers and magazines. Morning newspapers are delivered via the subsidiary Tidningstjänst AB.

Postal Service includes, among other services, post office boxes as well as mail pick-up and delivery services for businesses. More and more companies are choosing to outsource non-core business areas. At its most holistic, Postal Service extends to a company's internal flows of mail—so-called Mailroom Management.

Concept Solutions are the special add-on services Posten offers; for instance, printing and e-services. International competition is growing in the printing services market—e.g., bills, account statements, and email.

International operation

Posten's international operation is key for securing continued business from the growing number of international customers, and is a prerequisite for managing continued mail flows within Sweden and the wider Nordic region.

In a move to create stable, high-performance deliveries, Posten partners with other postal operators across the globe. In fact, the largest flow of inbound and outbound mail is moved in cooperation with other postal operators. Posten's subsidiary, Direct Link, manages mail volume to Sweden and the Nordic region, as well as to a large number of other countries.

The international segment of Administrative Mail has sales of about 2 billion Swedish kronor. Postal operators in Sweden's major mailing countries—primarily the Nordic region as well as northern Europe, United Kingdom and United States—are Posten's main competitors when it comes to international messaging.

Market trends

The Nordic mail services market is worth 50 billion Swedish kronor. Sweden accounts for about 22 billion kronor. The market is trending slightly lower, mainly due to dwindling mail volume (3–4 percent in the coming years). Priority Mail (overnight delivery) volume is declining, whereas Non-priority Mail (delivery within three days) volume remains relatively stable.

Posten's distribution strength lies in its ability to reach almost every Swedish home and business. Posten's main competitor in mail services is CityMail (owned by Norway Post), with over 50 percent of the markets in which it has chosen to compete, focusing on Stockholm, Gothenburg and Malmö.

The Rock and Roll stamps issued in 2004 were recognized at home and abroad.

Subsidiaries

A number of Posten subsidiaries provide Administrative Mail services. For a complete list of subsidiaries, see Note 14, page 67. Two of the largest subsidiaries in the Administrative Mail segment are Tidningstjänst AB (TAB) and Direct Link.

Every day, 2,500 TAB carriers deliver 800,000 newspapers. Morning newspaper publishing companies are key customers. TAB also provides customer service for subscribers.

Via Direct Link, Posten signs international mail distribution contracts with foreign- and Sweden-based multinational customers. Direct Link is present in North America, Europe, Southeast Asia and Australia. The service offering comprises the distribution of shipments weighing up to 25 kilos, and services can be tailored to meet specific customer needs. Direct Link enables Posten to capture increasingly large mail flows from Europe to Sweden from both Swedish and international customers.

Postage stamps

The postage stamp business is one of Posten's oldest. 2005 marks the 150th anniversary of the 1855 issuance of Posten's first postage stamp, a green "Tre Skilling Banco." Around 15 annual stamp issues feature between fifty and sixty stamp designs. One of the themes for 2004, Rock and Roll, garnered a great deal of attention both in Sweden and internationally.

Swedish stamps are recognized internationally, and Posten engraves more stamps than any organization in the world—about half of Posten's issues feature engraved stamps. Posten manufactures around 500 million stamps annually, and accepts commissions from other countries.

SEB

Posten helps boost cost-efficiency

SEB is a northern European banking group with 670 branches in Sweden, Germany and the Baltic rim and over four million customers. Posten manages SEB's internal mail flows using its Mailroom Management concept. Posten delivers, collects and sorts all SEB mail—40,000 pieces of mail a day. *"Partnering with Posten frees up personnel and valuable office space. More than anything, it's a cost-effective partnership for SEB. Entrusting sorting to Posten gives us a much faster mail management system than if we had hired another company. Posten knows mail and distribution,"* says Lars-Göran Göransson, head of Administrative Services at SEB headquarters.

POSTEN CUSTOMERS

Direct Mail

Business communications targeting consumers, Direct Mail, is a part of Posten's business that is growing fast. Posten distributes both addressed and unaddressed direct mail. Posten also has a number of value-added services, such as Reply Mail, Addressing, Picking & Packing, Target Audience Analysis and other. Through efficient selection processes, Posten home in on target audience addresses—even down to the apartment building—for unaddressed direct mail. This adds precision to advertisement mailings, boosting cost-efficiency. Indeed, for customers cost-efficiency is an increasingly important purchasing criterion, which demands scale and specialization.

Market trends

In 2004, Swedish companies spent 25 billion Swedish kronor on advertising (excluding production). Of this 5 percent year-over-year increase, Direct Mail grew by 11 percent, making it one of the fastest-growing advertising vehicles[1]. The overall direct mail market, including both production and distribution, is worth 12 billion kronor. Annual growth for direct mail in the Nordic region is expected to fall into the 3–4 percent band in the coming years. Posten mainly handles distribution and is a key player in direct mail. Posten's Direct Mail business had 2004 sales of 3.4 billion kronor.

Unaddressed advertising has grown in recent years. One reason is that unaddressed advertising is a cost-efficient and viable form of communication: 6 in 10 recall the ads they receive[2]. Major buyers of direct mail are retailers, supermarkets, and home electronics and appliance chains.

Competition is mainly local: Svensk Direktreklam in unaddressed direct mail and CityMail in addressed direct mail. Delivery performance—i.e., delivering ads on the right day to the right addresses—is a strong competitive advantage for Posten. Posten's nationwide reach and letter carriers are key strengths as well.

During the year Posten won several new Direct Mail contracts. Two major contracts were Metro Hus & Hem and DN Bostad in Stockholm, which are largely distributed by Posten. The challenge for Posten's direct mail operation in 2005 is to continue to grow faster than the wider ad market.

Subsidiaries

Svensk Adressändring AB, of which Posten owns 85 percent, is part of the Direct Mail operation as well. Svensk Adressändring manages changes of address for people and businesses, forwarding them to Posten, other postal operators and the tax authorities. A very large percentage of change-of-address forms are completed online.

1) Institutet för reklam- och mediestatistik (IRM)
2) Market Watch

Posten delivers

Metro Hus & Hem is the free newspaper Metro's real estate listings supplement, which is published in cooperation with magazine Hus & Hem. Each Friday 895,000 copies are distributed in Stockholm County. Since its inception in January 2004, Posten has managed distribution from the printers to all households. The Metro Hus & Hem partnership illustrates how Posten's universal service obligation is a key component of its business and was a deciding factor when it came to tapping Posten as distributor.

On-time delivery is crucial for direct mail. This is especially true for Metro Hus & Hem, since realtors often list homes and apartments being shown the same weekend.

"We chose Posten for its excellent delivery performance. It's the only company capable of delivering all the newspapers on the same day," says Metro Hus & Hem CEO, Anders Kvarby.

For many companies, efficient logistics is pivotal to achieving profitability and gaining competitive advantages. Posten has a strong position in the market for parcels weighing up to 35 kilos. Poised for growth, the logistics market is becoming increasingly internationalized.

Delivery precision

Posten's logistics operation
Logistics is about delivery precision, i.e., delivering the right mailpiece to the right address, on time and cost-efficiently. Posten's nationwide operation creates the economies of scale that enable Posten to offer competitive prices and high-quality service.

Posten's logistics operation comprises: Parcels, Courier and Express Delivery as well as Palletized Logistics, In-Night Transportation, and Third- and Fourth-Party Solutions. Parcel delivery services span all mailpieces weighing up to 35 kilos. Courier and Express Delivery services feature expedited delivery, often of smaller, individual parcels. Palletized Logistics involves larger shipments of freight packed onto pallets. In-Night Transportation entails time-critical shipment to fixed delivery points, such as auto parts dealers. Third-party logistics is when B2B companies outsource warehousing and transportation solutions to a specialist like Posten. Fourth-party logistics involves outsourcing the responsibility for and management of logistics or distribution.

In Sweden, Parcels, Palletized Logistics, and In-Night Transportation account for one-third of the overall logistics market. Nordic-wide, these services account for a slightly larger share of the logistics market. The logistics business is seeing steady growth; Posten reported 2004 logistics sales of 6.7 billion kronor. Posten has a strong position in the market for parcels weighing up to 35 kilos. Posten aims to grow in all its logistics disciplines.

Posten's bigger customers span suppliers in retail, home electronics, spare parts, apparel, footwear and office supplies. Major customers also include companies directly targeting consumers, such as mail order businesses and publishing houses.

International operation
The international aspect is becoming increasingly important to the logistics business. Demand for international logistics solutions is on the rise as customer operations (e.g., warehousing) increasingly becomes centralized to a single country. Posten's international logistics business, which mainly focuses on lighter shipments, has sales of 2.2 billion kronor. Chief competitors in international logistics are large, international corporations.

Posten's international logistics business centers around the DPD partnership, encompassing Posten subsidiaries in Denmark, Finland and Norway as well as Posten's operating companies HIT and P.EX. Posten also leverages networks and partnerships with business present in numerous countries besides Sweden.

Market trends
The Nordic logistics market is worth 200 billion kronor. Annual growth in the logistics market, which features fierce competition and squeezed margins, hovers around 5 percent. Heavy logistics—a segment dominated by major international companies with strong brands, wide service footprints, and tremendous reach—account for the lion's share of the market.

Increased e-commerce, not least among B2Bs, and more advanced logistics solutions owing to internationalization are growing transportation needs in Sweden and the wider world. The parcel delivery, in-night transportation and

express delivery markets are seeing higher growth. Third-party logistics too is growing.

The logistics market is undergoing consolidation and in recent years European postal operators have expanded mainly through acquisitions. DHL and Danzas, for example, are owned by Deutsche Post, whereas TNT is owned by Royal TPG Post in the Netherlands.

B2B accounts for most of the parcel volume in Sweden. Less than one-third of all parcels are addressed to homes.

Logistics partners need to push the envelope

Customers want efficient business processes and demand for international solutions is seeing high growth. Shipping and distribution excellence is not enough to hold a competitive edge, however. Customers want suppliers that understand the entire business process and can provide services that support that process at various points.

More business customers are increasingly seeking a supplier that can meet demands for delivery precision—that is, regular, time-definite, door-to-door shipments.

Cost-efficient solutions are increasingly important when it comes to unlocking customer's profitability and competitiveness.

Subsidiaries

Subsidiaries account for much of Posten's logistics business. Larger subsidiaries include DPD (Direct Parcel Distribution), P.EX. (Posten Express), HIT (Hultberg Inrikes Transporter) and Poståkeriet.

For a complete list of subsidiaries, see Note 14, page 67.

POSTEN CUSTOMERS

CLAS OHLSON

Partnering since 1918

Clas Ohlson is a pan-Nordic retailer, marketing affordably priced home improvement products via its retail outlets, mail order catalogs and online store.

Posten subsidiary Poståkeriet ships Clas Ohlson goods to 29 store locations in Sweden and Finland. Several times a day Posten collects goods from Clas Ohlson's distribution center, located in Dalarna, Sweden. The items are to be delivered to all stores by 7am the following morning. Posten also manages the distribution of goods customers have purchased online or through mail order catalogs, and distributes Clas Ohlson's direct mail, customer mailings and catalogs.

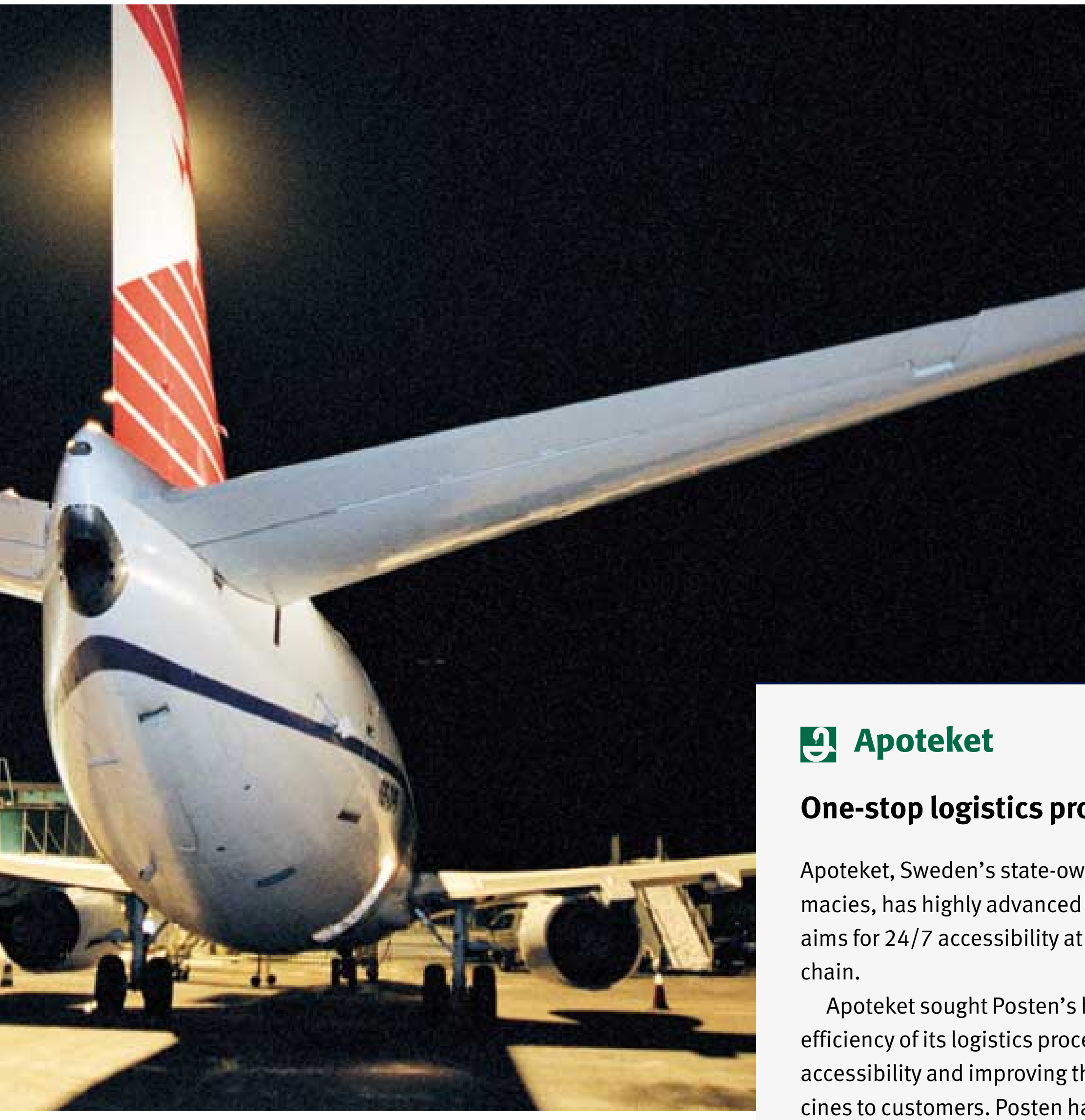
"Posten is a professional partner with a human touch. It has been managing our mail since Clas Ohlson was founded, and today is one of our biggest strategic partners. Posten's high service performance and delivery precision are key to our business," says Clas Ohlson CEO Gert Karnberger.

Posten is the Nordic franchisee for Europe's biggest parcel delivery network, DPD, which is owned by French postal operator La Poste. Posten has DPD operating companies in Sweden, Norway, Finland and Denmark. The products and services revolve around parcel distribution. The operating companies have posted excellent volume and earnings growth, achieved by focusing on timely delivery of high-quality parcel products. At the same time, the companies can offer fully integrated Nordic solutions.

P.EX. is one of the Posten companies that handles courier and express delivery of mailings in all weight classes. Though most of its business originates in Sweden, international business accounts for about 20 percent. The international forwarding business focusing on parcels is seeing strong growth at present. The express delivery market is one of the most profitable and expansive segments of the wider logistics industry.

HIT specializes in in-night transportation, featuring time-definite delivery of, e.g., automotive parts and newspapers. Most transportation takes place at night. Though its primary market is the Nordic region, HIT also has a certain presence in greater northern Europe. HIT enjoys a very strong position in the in-night transportation market.

Poståkeriet distributes, among other things, letters and parcels. Poståkeriet is Sweden's largest trucking company, with a fleet of 2,300 vehicles. The company has experienced solid growth in 2004. It invested in new vehicles during the year.



Apoteket

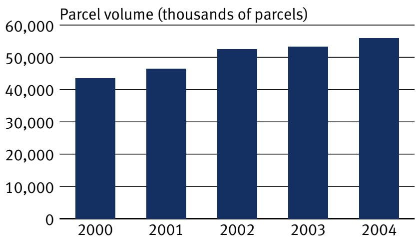
One-stop logistics provider

Apoteket, Sweden's state-owned chain of pharmacies, has highly advanced shipping needs and aims for 24/7 accessibility at all points along the chain.

Apoteket sought Posten's help in boosting the efficiency of its logistics processes, enhancing accessibility and improving the delivery of medicines to customers. Posten has been Apoteket's transportation integrator since 2004, taking over all shipping contracts and coordinating all transportation needs. Acting in concert with logistics specialist Sonat, Posten's job is to select the most efficient transportation solutions and best providers.

"Posten runs Apoteket's shipping and transportation department. It designs, procures and implements the distribution solutions that support Apoteket's shipments to customers desiring home delivery. Posten offers nationwide infrastructure and possesses strong development capabilities—key to achieving Apoteket's goal of dramatically increasing accessibility for customers," says Michael Camitz, Logistics Manager, Apoteket.

VOLUME TREND: POSTEN'S PARCEL SERVICES



Parcel volume has grown by an average of 6.5 percent annually since 2000.

The subsidiary Svensk Kassaservice meets Posten's legal mandate to provide nationwide financial-transaction services. Manual transaction volume has been declining for an extended period of time. The Swedish Government has subsequently launched an inquiry into society's need for essential financial-transaction services.

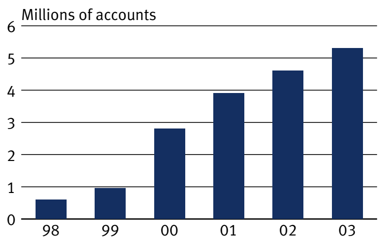
Dwindling demand

The network of retail outlets providing essential financial transactions is competition-neutral and acts as an agent for Nordea (including Plusgirot, formerly Postgirot), Förenings-Sparbanken and its partnering savings banks, and Länsförsäkringar Bank. Svensk Kassaservice is also an agent for GE Money Bank when it comes to withdrawals.

Svensk Kassaservice offers the following services on behalf of its partner banks:

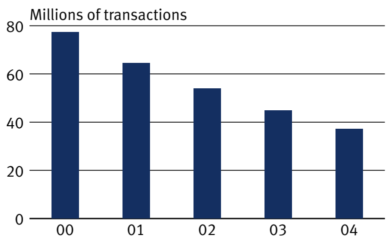
- Deposits and withdrawals from checking accounts
- Bill payment via Plusgirot and Bankgirot
- Check cashing via Plusgirot and Bankgirot
- Overseas payments

ONLINE BANKING CUSTOMERS



Source: Swedish Bankers' Association

MANUAL TRANSACTIONS VIA SVENSK KASSASERVICE



Demand for manual transactions has declined drastically in recent years, largely due to inroads made by online banking. This shift in behavior has decreased transaction volume by 52 percent over the past five years.

Svensk Kassaservice also offers its own range of services:
- Daily business receipt management
- Domestic money orders
- ID cards

The branch network comprises 800 fixed retail outlets and points of service, 300 of which are operated by local partners. Posten's 2,500 rural letter carriers also provide bill-payment and check-cashing services. At year-end 2004 the average number of employees at Svensk Kassaservice totaled 1,700.

Declining demand

The market for manual financial-transaction services has changed in recent years and demand has declined dramatically.

Technological advancements have helped to reduce customers' need for visiting bank branches. Banks too have made conscious efforts to steer customers from teller-facilitated transactions to online banking, bank cards, regular mail and phone banking. This trend is likely to continue.

Against this backdrop Svensk Kassaservice has seen its customer base shrink every year. The retail outlets being closed often served around only ten customers a day. In recent years transaction volume has declined 16 percent annually. Despite cutbacks in recent years—almost 400 points of service have closed and 700 jobs have been cut—the cost per transaction will increase in light of an expected continuation of the volume decline.

Including phase-out costs, 2004 operating earnings totaled –245 million kronor. Operating income was 1,550 million kronor.

In a move to extract further cost savings, additional retail outlets will be closed in densely populated areas and other forms of service will replace rural points of service—tracking declining demand for manual transaction services. A total of 244 points of service were closed in 2004. In smaller cities, the retail outlet services were instead provided by rural letter carriers.

Universal service inquiry

Under the Essential Financial Services Act, Posten has a legal mandate to daily provide nationwide, uniformly priced services enabling everyone in Sweden to receive and make payment. Posten receives a 400-million-kronor annual reimbursement from the Swedish Government to provide these services in commercially unviable areas of the country.

In October 2003 the Swedish Government launched an inquiry into the need for new postal regulations as well as the need for subsidized financial-transaction services. The inquiry presented its preliminary findings, "Society's need for payment services" (SOU 2004:52), in May 2004.

The inquiry proposes that the Government's bill-payment responsibility should be limited to areas of the country where it would be commercially unviable to provide equivalent services and where there are no alternatives. Moreover, the inquiry proposes that rural letter carriers provide bill-payment services in rural areas. Services would be procured by the National Post and Telecom Agency (PTS). Current legislation would be scrapped and, according to the inquiry's timetable, a new essential financial-transaction services system would go into effect on July 1, 2006.

The preliminary findings have been under review during fall 2004 and the Swedish Government is expected present a proposition to Parliament in June 2005. Posten concurs with the conclusion that current legislation should be repealed and that transaction services should instead be procured by the State.

Posten's success hinges on employee skills, loyalty and engagement. Together with its strong distribution and production apparatus, Posten employees create a world-class messaging and logistics company. Employees are a key component of people's perception of Posten.

Tradition and expertise

Posten's employee strategy is built around participation and motivation. All employees should have the ability to influence their work situation, the right skills for the job, career advancement opportunities and a work environment that promotes good health.

Under the corporate project "A good place to work" Posten last year initiated changes to support and ensure the realization of the employee strategy. The project targets four areas: employee citizenship, leadership, skills and health. As a result of the project's efforts, each workplace will now be certified according to criteria such as good staffing, skills planning, absenteeism as well as measures designed to prevent and reduce absenteeism.

Corporate wellness

Employee health is one of Posten's five prioritized objectives. Regular employee wellness audits are incorporated into the ViP employee satisfaction scorecard and absenteeism statistics. The so-called Vitea project (a survey aimed at identifying groups in the risk zone for long-term disability) comprising 7,000 employees has been complemented with a pilot project at Poståkeriet and some areas in production. The pilot project, carried out in 2003 and 2004, has been evaluated and 140 out of the 194 participating employees are no longer on long-term disability. The project will proceed, aiming to reduce absenteeism by 17 percent by year-end 2007.

In 2004 Posten strengthened its holistic approach to corporate wellness in a bid to promote a long-term positive

Key data	2002	2003	2004
Average number of employees	39,554	37,905	35,731
thereof abroad	1,658	1,898	1,432
Employees on monthly salary [1]	35,721	33,985	34,616
Personnel turnover, %, attrition	4.6	6.5	4.1
Personnel turnover, %, total	20.7	16.4	13.2
Average age[1]	41	42	42
Absenteeism expressed as a percentage of work hours [1]		8.9[2]	8.8
Absenteeism, with benefits	35	33.5	32.1
Absenteeism, without benefits	29.2	27.4	25.2
ViP employee satisfaction scorecard, excluding Cashier Service	60	61	62
ViP employee satisfaction scorecard, Cashier Service	[3]	64	67

1) All employees of Posten AB, Posten Sverige AB, Poståkeriet Sverige AB and Svensk Kassaservice AB.
2) 7/1/2003-12/31/2003.
3) In 2002 cashier service branches belonged to the retail service network. Svensk Kassaservice began reporting this figure in 2003.

health trend at the company. Fundamental to reducing absenteeism are initiatives that promote, prevent and rehabilitate. The "Method for Reduced Absenteeism" introduces a structured set of procedures for supporting and rehabilitating people on both short- and long-term disability. Posten conducts surveys in an effort to prevent and identify health problems; the results form the basis for measures targeting individual and workplace health issues. Posten also offers employees corporate wellness opportunities in an attempt to prevent poor health.

Absenteeism fell during the year to 8 percent of total 2004 work hours. More, the ViP employee satisfaction rating, both for Cashier Service and Posten excluding Svensk Kassaservice, improved to 67 and 62, respectively.

Focus on advancement

A central feature of employee development is the annual performance evaluation conducted by managers. The evaluation is documented and results in an individual employee contract. Clear objectives are set and the employee's and manager's respective responsibilities are clarified.

Regular workplace assemblies, featuring dialog and information, are held in an effort to promote employee participation. The ViP employee satisfaction scorecard also provides a glimpse of employee engagement and opinions.

In 2004 Posten devised tools that will facilitate employees' and managers' skills-enhancement efforts in three areas: operational expertise, professional skills and personal competence. This will be introduced successively in 2005.

At Posten, employee development involves both skills enhancement and career advancement. Managers are responsible for creating advancement opportunities and stimulating employee citizenship—that is, encouraging greater responsibility and influencing attitudes toward the work situation. In 2004 Posten devised a talent sourcing process that provides a cohesive overview of current and potential managers. In doing so, Posten is striving to more actively and systematically develop talent and promote from within.

Gender equity

Posten aims to leverage its entire pool of talent. One of its goals is to grow the percentage of women in management. Equal opportunity is Posten's guiding principle. At year-end 2004 women held 38 percent of management-level positions.

Enrichment through diversity

Posten is one of Sweden's biggest employers, and has 70 nationalities among its 35,000 employees. Posten views diversity as a long-range effort that also opens doors to new business opportunities.

Cultural sensitivity and language skills are key attributes for businesses competing in Sweden today. Posten managers are therefore schooled in diversity issues. Posten also actively encourages people from varying cultural, ethnic and social backgrounds to seek higher positions.

New organization

A new corporate structure was introduced, centrally and locally, during the year. A leaner organization featuring two divisions and four corporate-level departments has been established; 15 local areas for each respective division dovetail one another geographically. The central organization simultaneously shed 246 positions, bringing total job cuts since 2003 to 987. Lodestars for this effort, and for Posten as a whole, have been the desire to make it easier to be a customer as well as to build a more manageable company that promotes internal cooperation.

Responsible downsizing

The main task of the Posten Futurum outplacement unit is to support employees in their efforts to transition to new employment outside Posten. Though Futurum has played a central role in the restructuring of the retail service network, it serves employees from all areas of the company. Futurum's task is to provide job search assistance to employees affected by personnel cutbacks. People who have been Posten employees for at least a year are entitled to participate in the program, and Futurum offers one-on-one counseling, practical support in finding new employment and, whenever necessary, further education. Employees receive full pay during their participation in the program, which runs for a maximum of 18 months.

570 people joined Futurum in 2004. So far, 88 percent of those accepted into the program have secured gainful employment outside Posten, enrolled in school or started their own business. The average time spent in the Futurum program is 10.8 months.

Posten sets the bar high when it comes to the environment. Its efforts aim to contribute to sustainable development while at the same time strengthening Posten's competitiveness in a market where the ability to meet environmental demands is increasingly important to customers. Fleet operations are the primary source of Posten's environmental impact. Transportation, therefore, is a high-priority area when it comes to reducing Posten's burden on the environment.

Transportation —a key environmental concern

Posten aims to offer resource-efficient logistics solutions with the least possible environmental impact. In a bid to reduce the environmental impact of its fleet operations, Posten continually and methodically integrates environmental issues into business operations, enhancing the environmental expertise of employees and managers.

Posten's business depends on transportation and it over-the-road fleet logs more than 300 million kilometers annually. Hence, transportation is the business's primary source of environmental impact. By systematically reducing transportation emissions, Posten has reduced carbon dioxide emissions by 12,000 tons (6 percent) between 2000 and 2004.

Posten's overall environmental target for 2002–2004 was to reduce carbon dioxide transportation emissions in relation to the number of mailpieces by a total of 4 percent. The target was met during this period. In 2004, Posten launched an effort to further improve the follow-up of environmental data from the transportation operation.

A strategic environmental effort

Sustainable development can only be achieved if people, businesses and organizations take responsibility for their own environmental impact. Posten takes responsibility for its environmental impact by working strategically with environmental initiatives.

In fall 2004 Posten launched an environmental strategy effort that included an updated environmental audit, which guides new environmental targets and priorities. The strategy effort also involved the revision of the environmental policy, targets and initiatives in a bid to further improve environmental data and public policy intelligence. The environmental policy sets the guidelines for how the environmental effort should proceed and influence all areas of the business. The policy may be viewed at www.posten.se.

2004 environmental data

Transportation emissions [1], tons	2004	2003
Carbon dioxide	176,000	175,000
Carbon monoxide	1,667	1,713
Nitric oxide	1,292	1,278
Hydrocarbons	361	371
Particles	29	28

1) From vehicles running on fossil fuels

EURO classifications [2], % of distance driven	2004	2003
EURO-0	2.5	3.2
EURO-1	3.0	6.8
EURO-2	63.0	66.0
EURO-3	31.5	24.0

2) Heavy goods transportation, Posten's domestic and parcel delivery process

Transportation emissions

Reported transportation emissions comprise Posten's domestic consumption of fossil fuels. Modes of transportation include automobile, truck and aircraft. Fossil fuels include unleaded gasoline, diesel fuel (environmental class 1) and jet fuel (class Jet A1). Fuel emission values per liter were provided by the Transport and Environment network, The Swedish Civil Aviation Administration, the Swedish Environmental Protection Agency and the Swedish National Road Administration.

EURO-classifications, percent of distance driven

EURO classification data (an environmental scale in which three is the highest) is reported for heavy (over 3.5 tons) domestic letter and parcel delivery. Posten strives to purchase vehicles assigned at least a EURO-2 classification. EURO-0 should not be used beginning 2004 and EURO-1 should not be used beginning 2005.

Working for a better environment

Trains instead of trucks
Most of Posten's economy mail is transported by rail between the major mail processing facilities, reducing annual transportation-related carbon dioxide emissions by 4,600 tons. In 2004 rail transportation grew to 1,700,000 kilometers (1,620,000 in 2003).

Lower fuel consumption
Another measure aimed at easing the environmental impact of our transportation activities is a training program that teaches drivers fuel-efficient driving techniques. Posten trains all letter carriers operating motor vehicles. Over 7,000 drivers were trained between 1999 and 2002. An additional 1,500 drivers will receive training between 2004 and 2006. Further, we are using 1,000 electric motor vehicles to serve primarily suburban communities, and are continually upgrading our fleet.

Environmental management system
Posten has conducted systematic environmental efforts since 1998, supported by the ISO14 001 Environmental Management System standards certification. Much of the business and 70 percent of the work force have earned certification. In 2004 efforts got underway to certify the remainder of Posten's core business, and the goal is to achieve company-wide certification.

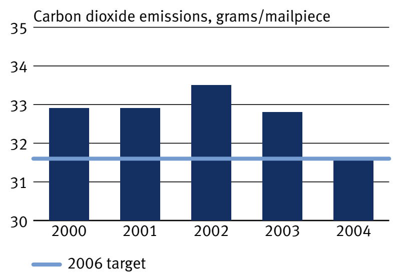
Environmental know-how
Environmental know-how is key to structurally integrating environmental issues into Posten's business operations. Employees whose roles and responsibilities fall under the Environmental Management System receive environmental "basic training." A special training program has been mandatory for managers and department heads since year-end 2003. So far 850 people have participated in the program.

Reduced energy consumption
Posten has conducted energy analyses at all its mail processing facilities in Sweden. The facilities will use adapted action plans to achieve a targeted reduction in energy consumption of 15 percent between 2003 and 2005. Over the past two years, Posten has reduced energy consumption by 18 percent, saving 15 million kronor.

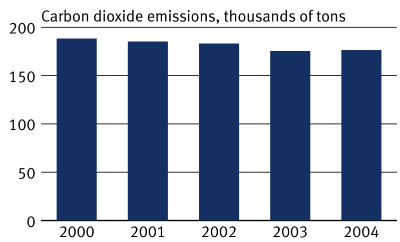
Environmentally aware suppliers
To reduce the environmental impact of the goods and services it purchases, Posten imposes stringent environmental demands on products as well as suppliers. This extends to all purchasing and procurement. When purchasing transportation services, suppliers must meet special environmental requirements encompassing, among other things, engines, fuel, tires and maintenance. At least 80 percent of Posten's purchasing (in kronor) should involve suppliers that actively pursue environmental initiatives. To ensure this aim is met, Posten subjects all suppliers with annual billings in excess of 500,000 kronor to an environmental audit.

More recycling
In 2004 Posten signed a central framework agreement with a waste management firm in an effort to optimize the disposal of waste and byproducts created by operations. The agreement will enable Posten to achieve improved sorting and recycling of waste products. The supplier is also responsible for measurement and recording data, which gives Posten greater precision when evaluating its waste load and recycling. Posten's goal is to recycle 75 percent of waste, with 0 percent bound for landfill sites. The portion of Posten's waste thus far covered by the contract easily meets the recycling target.

CARBON DIOXIDE EMISSIONS PER MAILPIECE EXCLUDING PARCELS



TOTAL CARBON DIOXIDE EMISSIONS



Posten met its target of reducing carbon dioxide emissions per mailpiece by 4 percent between 2002 and 2004. Transportation-related carbon dioxide emissions remained largely unchanged year over year. Mail volume grew 4.5 percent, mainly in unaddressed direct mail and periodicals.

Posten AB (publ) 556128-6559 Financial review and financial statements

The consolidated and parent company income statements and balance sheets will be presented for approval at the Annual General Meeting.

Financial review[1)]

The board of directors and chief executive officer are pleased to present the 2004 consolidated and parent company financial statements. Posten AB (publ), corporate identity 556128-6559, is Posten Group's parent company and the board is domiciled in Stockholm, Sweden. The group's scope of operations as of December 31, 2004, is presented in Note 14, page 67.

Operations

Posten is one of the Nordic region's largest messaging and logistics operators, and is one of Sweden's largest corporations. Leveraging operations that include over 3,000 retail service outlets, Posten provides daily service to 4.5 million homes and 800,000 businesses. Every day, Posten handles over 20 million pieces of mail in three product categories: Administrative Mail, Direct Mail and Logistics. Further, Posten is mandated by the State to provide nationwide essential financial-transaction services. The subsidiary Svensk Kassaservice meets the terms of this mandate.

Posten's primary market is Sweden. Through its premier network of operating companies and strategic partners, Posten provides Nordic and global letter mail and parcel delivery service.

Posten reports operations in two segments: Messaging & Logistics and Cashier Service. At year-end 2004, Posten's average number of employees was 35,731. The Swedish State owns 100 percent of Posten AB.

Sales and earnings

Net sales were SEK 25,120m (24,519) and other operating income totaled SEK 420m (122). Taken together, operating income grew to SEK 25,540m (24,641), an increase of SEK 899m. Consolidated operating earnings totaled SEK 991m (–278), a tremendous improvement of SEK 1,269m. The operating earnings figure includes capital gains of SEK 206m (–1) and provisions totaling SEK –397m (–539). After-tax earnings totaled SEK 1,225m (–233), a tremendous improvement of SEK 1,458m. Comments on revenue and earnings trends can be found on page 43.

Segment reporting

On July 1, 2004, the group adopted a new, leaner organizational structure. The Messaging & Logistics and corporate operations have been merged into a single business segment. The business segment comprises two divisions, Marketing & Sales and Production & Logistics, as well as the executive management. The functional responsibility of the executive management will extend only to the Messaging & Logistics business segment. The Cashier Service business segment is managed exclusively by its board of directors, and its management is not part of the executive management. The central functional areas have been divided among the divisions or eliminated and responsibility has been shifted to the line units.

The change has entailed a transition from a matrix to a function-based organization featuring a leaner management philosophy. This philosophy has been changed from a calculation-based apportionment of revenues and costs to strict responsibility for reported revenues and costs. The organizational change has been expressed in changed segment reporting and revised delineation of geographic areas.

Messaging & Logistics

- Operating income SEK 24,410m (23,554*))
- Operating earnings SEK 1,049m (- 218*))
- Investments SEK 708m (838*))
- Average number of employees 33,984 (35,602*))

*) Comparative figures have been restated to reflect the new business segment composition. The restatement eliminated SEK 1,123m from operating earnings for the comparative year (see Note 2, page 54).

Operating income and operating earnings

Operating income by category (SEK m)	2004	2003
Administrative Mail	13,503	13,428
Direct Mail	3,415	3,140
Logistics	6,749	6,257
Other	743	729
Total operating income	**24,410**	**23,554**

Operating income grew SEK 856m, mainly due to heavier volumes in Direct Mail and Logistics. Administrative Mail products also have grown revenues: The combination of rate increases—the primary source of added revenue—and heavier newspaper delivery volume successfully offset lower Priority Mail (overnight delivery) volume. Further, SEK 206m in capital gains were realized on the divestment of BLS-I, Baltic Logistic System International, and Swedgiro's subsidiaries. Providing additional work days compared to 2003, the calendar effect during 2004 was unusually beneficial.

1) The financial review and financial statements section comprises pages 37–41 as well as the discussions of the income statements, balance sheets, statements of cash flows and equity reports, pages 43, 46, 49 as well the statement of retained earnings, page 82.

Operating earnings were SEK 1,049m (–218), a tremendous improvement of SEK 1,267m.

The operating earnings figure includes capital gains of SEK 206m (-1) and provisions totaling SEK –211m (-479). The year's provisions predominantly concern personnel cutbacks. Operating earnings less capital gains and provisions totaled SEK 1,054m (262), an improvement of SEK 792m mainly attributable to higher revenues as well as lower personnel and consultant costs.

Market trends

The messaging market is characterized by declining mail volumes, a sharper focus on special services and growing demand for direct mail. Customer demand and Posten's competitive environment are expected to change materially in the coming years. Major business customers, and their focus on improving the efficiency of their administrative flows, are prime drivers.

The logistics market is characterized by low but stable growth with relatively low margins owing to fierce competition. Heavy logistics, such as container shipments, account for a large share of the market. An international consolidation of the logistics market is underway in which existing international companies are strengthening their positions through acquisitions and alliances while specialists are establishing themselves in niche segments. Trends are being driven by a few global corporations.

Investments

Investments totaled SEK 708m (838). Adapting the Swedish terminal network to declining Priority Mail volumes and higher parcel volumes demands a continued high level of investment. Investments have been made in new letter mail and parcel sorting machines and terminals have been revamped and, in certain instances, phased out. This effort will continue in 2005. Posten has also invested in its vehicle fleet. In a move to defend and grow Posten's market position in the Nordic region, a decision has been made to invest SEK 100m in Posten's Danish parcel delivery network (DPD). This decision was made against the backdrop of solid volume growth for DPD in Denmark and to secure requisite capacity and delivery performance. The investment encompasses construction of a new terminal in Kolding and the construction of a depot in Aarhus, Aalborg and Herning. The project began in 2004 and will run through 2006.

Employees

The average number of employees was 33,984, a year-over-year decrease of 1,696. Production cutbacks have reduced the average number of employees by 645, cutbacks in the central administrative functions by 565, and divested businesses by 486.

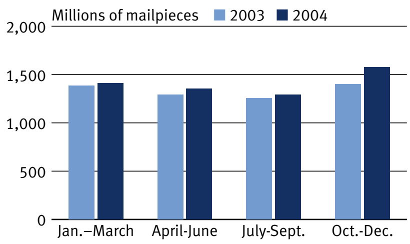
Cashier Service

- Operating income SEK 1,550m (1,650)
- Operating earnings, including compensation from the Government totaling SEK 400m (400), totaled SEK –4m (–136)
- Operating earnings including phase-out costs totaled SEK –245m (–336)
- Investments SEK 45m (81)
- Average number of employees 1,747 (2,225)

Operating income and operating earnings

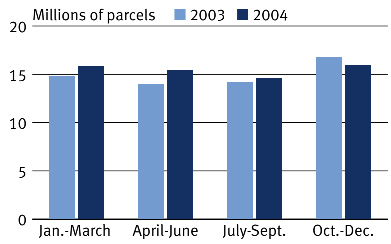
Operating earnings, including compensation from the Government of SEK 400m (400), totaled SEK –4m (–136), an improvement of SEK 132m. The improvement is attributable to the more rapid phase-out of the cashier service network. Earnings were burdened by a provision totaling SEK 132m for increased phase-out costs. Operating earnings including phase-out costs of SEK 241m (240) totaled SEK –245m (–336).

MAIL VOLUME



Year-over-year, Q4 volume grew 8 percent and 17 percent compared to Q3 2004. The full-year increase was 4.5 percent compared to last year.

PARCEL VOLUME



Year-over-year Q4 volume fell 5 percent due to the divestment of companies in September. Excluding divestments, volume grew 6 percent. Excluding divestments Q4 volume increased 22 percent compared to Q3. 2004 full-year volume grew 5 percent, excluding divestments.

Market trends

The manual financial transactions market (cashier service) has changed in recent years and demand has decreased dramatically. In 2004 Cashier Service saw transactions decline by 18 percent. The Cashier Service network currently comprises 800 fixed retail outlets/points of service. 300 of these are operated by local partners. Further, Posten's 2,500 rural letter carriers process bill-payment and check-cashing transactions.

The Swedish Government has commissioned an inquiry into the need for and financing of manual financial transactions. The inquiry presented its preliminary findings in May 2004. The proposal has been the subject of nearly 70 review processes. Decisions about the future of financial transaction services in Sweden are likely to be made by Parliament in 2005. Posten's official opinion, dated October 29, is available for viewing on Posten's website at www.posten.se/pressmeddelanden.

Employees

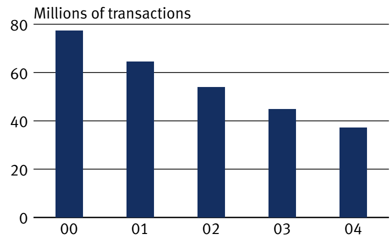
The average number of employees was 1,747, a year-over-year decrease of 478. Despite these major cutbacks, the ViP employee satisfaction score gained three points to 67. The number of employees will decline further as additional cutbacks are made.

Environmental matters

Environmentally licensed operations

In accordance with the provisions of Sweden's Environmental Code, Posten Post Stamp, Posten's philatelic arm, is permitted to manufacture printing cylinders for postage stamp printing. The printing cylinders are coated with chrome and copper. This process produces metalliferous rinsing water, which is removed by Sydkraft-SAKAB. Posten Post Stamp meets all environmental criteria stipulated in the permit. No deviations occurred during the year. The operation is not deemed to pose any risk of causing material environmental impact.

TRANSACTION VOLUME, CASHIER SERVICE



Changed customer behavior has caused transaction volume to fall an average of 16 percent annually over the past five years.

Employees

During the three first quarters absenteeism declined steadily, only to increase once again in the fourth quarter. Fourth-quarter 2004 absenteeism, however, was lower year over year. Full-year 2004 absenteeism totaled 8 percent of work hours. Posten's so-called ViP employee satisfaction score tracks Posten's "Dedicated Employees" target. Year over year, Posten Group (excluding Cashier Service) increased its score one point to 62; Cashier Service grew its score three points to 67. The higher ViP score is mainly attributable to increased confidence in Posten as an employer. The average number of employees was 35,731 (37,905), a decrease of 2,174.

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 on March 1, 2005. Under the merger, all Posten Sverige AB operations will be transferred to Posten AB (publ).

Board actions 2004

Seven board directors were elected at the Annual General Meeting held on April 29, 2004. Following Christina Ragsten Pettersson's resignation in November, the board comprises six directors as well as three members, plus three alternates, appointed by employees. All shareholder-elected board directors, apart from Jonas Iversen, are independent. The average age of the Annual General Meeting-elected board directors is 49. No Annual General Meeting-elected board director was elected earlier than 2001. The CEO and other officers attend board meetings in speaking or administrative capacities. Annually the board establishes rules of procedure based on the model crafted by the Ministry of Industry, Employment and Communication, which regulates inter alia the chairman's duties, information to be disclosed to the board, and the respective roles and responsibilities of the CEO and board. Board actions, apart from those assigned the audit and Compensation Committees, are not divided among the board members.

In the fiscal year 2004 the board held eight meetings, of which one followed election and one was per capsulam.

During the fiscal year 2004, the board addressed the budget, full-year results, interim financial reports, ongoing investments and decisions regarding efficiency improvements. In addition the board has regularly addressed Government inquiries—mainly the postal and payment transaction inquiry, but also the freedom of information and procurement inquiries.

Risk

Targets and applied principles for financial risk management

The group's treasury policy, which is set by the board of directors, governs Posten's financial risk management activities. The treasury policy establishes the criteria for liquidity management, raising capital and financial risk management. Treasury management is a centralized unit of the parent company whose purpose is to leverage coordination economies, mitigate cash-flow and earnings fluctuations, as well as to firmly control financial risks. The treasury policy does not permit speculative trading.

Deferred hedge accounting

In the 2004 full-year report deferred hedge accounting is applied to off-balance-sheet forward currency contracts (see Note 29), cash flows under contractual agreement as well as utility derivatives. Forecasted anticipated cash flows are not hedged. The market value of off-balance-sheet forward contracts is negligible. Under the applied principle, contractual foreign currency exposures are to be hedged, whereas forecasted anticipated currency exposure may be hedged up to 12 months.

Exposure to price, credit and liquidity risk

The group's exposure to the above-cited risks is negligible. Note 29 states that the fixed-interest term is short for both investments and loans. The short fixed-interest term is less prone to changes in market value during the term, limiting price risk.

The group's credit risk is mitigated by monitoring and evaluating the creditworthiness of credit customers using standard credit-rating guidelines and principles. A comparable credit check and surveillance system, based on approved credit rating levels, is in place for short-term financial investments, as well. As of December 31, 2004, a total of 99 percent of short-term financial investments and bank deposits had at least an A rating (Standard & Poor's).

Liquidity risk is mitigated through investment in liquid instruments such as commercial paper and treasury bills (See Note 29) as well as bank deposits.

In sum, exposure to financial risk has little impact on an assessment of the group's financial position and results.

Pending accounting changes

From January 1, 2005, Posten will adopt the EU-approved International Financial Reporting Standards (IFRS) when preparing the group's financial reports. The switch from national standards to IFRS places particular demands on the first financial report prepared in accordance with the new set of accounting standards. Under IFRS rules, the comparative year, 2004, is to be restated and reported primarily in accordance with IFRS standards. The 2004 report that has been restated to IFRS is to be filed no later than directly following the first interim report for 2005.

The new accounting standards deemed to have the greatest impact on Posten's financial position and earnings have been outlined and quantified below. This complies with Stockholmsbörsen's recommendation from November 2004. Calculations are preliminary, as financial reports under IFRS are to be prepared based on the standards and interpretations in force as of December 31, 2005. All information provided below is preliminary and may change, since new interpretations may emerge in 2005 and new standards or pronouncements may be made in 2005 that will go into force on January 1, 2006, and which Posten may elect to apply in advance.

IFRS 1 - First-time Adoption of International Financial Reporting Standards. First-time adopters are to adopt all IFRS standards retroactively. Under IFRS 1, first-time adopters are offered certain transition policies, however. Posten has elected to apply some of these policies as follows:

– Acquisitions made before January 1, 2004 will not be restated in accordance with IFRS principles.

Major financial effects due to adoption of IFRS

SEK m	Pretax earnings 2004	Deferred tax 2004	After tax earnings 2004	Effects on equity 12/31/2004	Effects on total assets 12/31/2004
Leases, IAS 17	–15	4	–11	–208	479
Business combinations, IFRS 3	58	–3	55	55	55
Total key effects	**43**	**1**	**44**	**–153**	**534**

Effects of major changes on key financial data

Operating margin	+ 0.2 percentage points
ROE	+ 3.5 percentage points
Equity-assets ratio	–2.0 percentage points

– Translation differences pertaining to the conversion of foreign subsidiaries' accounts up until December 31, 2003 will be transferred to other equity per January 1, 2004. Translation differences appearing after December 31, 2003 will be reported as a separate component in the equity line item.
– IAS 39, Financial instruments, will be adopted as of January 1, 2005. Comparative information for 2004 will be therefore reported according to previously applied principles for recognizing financial instruments.

Leases, IAS 17. In 2004 Posten has classified leases as either financial or operational based on RR 6:99 (Swedish Financial Accounting Standards), thereby taking into consideration contractual options or suchlike formulated in a manner indicating the likely transfer of ownership to Posten. According to the stricter classification criteria under IAS 17, 4 commercial properties have been classified as financial leases. This is because the present value of all minimum leasing charges over the term of the agreement amount to a material portion of the acquisition value. Posten therefore can be judged to bear the financial risk associated with the properties, despite the fact that they are not owned by Posten and the absence of options entitling Posten to acquire the properties. As a result of the switch to IFRS assets and liabilities increase by SEK 479m and equity declines SEK 208m, reducing the equity-assets ratio by 2.3 percentage points. 2004 earnings after financial items should have declined by SEK 15m.

Business combinations, IFRS 3. IFRS 3 prohibits the amortization of goodwill. Instead goodwill must be tested for impairment at least annually, regardless whether there is an indication of value erosion. According to the Swedish Financial Accounting Standards Council's recommendation, goodwill is recognized at the acquisition value less planned amortization based on assessed useful life and possible write-downs due to value erosion. As a result of IFRS adoption, 2004 goodwill amortization, totaling SEK 58m, will be reversed, increasing earnings for the period by SEK 55m and equity as of December 31, 2004 by SEK 55m.

Financial instruments, IAS 39. Under IFRS all financial instruments are to be reported on the balance sheet. Under IAS 39 all derivatives must be accounted for at fair value on the balance sheet. According to the overarching rule, value changes will be reported on the income statement as they arise. In connection with the adoption of IAS 39 Posten's financial reporting will be affected, for instance, when it comes to currency as well as energy-price hedging transactions. Until further notice Posten does not intend to apply hedge accounting practices in accordance with IAS 39. IAS 39 will be applied when preparing the 2005 financial accounts, without restating 2004 figures. The net effect of the adoption of IAS 39 on January 1, 2005 is deemed to be immaterial.

Cash flow statements IAS 7. Under IAS 7 only liquid assets with a remaining term of less than 3 months at the time of acquisition may be reported as cash equivalents. As a result of this rule, the 2004 statement of cash flows has been reduced by SEK 485m as of January 1, 2004 and by SEK 65m as of December 31, 2004. The change in liquid assets increases 2004 cash flows before financing activities by SEK 420m.

Key events after the close of the fiscal year

The merger of Posten AB (publ) and Posten Sverige AB has been approved and will be completed on March 1, 2005.

Going forward

Posten's financial position is strong. Market conditions and changes in the wider business environment, however, demand major cost reductions and higher operational efficiency. Posten must further evolve its business in order to address tougher competition, increased internationalization among business customers, and shrinking mail volume owing to electronic substitution. At the same time, logistics and direct mail volumes have growth potential.

The decisions that will come on the heels of official Government inquiries—especially the findings of the payment transaction services proposition (slated for June 2005)—may have a substantial effect on Posten's business.

Posten's 2004-2006 Action Plan is proceeding on schedule. The program encompasses, among other things, efficiency enhancements aimed at reducing costs by improving time and capacity utilization in the mail process. These efficiency improvements are necessary for Posten to continue to meet people's demands for quality nationwide postal service.

During the year Posten will continue the development of pre- and aftermarket services in a move to strengthen the core business. The international business will be evolved to strengthen Posten's competitiveness in Sweden and the wider Nordic region.

In 2005 Posten will continue to strengthen customer relationships in an effort to further improve already positive customer sentiment.

Proposed dividend

The board of directors and chief executive officer propose a dividend of SEK 150m. The employee-appointed board directors have opposed the dividend proposal.

Income statements

SEK m	Note	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
OPERATING INCOME					
Net sales		25,120	24,519		
Other operating income		420	122	8	1
Total operating income	2	**25,540**	**24,641**	**8**	**1**
OPERATING COSTS					
Personnel costs	3	–12,227	–12,821	–8	–17
Other external costs	4	–10,626	–10,481	–28	–36
Depreciation and amortization of tangible and intangible fixed assets	5	–1,299	–1,076	–10	–10
Earnings from participations in associated companies			–2		0
Provisions	6	–397	–539		–10
Total operating expenses		**–24,549**	**–24,919**	**–46**	**–73**
Operating earnings	2	**991**	**–278**	**–38**	**–72**
FINANCIAL ITEMS					
Earnings from participations in affiliated companies	7			–954	–76
Earnings from participations in associated companies					–2
Earnings from securities and receivables held as fixed assets		2	4		–8
Other interest income and similar income items	8	76	104	133	229
Interest expense and similar cost items	9	–62	–78	–48	–77
Provisions	6		–5		27
Total financial items		**16**	**25**	**–869**	**93**
Earnings after financial items		**1,007**	**–253**	**–907**	**21**
Appropriations					**49**
Tax expense	10	218	20	255	–90
After-tax earnings		**1,225**	**–233**	**–652**	**–20**
Minority's share of earnings		–4	–5		
Net earnings		**1,221**	**–238**	**–652**	**–20**
Dividend				150[1]	0

[1] Proposed dividend

Comments to the income statements

Consolidated

Operating income

Net sales were SEK 25,120m (24,519) and other operating income totaled SEK 420m (122). Taken together, operating income grew to SEK 25,540m (24,641), an increase of SEK 899m.

The improvement is mainly attributable to heavier volumes in Direct Mail and Logistics. Administrative Mail products also have grown revenues: The combination of rate increases—the primary source of added revenue—and heavier newspaper delivery volume successfully offset lower Priority Mail (overnight delivery) volume. Further, SEK 206m in capital gains were realized on the divestment of BLS-I, Baltic Logistic System International, and Swedgiro's subsidiaries. 2004 net sales for the divested companies totaled SEK 292m. Providing additional work days compared to 2003, the calendar effect during 2004 was unusually beneficial. Rate increases introduced by Kassaservice (Cashier Service) during the year were insufficient to offset declining transaction volume

Operating earnings

Consolidated operating earnings totaled SEK 991m (–278), a tremendous improvement of SEK 1,269m.

The operating earnings figure includes capital gains of SEK 206m (–1) and provisions totaling SEK –397m (–539). The year's provisions predominantly concern reorganization-related personnel cutbacks (central and local) as well as further closure costs associated with the Cashier Service business. Operating earnings less capital gains and provisions totaled SEK 1,182m (262), an improvement of SEK 920m mainly attributable to higher revenues as well as lower personnel and consultant costs. Implemented personnel cutbacks have reduced personnel costs by SEK 594m year over year, offsetting pay increases. The decrease also includes SEK 241m relating to the introduction in 2004 of Recommendation RR 29, Employee Compensation, of the Swedish Financial Accounting Standards Council. Year over year, other external costs grew SEK 145m, the net effect of higher variable production costs—mainly in Logistics—as well as delivery of morning newspapers (Administrative Mail) and the reduction of consultant fees by SEK 283m.

Depreciation and amortization grew SEK 223m to SEK –1 299m (–1,076). The rise is increasingly attributed to the SEK 210m write-down of the investment in the SAP system. Divested companies reported 2004 operating earnings of SEK 8m.

After-tax earnings

After-tax earnings totaled SEK 1,225m (–233), a tremendous improvement of SEK 1,458m. The tax expense for the year was SEK 218m (20), comprising current tax of SEK –25m (–18) and deferred tax of SEK 243m (38). Current tax is predominantly attributable to international operations as well as to Swedish companies ineligible for group contributions. For Sweden-based operations, where the parent company is eligible for group contributions, previous years' shortfalls are used to calculate current tax. Of the deferred tax income, SEK 238m is attributable to the reversal of a previously written down tax credit. The reversal has been made using the same amount as the increase in the deferred tax liability increased—an effect of the adoption of RR 29, Employee Compensation. For more information, see Note 10, page 63.

Parent company

Sales and earnings

Net sales for the period totaled SEK 0m (0). Net interest expense was SEK –869m (93), which includes an increased provision totaling SEK –866m. This is due to the shifting to the parent company of the group's previous reserve for phasing out the cashier service operation. Earnings after financial items were SEK –907m (21).

Balance sheets

SEK m	Note	Consolidated 2004-12-31	Consolidated 2003-12-31	Parent Company 2004-12-31	Parent Company 2003-12-31
ASSETS					
FIXED ASSETS					
Intangible fixed assets					
Goodwill		906	970	165	175
Other intangible assets		383	706	1	1
Total intangible fixed assets	11	**1,289**	**1,676**	**166**	**176**
Tangible fixed assets					
Buildings and land		352	257		
Machinery and equipment		2,487	2,892	2	2
Construction in progress and advances relating to tangible fixed assets		217	125		
Total tangible fixed assets	12, 13	**3,056**	**3,274**	**2**	**2**
Financial fixed assets					
Participations in affiliated companies	14			2,377	2,396
Participations in joint ventures	15			317	317
Participations in associated companies	16	1	4	1	1
Bonds and other long-term securities	29	3	8	0	5
Deferred tax credit	17	608	528	601	519
Other long-term receivables	18	1,408	68	12	18
Total financial fixed assets		**2,020**	**608**	**3,308**	**3,256**
TOTAL FIXED ASSETS		**6,365**	**5,558**	**3,476**	**3,434**
CURRENT ASSETS					
Inventory					
Goods for resale, etc.		96	112		
Current receivables					
Accounts receivable		2,543	2,500		
Interest-bearing receivables, affiliated companies	28			1,222	1,788
Other receivables, affiliated companies				702	199
Receivables, joint ventures					108
Other interest bearing receivables	28	1	7		1
Other non-interest-bearing receivables		218	242	4	3
Tax credit		43	18	3	
Prepaid expenses and accrued income	19	712	753	14	24
Total current receivables		**3,517**	**3,520**	**1,945**	**2,123**
Short-term investments	20, 29	**2,684**	**1,264**	**2,569**	**1,208**
Cash and cash equivalents					
Own funds		1,523	1,636	817	866
Funds in transfer		104	572		
Total cash and cash equivalents	29	**1,627**	**2,208**	**817**	**866**
TOTAL CURRENT ASSETS		**7,924**	**7,104**	**5,331**	**4,197**
TOTAL ASSETS		**14,289**	**12,662**	**8,807**	**7,631**

SEK m	Note	Consolidated 2004-12-31	Consolidated 2003-12-31	Parent Company 2004-12-31	Parent Company 2003-12-31
EQUITY, PROVISIONS AND LIABILITIES					
EQUITY					
Restricted equity					
Capital stock		600	600	600	600
Restricted reserves		1,318	813	120	120
Total restricted equity		**1,918**	**1,413**	**720**	**720**
Non-restricted equity					
Non-restricted reserves		791	1,133	4,893	4,467
Net earnings		1,221	−238	−652	−20
Total non-restricted equity		**2,012**	**895**	**4,241**	**4,447**
TOTAL EQUITY		**3,930**	**2,308**	**4,961**	**5,167**
UNTAXED RESERVES					
MINORITY INTEREST		**7**	**20**		
PROVISIONS					
Pension provisions, parent	21			6	12
Pension provisions, consolidated	22	593	366		
Deferred tax provisions	17	9	9		
Other provisions	6	3,667	3,523	1,541	681
TOTAL PROVISIONS		**4,269**	**3,898**	**1,547**	**693**
LONG-TERM LIABILITIES					
Interest-bearing liabilities					
Debt, credit institutions		587	893	200	400
Other liabilities		136	5	0	
Total interest-bearing liabilities	23, 29	**723**	**898**	**200**	**400**
Non-interest-bearing liabilities					
Other liabilities		106	103	15	20
TOTAL LONG-TERM LIABILITIES		**829**	**1,001**	**215**	**420**
CURRENT LIABILITIES					
Interest-bearing liabilities					
Debt, credit institutions		58	3		
Liabilities, affiliated companies				1,671	377
Other liabilities		355	579	200	
Total interest-bearing liabilities	23, 29	**413**	**582**	**1,871**	**377**
Non-interest-bearing liabilities					
Advances from customers		577	578		
Accounts payable		857	973	0	12
Tax liabilities		95	45		
Liabilities, affiliated companies				193	928
Other operating liabilities		997	983	0	1
Accrued expenses and deferred income	24	2,315	2,274	20	33
Total non-interest-bearing liabilities		**4,841**	**4,853**	**213**	**974**
TOTAL CURRENT LIABILITIES		**5,254**	**5,435**	**2,084**	**1,351**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**14,289**	**12,662**	**8,807**	**7,631**
CONTINGENT LIABILITIES					
Assets pledged and contingent liabilities					
Assets pledged for equity					
Endowment insurance policies		85	82	12	16
Contingent liabilities	25	**171**	**459**	**6,856**	**7,629**

Comments to the balance sheets

Consolidated

As of December 31, 2004, total assets amounted to SEK 14,289m, a year-over-year increase of SEK 1,627m. The increase in total assets is primarily attributable to the adoption on January 1, 2004, of the Swedish Financial Accounting Standards Council's Recommendation RR 29, Employee Compensation. Financial fixed assets have therefore increased by SEK 1,342m during the fiscal year. Financial fixed assets totaling SEK 2,020m (608) include a deferred tax credit totaling SEK 608m (528), of which the net deferred tax credit for Sweden was SEK 601m (519). The deferred tax credit, in Sweden, corresponds to the loss carryforward that Posten, based on adopted business plans, expects to utilize.

For more information, see Note 1, Accounting and Valuation Principles, page 50; Note 6, Provisions, page 59; and Note 17, Deferred Tax, page 71.

Equity

As of December 31, 2004, equity totaled SEK 3,930m, a year-over-year increase of SEK 1,622m. The 2004 opening balance has been restated owing to new accounting pronouncements for employee compensation (For more information, see Note 1, Accounting and Valuation Principles, page 50).

Return on equity (ROE) was 37 percent. Excluding the accounting change, ROE was 32 percent.

Equity-assets ratio

As of December 31, 2004, the equity-assets ratio was 28 percent, a year-over-year increase of 10 percentage points. The increase is attributable to higher equity owing to improved earnings and the above-cited accounting change (RR 29) adopted in Q1 2004. Excluding the accounting change, the equity-assets ratio was 23 percent.

Parent Company

In September the subsidiary Baltic Logistics System AB and its subsidiaries in Russia, Poland, Estonia, Latvia and Lithuania were divested. As of October 1, the parent company acquired the remaining shares of the subsidiary HIT Danmark A/S, in which it previously held a 60-percent stake. The value of the shares of Swedgiro AB was written down by SEK 30m in connection with the divestment of Swedgiro's subsidiaries.

The parent company had issued SEK 58m in capital adequacy guaranties benefiting wholly owned subsidiaries, a SEK 521m decline year over year. The decrease is explained primarily by the divestiture of Swedgiro's subsidiaries and BLS-I. Further, an unlimited capital adequacy guaranty has been issued for Svensk Kassaservice AB. The parent company's total guaranties amount to SEK 610m, a decrease of SEK 681m compared to last year.

Changes in equity

Consolidated, SEK m	Share capital	Restricted reserves	Non-restricted reserves	Net earnings	Total
Equity 1/1/2003	**600**	**1,693**	**1,082**	**–788**	**2,587**
Appropriated earnings			–788	788	
Translation difference			–41		–41
Transfers between restricted and non-restricted reserves		–880	880		
Net earnings				–238	–238
Equity 12/31/2003	**600**	**813**	**1,133**	**–238**	**2,308**
Effect, adoption of RR 29		419			419
Adjusted equity 1/1/2004	**600**	**1,232**	**1,133**	**–238**	**2,727**
Appropriated earnings			–238	238	
Translation difference			–18		–18
Transfers between restricted and non-restricted reserves		86	–86		
Net earnings				1,221	1,221
Equity 12/31/2004	**600**	**1,318**	**791**	**1,221**	**3,930**

Accumulated translation differences total SEK –18m (–41).

Parent Company, SEK m	Share capital	Restricted reserves	Non-restricted reserves	Net earnings	Total
Equity 1/1/2003	**600**	**120**	**390**	**4,245**	**5,355**
Appropriated earnings			4,245	–4,245	
Group contributions (paid) after tax and capital infusion			–168		–168
Net earnings				–20	–20
Equity 12/31/2003	**600**	**120**	**4,467**	**–20**	**5,167**
Appropriated earnings			–20	20	
Group contributions (paid) after tax and capital infusion			446		446
Net earnings				–652	–652
Equity 12/31/2004	**600**	**120**	**4,893**	**–652**	**4,961**

Share capital comprises 600,000 shares with a par value of SEK 1,000.
Proposed dividend totals SEK 150m.

Statements of cash flows

SEK m	Note	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
OPERATING ACTIVITIES					
Operating earnings		991	–278	–38	–72
Financial items		16	25	–869	93
Earnings after financial items		1,007	–253	–907	21
Adjustments for non-cash-flow items					
Reconciliation, depreciation according to plan		1,062	1,070	10	10
Reconciliation, write-downs of fixed assets, etc.		237	41	31	84
Capital gain/loss on the sale of fixed assets		–142	15	78	10
Pension provisions		163	811	–6	0
Other provisions		536	179	859	–34
Other items not affecting liquidity					0
Pension benefits paid		–686	–788		
Phase-out charges		–378	–399		
Tax paid		0	–66	–3	–1
Cash flows from operating activities before changes in working capital		**1,799**	**610**	**62**	**90**
Cash flows from changes in working capital					
Increase (–)/decrease (+), accounts receivable		–94	–110		0
Increase (+)/decrease (–), accounts payable		–86	–310	–11	8
Other changes in working capital		73	91	–712	–1,314
Changes in working capital		**–107**	**–329**	**–723**	**–1,306**
CASH FLOWS FROM OPERATING ACTIVITIES	26	**1,692**	**281**	**–661**	**–1,216**
INVESTING ACTIVITIES					
Investments in intangible fixed assets		–60	–264		
Investments in tangible fixed assets		–693	–655	0	
Investments in financial fixed assets			–11	–174	
Acquisition/disposal of affiliated companies	27	303	–3	143	0
Divestment of financial fixed assets		0	4		0
Divestment of other fixed assets, etc.		32	124		5
Increase (–)/decrease (+), current financial liabilities				709	850
Cash flows from investing activities		**–418**	**–805**	**678**	**855**
CASH FLOWS BEFORE FINANCING ACTIVITIES		**1,274**	**–524**	**17**	**–361**
FINANCING ACTIVITIES					
Loans raised		221	901	0	909
Loans amortized		–48	–651	–2	–643
Dividend, paid		–2			
Increase (+)/decrease (–), other current financial liabilities		–138	–150	1,297	–293
Cash flows from financing activities		**33**	**100**	**1,295**	**–27**
CASH FLOWS FOR THE YEAR		**1,307**	**–424**	**1,312**	**–388**
Liquid assets, beginning of the period	28	2,900	3,324	2,074	2,462
Liquid assets, close of the period	28	4,207	2,900	3,386	2,074

Comments to the statements of cash flows

Consolidated

Full-year cash flows before financing activities totaled SEK 1,274m (–524).

Operating activities

Full-year cash flows from operating activities totaled SEK 1,692m (281), of which SEK 1,799m is attributable to changes in working capital. Cash flows relating to expenses met by utilized provisions totaled SEK -378m (-399) and from paid pensions to SEK –686m (–788). Working capital changed by SEK –107m (–329). The change in working capital is explained mainly by decreased accounts payable and increased accounts receivable.

Investing activities

Full-year cash flows from investing activities totaled SEK –418m (–805). The divestment of affiliated companies positively affected full-year figures by SEK 303m. Investing activities primarily concern expenditures relating to modes of transportation, mail sorting equipment and commercial properties in the Messaging and Logistics segment.

Financing activities

Full-year cash flows from financing activities totaled SEK 33m (100), primarily due to loans raised for financial leasing activities and decreased financial liabilities.

Cash flows for the year

Liquid assets therefore have increased by SEK 1,307m since the beginning of the year and by SEK 970m since the preceding quarter. At year-end 2004 liquid assets totaled SEK 4,207m.

Parent Company

Cash flows before financing activities for the period totaled SEK 17m.

Cash flows from operating activities totaled SEK –661m, comprising SEK 62m relating to operating earnings after adjusting for non-cash items and SEK –723m relating to changes in working capital. Changes in working capital are primarily attributable to increased internal receivables.

Cash flows from investing activities totaled SEK 678m during the period and are explained by reduced current financial receivables.

Cash flows from financing activities totaled SEK 1,295m during the period and are explained by increased current financial liabilities. The amount is wholly intra-group.

Cash and cash equivalents totaled SEK 3,386m at the close of the year to date, compared to SEK 2,074m last year.

Notes to the financial statements

Note 1 Accounting and valuation principles

General accounting principles
Posten's financial statements have been prepared in accordance with the Annual Accounts Act, Swedish Financial Accounting Standards Council recommendations, and Task Force pronouncements.

Cases in which an adjustment calling for an accounting change is made, figures from the comparative year are restated to reflect the assumption that the principle had always been in effect.

When preparing these financial statements, management has made estimates and assumptions that influence the reported value of assets and liabilities as well as contingent liabilities at fiscal year-end. The reported values of revenues and costs were also affected. The actual future outcome of certain transactions may deviate from estimates made when preparing this financial report. Deviations of this type will affect the results appearing in financial reports for future fiscal periods.

Accounting change
From January 1, 2004, Posten Group has adopted Recommendation RR 29, Employee Compensation, of the Swedish Financial Accounting Standards Council when preparing the consolidated financial statements. Further, beginning with this financial report the pronouncement by the Swedish Financial Accounting Standards Council's Task Force, URA 43 (Reporting payroll tax and yield tax, published October 22, 2004), has been taken into account. Under RR 29, pension plans at all subsidiaries are reported according to the same principles. In the consolidated financial statements up to 2003 these plans have been reported according to local rules and regulations in each respective country.

Most of the group's pension commitments are financed through a pension fund. The pension fund had a surplus at the adoption of RR 29. The surplus has thus far not been included in the consolidated financial statements; rather information has been disclosed in the notes to the financial statements. Through RR 29, pension fund surpluses are taken up in the consolidated financial statements. The net effect of the changed method of calculating pension commitments and that pension fund surpluses are taken into account is that the net commitment reported by the group as of January 1, 2004 had decreased SEK 450m compared to the calculation according to the former principles on December 31, 2003. The reduced commitment entailed the reporting of a deferred payroll tax credit of SEK 132m. On January 1 the accounting change increased financial assets by SEK 678m, increased other provisions by SEK 96m and grew the deferred tax liability by SEK 164m. The net of these changes increased restricted equity by SEK 419m.

Posten's pretax earnings were positively impacted by SEK 266m due to the accounting change from FAR's recommendation 4 to RR 29. This is mainly due to the crediting of the consolidated financial results with the 2004 surplus from Posten's Pension Fund. Financial assets grew by an additional SEK 266m. Further, reclassifications due to additional interpretations of the new rules increased financial assets as of December 31, 2004 by SEK 397m, increased other provisions by SEK 290m, and increased pension provisions by SEK 72m. Moreover, this year's earnings have been burdened by SEK 75m in deferred tax due to RR 29.

The introduction of RR29 has decreased the deferred tax credit, giving rise to a reevaluation of the extent to which the value of the consolidated loss carryforward should be reported as an asset. In light of the reevaluation Posten increased the value of the loss carryforward by SEK 238m during the fiscal period, SEK 163m in connection with the restating of the 2004 opening balance. This has had a positive impact on after-tax earnings.

In accordance with the recommendation's transition rules, the company has not restated previous years.

Valuation principles
Unless otherwise specified below, assets and liabilities are recognized at their fair value on the date of acquisition.

Classifications
Fixed assets, long-term liabilities and provisions essentially comprise amounts expected to be recovered or paid more than 12 months from the close of the accounting period. Current assets and current liabilities essentially comprise amounts expected to be recouped or paid within 12 months from the close of the fiscal period.

Any deviation from these payment or recovery principles is discussed in the note accompanying the accounting item in question.

Consolidated financial statements
The consolidated financial statements incorporate the financial statements of the parent company as well as companies in which Posten AB (publ) directly or indirectly held more than 50 percent of the voting rights or exercised a controlling influence at fiscal year-end.

The fiscal 2004 consolidated financial statements recognize the revenues and expenses of acquired companies beginning at the time of acquisition. Subsidiaries divested during the course of the fiscal year are recognized on the consolidated financial statements for the period of ownership. Affiliated companies are presented in Note 14 to the income statements and balance sheets.

The companies in which Posten exercises a controlling influence have been accounted for in accordance with the group's accounting policies, which are designed to ensure a cohesive account of the group's earnings and financial position. The Swedish subsidiaries account for more than 90 percent, foreign subsidiaries no more than 6 percent and joint ventures no more than 4 percent of consolidated sales and total assets.

Purchase method
The consolidated financial statements have been prepared in accordance with the purchase method. Under the purchase method, acquisitions are treated as a transaction through which the group indirectly acquires the assets and assumes the liabilities of the subsidiary. The assets and liabilities of the subsidiary, at the date of acquisition, are valued at the acquisition value from the standpoint of the group. The consolidated acquisition value is calculated via an acquisition analysis performed in conjunction with the acquisition of shares. The analysis determines the acquisition value of the shares as well as the market value of the acquired assets and assumed liabilities. The difference between the acquisition value of the shares of the subsidiary and the market value of the acquired assets and assumed liabilities constitute consolidated goodwill or negative goodwill.

Proportional method
Joint venture companies, in which executive decision-making is exercised in concert with the other partners, have been accounted for using the proportional method. According to the proportion method, joint ventures are reported as though they were subsidiaries; however, they are consolidated only in proportion to Posten's ownership stake, with corresponding proportions of the balance sheets, income statements and other accounting information.

Associated companies
Associated companies are reported using the equity method. Associated companies are companies in which Posten holds no less than 20 percent and no more than 50 percent of the voting rights or influence. Under the equity method, the consolidated book value of participations in associated companies corresponds to the group's proportion of equity in associated companies, as well as any residual value of consolidated surplus and deficit values. The group's share of associated company earnings after financial income and expenses adjusted for the write-down of acquired surplus value is reported as "Earnings from shares of associated companies" in the consolidated income statements. The group's share of the tax reported by associated companies is included in the consolidated tax expense. Companies reported in accordance with the equity method are presented in Note 16.

Translation of foreign operations
Joint ventures based in foreign countries and Posten's foreign subsidiaries are independent foreign operations whose income statements and balance sheets are translated in accordance with the current method.

Under the current method, all assets, provisions and liabilities are converted at the exchange rate in force on the final day of the fiscal year, and all income statement items are converted at the annual average rate of exchange. Exchange-rate differences are entered directly against equity. At the divestment of independently operated foreign operations, the accumulated translation differences attributable to the business, after deduction for hedging, if any, are entered on the consolidated income statement.

Elimination of internal transactions
Intra-group receivables and liabilities as well as inter-company transactions, plus related unrealized gains, are eliminated in their entirety. Unrealized gains resulting from transactions with associated companies and joint ventures are eliminated in proportion to the group's stake in said businesses. Unrealized gains resulting from transactions with associated companies are eliminated against "Participations in associated companies." Unrealized losses are eliminated in the same fashion as unrealized gains, so long as the need for a write-down does not exist.

Income
Net sales are accounted for excluding value added tax, discounts provided and similar income reductions.

The Messaging and Logistics business segment accounts for income when a physical mailpiece has been collected for physical transportation. Income related to services featuring an electronic component, so-called hybrid services, is accounted for following its conversion to physical format, when it has been received for physical transportation in the form of a physical mailpiece. Mail processing facility fees relate to the handling period, i.e., the period in which the mailpiece was received from abroad. Distribution income is accounted for in the period in which the service is delivered. Income for post office boxes is accrued over the term of the contract. The sale of goods is accounted for at delivery in accordance with the terms and conditions of sale, which means that income is reported when the risks and benefits associated with the good/service are transferred to the counterparty.

Cashier Service accounts for income when the transaction has been completed, which normally coincides with the day on which the service is provided. Government funds earmarked for the financial-transaction arm are accounted for as net sales on a straight line basis over the year.

Other operating income refers to income from activities outside ordinary operating activities, such as income from property leases, capital gains realized on the sale of tangible and intangible fixed assets and other services. This income is reported when the risks and benefits associated with the good/service have been transferred to the counterparty.

Operating costs
Personnel costs are, wherever possible, attributed to the period in which duties were performed. Changes in vacation and wage liabilities are reported on an ongoing basis, resulting in variations in personnel costs during the year. Periods during which large numbers of personnel are on vacation, usually feature below-average personnel costs.

Other operating costs are reported in the period during which the good or service has been delivered or utilized (e.g., rental costs).

Financial income and expenses
Interest income on receivables and interest expense on liabilities are calculated using the effective interest rate method. When the effective interest rate is used the present value of all incoming and outgoing payments during the fixed interest term equals the reported value. Issuance expenses and similar direct transaction costs related to loan-raising are accrued over the term of the loan. Interest income includes accrued discounts, premiums and other differences between the original value of the receivable and the amount received at maturity. The group does not capitalize interest in assets' acquisition values.

The parent company, Posten AB (publ), reports all income and expenses related to affiliated companies as financial items. Therefore dividends from subsidiaries, group contributions for loss coverage, write-downs of share value, etc. are reported as financial items notwithstanding that these companies' operating earnings are included in consolidated operating earnings. The utilization of reserves intended to cover all or part of the affiliated companies' operating earnings therefore will also be reported as financial items.

Taxes and group contributions, etc.
Tax on net earnings comprises current tax and deferred tax. Taxes are accounted for on the income statement except for instances in which the underlying transaction is recorded directly against equity, whereby the subsequent tax effect is reported in equity.

Current tax is the tax calculated on the year's taxable income. This also includes adjustments of current tax attributable to earlier periods.

Group contributions are reported according to their financial impact, i.e., ordinarily in an effort to minimize consolidated tax. Because group contributions do not therefore constitute payment for services rendered, they are reported against retained earnings, less deductions for tax effects. Group contributions used to cover losses are reported as a capital infusion, which may subsequently be written down. Shareholder contributions are capitalized in shares and participations held by the provider and reported directly against the non-restricted equity of the recipient. For cases in which shareholder contributions have been provided to facilitate tax planning, the capital infusion is written down by the provider against group contributions received, in equity.

Deferred tax is calculated in accordance with the balance sheet method, using the temporary differences between reported and taxable values of assets and liabilities as the point of departure. The amounts are calculated based on how temporary differences are expected to be equalized, and applying the tax rates and tax regulations that have been decided upon or announced as of the end of the fiscal year. Temporary differences are not treated in consolidated goodwill. Legal entities report untaxed reserves including the deferred tax liability. In the consolidated financial statements, however, untaxed reserves are divided into deferred tax liability and restricted equity.

Deferred tax credits in deductible temporary differences and loss carryforwards are reported solely to the extent that it is probable that these will provide lower tax disbursements in the future.

This probability is based on data contained in Posten's business and operating plans. The time horizon used in the assessment is six years. Receivables and liabilities are valued in the aggregate whenever equalization is possible.

Intangible fixed assets
Intangible fixed assets include goodwill, capitalized development expenditures, licenses, patents, brands and copyrights.

Goodwill
Consolidated goodwill is denominated in the currency in which the acquired company is expected to make payments. Translation differences therefore will arise both in assets and amortizations. Consolidated goodwill is primarily attributable to the 2001 acquisition of DPD operations. Goodwill from this acquisition is denominated in SEK, NOK, EUR and DKK.

Goodwill classified by Posten as structural is amortization over 20 years. Other consolidated goodwill is amortized over ten years.

Capitalized development expenditures
Development-related expenditures are capitalized whenever it is deemed this will provide future financial benefits. The reported value includes direct expenses for services and materials as well as indirect expenses that can be attributed to the asset reasonably and consistently. Other development expenditures are expensed on the income statement as they arise. Capitalized development expenditures are reported on the balance sheet at the acquisition value less accumulated depreciation and amortization.

Posten defines development expenditures as costs related to the development of commercially viable products, which can subsequently be incorporated into Posten's offering. These costs include costs that are directly related to the newly developed offering. Development expenditures are capitalized when they, in part, meet RR 15 (Intangible Assets) criteria, and in part amount, or are estimated to amount, to a material sum for the overall project.

Development initiatives are handled as projects; otherwise these costs are expensed as normal operating costs.

Other development efforts, e.g., a major enterprise resource management system, are capitalized when they amount, or are expected to amount, to a material sum for the overall project; otherwise these costs are expensed.

Material sums
In this context Posten considers a material sum to be SEK 25m for one project as a whole.

Other intangible assets
Other intangible assets comprise acquired brands and other rights, which are reported at the acquisition price less accumulated depreciation and amortization. Straight-line depreciation is used for the term of the right, usually more than five years.

Additional costs
Additional costs related to an intangible asset are added to the acquisition value only when they enhance the future financial benefits that exceed the original assessment and provided they can be reliably calculated.

Tangible fixed assets
Tangible fixed assets are reported at the acquisition value less depreciation and amortization. The acquisition value is the value at which a fixed asset was acquired according to an invoice or contract. Because larger acquisitions featuring contracts in foreign currency—for instance, the acquisition of mail sorting machines—may take place under a period of several years, payments are made in installments prior to the final delivery of the asset. When the purchase price has been secured, the acquisition value is converted to the hedged exchange rate.

Maintenance and repairs are expensed on an ongoing basis. Additional expenses are capitalized only if they generate financial benefits—e.g., enhanced performance compared to the original investment.

Depreciation of fixed assets
Depreciation according to plan has been based on the acquisition value and estimated useful life of the fixed assets, treating the residual value at the end of the period. The depreciation periods are as follows:

Mail processing equipment	5–10 years
Motor vehicles and other transportation equipment	4–7 years
Computer equipment	4–7 years
Strategic ERP systems	8 years
Office inventory	5 years
Communications buildings	33 years
Residential and commercial buildings	20–67 years
Capitalized development efforts	5 years
Structural consolidated goodwill	20 years
Other intangible fixed assets and goodwill	5–10 years

Impairment test
The reported value of consolidated assets is reviewed at fiscal year-end to discern the need for write-downs. If such indications exist, the recoverable value of individual or naturally affiliated assets is valued as the higher of the net realizable value and the useful value. The valuation of the useful value is based on Posten's assessment of future payment flows. The assessments use the corporate business plans as a point of departure, and are supplemented with other relevant information used to enhance accuracy.

In 2004, the recovery value of intangible assets has been evaluated as well as certain holdings in subsidiaries and joint ventures and a few tangible fixed assets. The tests indicated a need for a write-down in relation to certain assets, whereupon these assets were written down.

Leases
Leases are classified in the consolidated financial statements either as financial or operational leases. Under financial leasing arrangements the risks and benefits associated with ownership are essentially transferred to the lessee. If such is not the case it is deemed an operational lease.

Material financial leasing agreements are reported as fixed assets initially valued at the present value of the minimum leasing charges at the signing of the contract. On the liability side, the present value of the remaining future leasing payments is reported as current and long-term interest-bearing liabilities. The asset is depreciated over its useful life—normally the leasing period—and the residual value is treated at the end of the period. The impairment test is conducted in accordance with RR17. Lease payments are divided between interest and amortization of the liability.

Other leasing commitments are reported in accordance with the rules governing operational leases, under which leasing charges are expensed on a straight-line basis over the leasing period as an operating cost.

Posten Group reassessed its property leases in the run-up to the adoption of the new International Financial Reporting Standards (IFRS). This has resulted in a new assessment regarding the agreements for two mail processing facilities, which are reported as financial leases as of 2004. In 2004, Posten's company cars have been sold and leased back. These are reported as financial leases.

Inventory
Inventory is valued at the lower of acquisition value, determined on the first-in/first-out (FIFO) method, and the net realizable value.

Financial assets and liabilities

All financial instruments appear on the balance sheet, apart from derivatives that hedge against market risk related to contractual flows.

A financial asset or liability appears on the balance sheet when the company becomes a party to the instrument's terms and conditions. Accounts receivable are recognized on the balance sheet when the invoice has been sent. Accounts receivable are written down when deemed uncertain, i.e., more than 90 days past due or belonging to a customer with a history of payment difficulties. Liabilities are recognized when the counterparty has rendered services and payment is due under the terms of the contract, even though an invoice has yet to be received.

A financial asset (or portion thereof) is taken off the balance sheet when the rights of the contract have been realized, mature or are no longer controlled by the company. A financial liability (or portion thereof) is taken off the balance sheet when contractual obligations are met or otherwise cease.

Assets and liabilities denominated in SEK are valued at the acquisition value including accrued interest when applicable. Receivables and liabilities denominated in foreign currencies are converted to the exchange rate in force on the final day of the fiscal year. Forward currency contracts, which are used to hedge financial receivables and liabilities denominated in foreign currencies, are valued at the exchange rate in force on the final day of the fiscal year. Exchange-rate differences, both realized and unrealized, are accounted for if they concern operating receivables, assets and liabilities. If they concern financial receivables and liabilities they are reported among financial items.

Investments in interest-bearing instruments usually mature in fewer than 90 days and are reported as liquid assets in the statements of cash flows, but as short-term investments on the balance sheet.

Liquid assets

In the statements of cash flows, so-called "funds in transfer" relating to the cashier service operation have not been treated as liquid assets. Posten transfers these funds on behalf of customers. These assets therefore are unavailable to Posten and may not be used by its business operations.

The "funds in transfer" line item fluctuates independently of operating earnings, investments and other payment streams in the business operations.

Employee compensation

From January 1, 2004, Posten Group has adopted Recommendation RR 29, Employee Compensation, of the Swedish Financial Accounting Standards Council when reporting pensions and similar commitments (see "Accounting change"). Posten Group's pension commitments are met in part through defined-benefits plans featuring a contractually binding promise regarding a given future pension level for employees, and in part through defined-contribution plans for which premiums have been set aside and for which the employee assumes the risk as regards the future pension level. Under RR 29 actuarial calculations will be prepared for all defined-benefits plans in accordance with the so-called projected unit credit method in an effort to establish the present value of commitments concerning benefits for current and former employees. Actuarial calculations are prepared annually and based on actuarial assumptions, which are made at the end of the fiscal year. Changes in the present value of commitments owing to changed actuarial assumptions are treated as actuarial gains or losses. Deviations between expected and actual yields on assets under management are treated as actuarial gains or losses as well. Actuarial gains and losses are taken up as income over the employee's average remaining period of employment in cases where they exceed the so-called corridor threshold for each respective plan. The corridor threshold is equivalent to 10 percent of the higher of either the value of the pension commitment or the real value of the assets under management. Pension provisions and similar commitments appearing on Posten Group's balance sheet equals the commitment's present value at fiscal year-end, less the real value of assets under management, unreported actuarial gains or losses as well as unreported costs related to employment from earlier periods. If the pension cost and pension provision set for Swedish plans under RR 29 deviate from the corresponding amount in accordance with accountancy body FAR's Recommendation 4, the difference is reported for special payroll tax in accordance with URA 43. Up to and including 2003 Posten subsidiaries reported defined-benefits pension plans in accordance with the local codes and regulations in force in each respective country. When it comes to pensions and similar benefits financed through defined-contribution plans, amounts corresponding to Posten's annual fees for the plan are expensed. The reporting of defined-contribution plans has not been affected by the adoption of RR 29.

The above-described accounting principle for defined-benefits pension plans applies only to the consolidated financial statements. The parent company reports defined-benefits pension plans in accordance with FAR Recommendation 4, Reporting pension liabilities and pension expenses. The parent company has set up defined-benefits pension plans for employees. The parent company's commitments as regards future pension payments therefore has a present value, determined for each employee by, among other things, pension level, age and the degree to which a full pension has been earned. This present value has been calculated in accordance with actuarial principles, and is based on the pay and pension levels in force on the final day of the fiscal year. Pension commitments are reported on the balance sheet as a provision. The parent company reports pension commitments secured for white-collar employees through pension insurance programs as defined-contribution plans. The interest portion of the year's pension cost is reported among financial costs. Other pension costs burden operating earnings.

Other provisions

Provisions are made for commitments resulting from an event, and for binding loss contracts, in which it is probable that an outflow of resources will be needed to settle the commitment. The provision's amount is calculated using all information available at the close of the fiscal period. Such information can comprise, for instance, business plans and information regarding the labor market situation.

Provisions for restructuring are made when an adequately detailed plan is in place and has been communicated in a fashion that creates informed expectations among stakeholders, or their representatives, that will be affected by the measures.

Definitions

Posten uses the term "provisions" on both the balance sheet and income statement.

On the balance sheet, "provisions" relates to commitments for which there is some degree of uncertainty as to the time or size of the payment.

On the income statement, "provisions" comprises both provisions and reversals. According to Posten, provisions are either new provisions or the increase of existing provisions. Reversals, according to Posten, relates to the reduction of existing provisions without an underlying cost (new assessment). Utilization refers to the reduction of a provision to cover a cost for which the provision was intended. Changes in provisions related to future conditional pension benefits, hidden life insurance interest/final responsibility and on-the-job injuries are always accounted for as "Utilizations."

Loans

Loans are initially accounted for at the acquisition value corresponding to the actual value of what has been received. Transaction costs are accrued over the term of the loan. Subsequently the loan is reported at the accrued acquisition value using the effective interest rate method under which the value is adjusted by accruing discounts, premiums and other loan-related costs over the term of the loan.

Forward currency contracts
Derivatives in the form of forward currency contracts are used to minimize the group's risk exposure. These contracts are primarily used to hedge currency exposure to loans and investments as well as, to a certain extent, supplier and customer streams. (See also Note 28)

Investments in the form of equity in foreign subsidiaries are not hedged; loans to affiliated companies, however, are hedged when made in foreign currency.

Contingent liabilities
Contingent liabilities are reported as a line item when there is a possible commitment that is not accounted for as a liability or provision because an outflow of resources will improbably be required to settle the commitment, or due to an inability to accurately calculate the size of the commitment.

Segments
Posten's primary segments comprise Messaging & Logistics and Cashier Service. Secondary segments comprise the geographic markets where Posten competes. For information about segment reporting, see Note 2 of the Notes to the Financial Statements.

Statements of cash flows
The consolidated and parent company statements of cash flows are prepared in accordance with Recommendation RR 7, Reporting cash flows, of the Swedish Financial Accounting Standards Council.

Liquid assets
In the statements of cash flows, so-called "funds in transfer" relating to the cashier service operation has not been treated as liquid assets. Posten transfers these funds on behalf of customers. These assets therefore are unavailable to Posten and may not be used by its business operations.

The "funds in transfer" line item fluctuates independently of operating earnings, investments and other payment streams in the business operations.

Adoption of IFRS
Starting January 1, 2005 Posten will prepare its financial statements according to International Financial Reporting Standards (IFRS). The section titled "Pending accounting changes," on page 40 of the financial review and financial statements, details material differences between current accounting principles and IFRS.

Note 2 Business segments, geographic areas, other operating income

Business segments
Posten's primary segment grouping is based on its universal service obligation for letters and parcels as well as its legal mandate to provide essential financial-transaction services.

On July 1 the group adopted a new, leaner organizational structure. Under the new organization the Messaging & Logistics and Corporate Operations have been merged into a single business segment. The Cashier Service business segment was not affected by the organizational changes. For more information, see Financial review and financial statements, page 37.

Comparative figures have been restated to reflect the new segment grouping.

Income and earnings

	Messaging & Logistics		Cashier Service		Elimination		Consolidated	
SEK m	2004	2003	2004	2003	2004	2003	2004	2003
Operating income, external	24,051	23,096	1,089	1,145				
Reimbursement, Swedish Government			400	400				
Operating income, internal	359	458	61	105	–420	–563		
Total operating income	**24,410**	**23,554**	**1,550**	**1,650**	**–420**	**–563**	**25,540**	**24,641**
Operating earnings by business segment	**1,049**	**–218**	**–4**	**–136**			**1,045**	**–354**
Utilization of provisions corresponding to Cashier Service loss				136				136
Unallocated provisions/reversals							–54	–60
Operating earnings							**991**	**–278**
Financial items							**16**	**25**
Earnings after financial items							**1,007**	**–253**
Tax expense							218	20
Minority's share of earnings							–4	–5
Net earnings							**1,221**	**–238**

Within the group the full cost principle is applied to internal purchases, except for Posten's range of services, for which market rates apply.

Note 2, continued

Other information

Operating assets and liabilities as well as allocated provisions have been distributed to the segment in accordance with Note 6. Financial and tax-related items are unallocated.

	Messaging & Logistics		Cashier Service		Consolidated	
SEK m	2004	2003	2004	2003	2004	2003
Assets	7,745	8,271	912	1,430	8,657	9,701
Unallocated assets					5,632	2,961
Total assets					**14,289**	**12,662**
Liabilities	5,092	4,871	1,678	2,375	6,770	7,246
Unallocated liabilities					3,582	3,088
Total liabilities					**10,352**	**10,334**
Investments	708	838	45	81	753	919
Depreciation	999	1,007	63	63	1,062	1,070

Geographic areas

Though Sweden is Posten's primary geographic market, subsidiaries and strategic alliances give the company a solid position in the Nordic region and enable it to serve Europe and beyond

	Sales by market		Assets		Investment	
SEK m	2004	2003	2004	2003	2004	2003
Sweden	22,257	21,933	13,396	11,649	665	869
Rest of Nordic region	1,890	1,394	637	558	71	29
Rest of world	1,393	1,314	256	455	17	21
Total	**25,540**	**24,641**	**14,289**	**12,662**	**753**	**919**

Other operating income

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Capital gains	211	3		
Other	209	119	8	1
Total	**420**	**122**	**8**	**1**

Sales to subsidiaries account for 99 percent (41) of the parent company's operating income.

Note 2, continued

Bridge to earlier financial reports, business segments

Comparative figures have been restated to reflect the new segment grouping.

	Messaging and Logistics		Cashier Service		Corporate Operations		Elimination		Consolidated	
SEK m	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Operating income										
Published in 2003 Annual Report		23,897		1,650		52		–958		24,641
Corporate Operations moved to Messaging & Logistics		52				–52				0
Lower internal income; now eliminated in Messaging & Logistics		–395						395		0
Restated income		**23,554**		**1,650**		**0**		**–563**		**24,641**
Operating earnings by segment										
Published in 2003 Annual Report		905		–136		–827				–58[1]
Corporate Operations moved to Messaging & Logistics		–827				827				0
Provision previously unallocated between Messaging & Logistics and Corporate Operations		–296								–296
Restated earnings		**–218**		**–136**		**0**				**–354**
Assets by segment										
Published in 2003 Annual Report		7,707		1,430		564				9,701
Corporate Operations moved to Messaging & Logistics		564				–564				0
Restated assets		8,271		1,430		0				9,701
Unallocated assets										2,961
Total assets										**12,662**
Liabilities by segment										
Published in 2003 Annual Report		4,450		1,359		214				6,023
Corporate Operations moved to Messaging & Logistics		214				–214				0
Previously unallocated provisions		207		1,016						1,223
Restated liabilities		**4,871**		**2,375**		**0**				**7,246**
Unallocated liabilities, 2003 Annual Report										4,311
Previously unallocated provisions										–1,223
Restated unallocated provisions										**3,088**
Total liabilities										**10,334**
Investments by segment										
Published in 2003 Annual Report		529		81		309				919
Corporate Operations moved to Messaging & Logistics		309				–309				0
Restated investments		**838**		**81**		**0**				**919**
Depreciation by segment										
Published in 2003 Annual Report		984		63		23				1,070
Corporate Operations moved to Messaging & Logistics		23				–23				0
Restated depreciation		**1,007**		**63**		**0**				**1,070**

[1] Lines merged compared to 2003 Annual Report.

Note 3 Personnel

Average number of employees

	Consolidated			
	2004		2003	
Country	women	men	women	men
Sweden	14,646	19,653	15,505	20,502
Australia	2	2	2	3
Belgiumn			40	38
Denmark	57	162	42	104
Estonia	14	23	34	39
Philippines	3	2	2	2
Finland	17	14	15	18
Hong Kong		2		
Latvia	17	14	31	35
Lithuania	25	54	52	88
Netherlands	5	6	5	5
Norway	83	325	86	312
Poland	117	114	224	221
Russia	83	195	111	304
Singapore	1	3	1	3
U.K.	9	15	9	17
U.S.	42	26	35	20
Average number of employees	**15,121**	**20,610**	**16,194**	**21,711**
Total	**35,731**		**37,905**	

The parent company has 2 (3) employees in Sweden, all men.

Number of board directors and executives, operating companies

	Board Directors 2004		CEOs and other executives 2004	
Country	women	men	women	men
Sweden	28	81	3	20
Australia		3		1
Denmark		15		4
Finland		8		2
Hong Hong		4		1
Luxembourg		4		1
Netherlands		8		
Norway		8		
Singapore		4		1
U.K.		3	1	
Germany				1
U.S.		4		1
Proportion of women and men	**28**	**142**	**4**	**32**
Total	**170**		**36**	

Personnel costs

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Wages, salaries and other remuneration	8,211	8,303	5	7
Social security expenses	3,716	4,171	2	9
Thereof pension costs	*1,034*	*1,255*	*0*	*7*
Other personnel costs	300	347	1	1
Total	**12,227**	**12,821**	**8**	**17**

Current and former chief executive officers and executive vice presidents account for SEK 22m (24) of pension costs, of which SEK 4m (4) is related to the parent company. The group's outstanding commitments for these individuals amount to SEK 128m (120), of which SEK 28m (30) is related to the parent company.

Wages, salaries and other remuneration

	Consolidated					
	2004			2003		
Country, SEK m	Board/ CEO	*thereof bonus*	Other employees	Board/ CEO	*thereof bonus*	Other employees
Sweden	25	*0.2*	7,845	26	*0.5*	7,956
Australia			2			2
Denmark	3		73	1	*0.1*	54
Estonia			3	2	*0.1*	6
Philippines			1			
Finland	1		9	1		9
Hong Kong			1			
Latvia			1	2		3
Lithuania	1		5	1	*0.1*	9
Netherlands	4	*0.4*		2		2
Norway	2	*0.4*	168	1		160
Poland	3	*0.5*	18	4		37
Russia			20			
Singapore	1	*0.1*	1	1	*0.1*	1
U.K.	1		10	1		10
U.S.	3	*0.4*	10	3	*0.4*	9
Total	**44**	***2.0***	**8,167**	**45**	***1.3***	**8,258**

	Parent Company					
	2004	2003				
Country	Board/ CEO	*thereof bonus*	Other employees	Board/ CEO	*thereof bonus*	Other employees
Sweden	5			6	*0.3*	1
Total	**5**			**6**	***0.3***	**1**

Note 3, continued

Executive pay

SEK m	Base salary	Pension premiums	Other benefits	Total
Erik Olsson, President and CEO	4.9	2.5		7.4
Elisabeth Ström, Executive Vice President Marketing and Sales	3.5	1.5	0.1	5.1
Göran Sällqvist, Executive Vice President, Production and Logistics	2.5	1.6	0.1	4.2
Ingmar Persson Executive Vice President, Human Resources	2.1	1.3	0.1	3.5
Bo Friberg, CFO	2.3	1.3	0.1	3.7
Per-Inge Olsson, CIO, from February 1, 2004	1.7	1.1	0.1	2.9
Per Mossberg, Senior Vice President, Corporate Communications from October 18, 2004	0.4			0.4
Inger Holmström, Senior Vice President, Corporate Communications until May 31, 2004	0.6	0.5		1.1
Total	**18.0**	**9.8**	**0.5**	**28.3**

Executive benefits

"Executives" refers to the following positions:
– President and CEO
– Executive management, 7 (6) individuals including the CEO

Posten's pay and benefits packages are designed to reflect market pay rates. The chairman of the board, acting on approval of the Compensation Committee, designs the benefits plan for the chief executive officer. The Compensation Committee establishes the principles on which benefits received by the remaining executive management members are based. In addition to shaping policy and outlining principles for bonuses, pensions and other benefits received by the CEO and executive management, the Compensation Committee is tasked with outlining remuneration principles for external directors serving on the boards of subsidiaries.

Beginning in 2003 executive compensation packages do not feature a variable pay component.

The Compensation Committee has crafted an executive pension plan, requiring the approval of the chief executive officer and demanding appropriate restraint. Under the plan, Posten's pension plan (ITP-P) is applied as regards defined-benefits pensions, which are calculated according to the individual's final pay and the number of years of employment service. Employees reaching full retirement age receive a pension with 10 percent of the pension-based compensation for pay components up to 7.5 price base amounts, 65 percent of pay components between 7.5 and 20 price base amounts as well as 32.5 percent of pay components between 20 and 30 price base amounts. Under ITP, executive pensions are supplemented with individual, premium-based agreements. Retirement plans and agreements stipulate a retirement age of either 60 or 62.

The employment contracts of all executive management members feature a termination notice period of 12 months when Posten terminates the contract and 6 months when the employee terminates the contract. If Posten terminates the contract the employee is entitled to severance pay equal to a maximum of 12 months' pay and automobile benefits. Income earned from subsequent employment or comparable business activities will be deducted from the aforementioned severance package.

The chief executive officer has received a salary for 2004 of SEK 4.9m and for May-December 2003 of SEK 3.1m.

The chief executive officer is covered by the executive pension plan. For the chief executive officer pension costs amount to 18 percent of the pension-based compensation for pay components up to 20 price base amounts, 36 percent of pay components between 20 and 30 price base amounts, and 50 percent of pay components in excess of 30 price base amounts. A premium of SEK 2.2m has been paid on an endowment insurance policy whose value, SEK 3.5m, corresponds to pension contributions presented in this section. A further pension insurance premium totaling SEK 0.3m has been paid whose value, SEK 0.4m, corresponds to pension contributions presented in this section.

Disability pension benefits for a complete deterioration of work capacity equal to 80 percent of pensionable pay for the chief executive officer and interim chief executive officer. Other members of the executive management receive 60 percent of pensionable pay.

Excluding the chief executive officer, the executive management comprised 6 (5) people as of December 2004. In 2004 they received aggregate salaries of SEK 13.1m (25.6) and automobile benefits totaling SEK 0.5m (0.9). The executive management declined from 17 to 5 people in November 2003.

Four members of the executive management have retirement ages 60 (based on earlier retirement plans) and two have retirement ages of 62 under Posten's current executive pension plan.

Board of directors

During the year the chairman received compensation totaling SEK 0.4m (0.3). The board has received aggregate fees of SEK 1.5m (1.2). Additional fees totaling SEK 0.2m (0.2) have been paid to board directors serving on the Compensation and Audit Committees.

Note 4 External expenses

Purchasing

4 percent (7) of the parent company's purchases are made from subsidiaries.

Auditors' fees and reimbursement for expenses

	Consolidated		Parent Company	
MSEK	2004	2003	2004	2003
KPMG				
Auditing	8.0	8.6	2.9	3.9
Other duties	4.4	4.0	1.4	1.0
Total KPMG	**12.4**	**12.6**	**4.3**	**4.9**
Swedish National Audit Office				
Auditing	0.2	0.6	0.2	0.2
Total, Swedish National Audit Office	**0.2**	**0.6**	**0.2**	**0.2**
Auditing, other	0.1	0.2		

Note 5 Depreciation and amortization of tangible and intangible fixed assets

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Goodwill	–58	–59	–10	–9
Licenses, brands and similar rights	–22	–12	0	–1
Completed development efforts	–112	–74		
Buildings and land	–14	–11		
Machinery and equipment	–856	–914	0	0
Total depreciation	**–1,062**	**–1,070**	**–10**	**–10**
Amortization	–237	–6		
Total	**–1,299**	**–1,076**	**–10**	**–10**

Note 6 Other provisions

			Changes for the year over the income statement balance			
Consolidated, SEK m	Opening balance	Adjustment, RR 29 effect	Provisions and reversals	Increase of discounted amount	Utilizations	Closing balance
2004						
Provisions, Cashier Service	**1,620**		**132**		**–282**	**1,470**
Loss provisions	604					604
Closures	1,016		132		–282	866
Thereof: personnel reductions	*875*		*132*		*–251*	*756*
other closure costs	*141*				*–31*	*110*
Provisions, restructuring	**468**		**180**		**–354**	**294**
Thereof: personnel reductions	*404*		*202*		*–336*	*270*
other closure costs	*64*		*–22*		*–18*	*24*
Provisions, future conditional pension benefits	**1,133**	**283**			**1**	**1,417**
Thereof: payroll tax	*221*				*55*	*276*
future conditional pension commitments under RR29, see Note 22	*912*	*283*			*–54*	*1,141*
Payroll tax, health insurance		**96**			**35**	**131**
Other provisions	**302**		**85**		**–32**	**355**
Thereof: job-related injuries	*128*				*–14*	*114*
other group reserves	*157*		*81*		*–33*	*205*
other provisions	*17*		*4*		*15*	*36*
Totals for 2004	**3,523**	**379**	**397**		**–632**	**3,667**

Note 6, continued

Consolidated, SEK	Opening balance	Adjustment, RR29 effect	Changes for the year over the income statement balance: Provisions and reversals	Increase of discounted amount	Utilizations	Closing balance
2003						
Provisions, Cashier Service	**2,059**		**–56**	**56**	**–439**	**1,620**
Loss provisions	803		–51	24	–172	604
Closures	1,256		–5	32	–267	1,016
Thereof: personnel reductions	*1,069*		*–5*	*32*	*–222*	*875*
other closure costs	*187*				*–46*	*141*
Provisions, restructuring	**199**		**514**		**–245**	**468**
Thereof: personnel reductions	*197*		*452*		*–245*	*404*
other closure costs	*2*		*62*			*64*
Provisions, future conditional pension benefits	**1,157**				**–24**	**1,133**
Other provisions	**337**		**30**		**–65**	**302**
Thereof: job-related injuries	*139*				*–11*	*128*
other group reserves	*181*		*30*		*–54*	*157*
other provisions	*17*					*17*
Totals for 2003	**3,752**		**488**	**56**	**–773**	**3,523**

Totals for allocated and unallocated provisions

Consolidated, SEK m	Opening balance	Adjustment, RR29 effect	Changes for the year over the income statement balance: Provisions and reversals	Increase of discounted amount	Utizations	Closing balance
2004						
Allocated, Messaging & Logistics	385		211		–296	300
Allocated, Cashier Service	1,620		132		–282	1,470
Unallocated	1,518	379	54		–54	1,897
Totals for 2004	**3,523**	**379**	**397**		**–632**	**3,667**
2003						
Allocated, Messaging & Logistics			479		–94	385
Allocated, Cashier Service	2,059		–56	56	–439	1,620
Unallocated	1,693		65		–240	1,518
Totals for 2003	**3,752**		**488**	**56**	**–773**	**3,523**

Effects on the consolidated income statements resulting from changes in provisions

Consolidated, SEK m	2004 Provisions on income statement	2004 Change against other income items	2004 Total change in provisions	2003 Provisions on income statement	2003 Change against other income items	2003 Total change in provisions
Operating income	0	0	0	0	0	0
Operating costs	–397	628	231	–539	737	198
Thereof against personnel costs		*600*	*600*		*570*	*570*
Financial items		4	4	–5	36	31
Tax	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Net earnings	**–397**	**632**	**235**	**–544**	**773**	**229**
Adjustment, RR29			–379			
Change in provisions, total			**–144**			

Note 6, continued

Expected payments for provisions related to:

SEK m	1 year	2 years	3 years	>3 years
Cashier Service	68	1 216	180	6
Restructuring	259	35	0	0
Other provisions	98	77	71	109

(Expected payments do not include amounts for future conditional pension commitments and payroll tax for health insurance.)

Provisions made by parent company

		Changes for the year over the income statement balance			
Parent Company, SEK m	Opening balance	Provisions and reversals	Increase of discounted amount	Utilizations	Closing balance
2004					
Provisions, Cashier Service					
Loss provisions	604				604
Closures, Cashier Service	1,016	132		–282	866
Group provisions	77			–11	66
Other provisions	0			5	5
Totals for 2004	**1,697**	**132**		**–288**	**1,541**
2003					
Provisions, Cashier Service					
Loss provisions	803	–51	24	–172	604
Other provisions	84	10		–17	77
Totals for 2003	**887**	**–41**	**24**	**–189**	**681**

Provisions, Posten AB (parent company)
Posten AB (publ) reports loss provisions related to the Cashier Service business segment as well as other commitments. Other provisions refer primarily to a guaranty commitment. The closure reserve was transferred to the parent company for the year.

Allocated and unallocated provisions
Provisions that are not directly attributable to a specific business segment are accounted for under unallocated provisions because the extent to which the provision will impact each business segment was not fully or partially known at the time the provision was made. When the actual costs are incurred by the various business segments, however, the utilizations are allocated accordingly.

In 2004 unallocated and allocated have been reclassified for restructuring provisions and the Cashier Service arm's closure reserve; hence, 2003 figures have been restated.

The unallocated provisions have been adjusted by a line item totaling SEK 379m pertaining to the RR 29 effect.

At year-end 2004 allocated provisions comprised reserves related to the Cashier Service arm, restructuring reserves directly attributable to Messaging & Logistics as well as provisions for other commitments attributable to Messaging & Logistics.

Discount principles
In 2004 no provisions have been discounted to the present value. This has been in previous years for provisions attributable to Cashier Service, though not in 2004: Posten AB is awaiting a parliamentary decision regarding the postal and payment transaction inquiry.

Expected payments for provisions
Stated amounts correspond to the estimated result that forms the basis for estimating the size of the provision, but cannot in its entirety be deemed to reflect real payment flows, as certain costs are not equivalent to payments. Such costs include, for example, depreciation and discarding as well as certain costs related to personnel cutbacks.

Provisions, Cashier Service
The reserve concerns costs relating to personnel cutbacks as well as expenses attributable to properties and fixed assets that cannot be used during the contractual period or during the planned economic useful life.

Posten receives reimbursement from the State for serving commercially unviable, thinly populated areas lacking suitable alternatives. This operation reports a loss of approximately SEK 400m annually. The European Commission has reviewed and approved the state's reimbursement program.

In 2005 the Swedish Government will present a proposition regarding the future of the Cashier Service arm based on the findings of the postal and payment transaction inquiry. The inquiry's preliminary report suggests that Svensk Kassaservice be phased out, that payment transaction services instead be procured by the State, and that rural letter carriers continue to provide payment transaction services.

A new SEK 132m provision has been made. The reserve has been reassessed, as Posten AB will incur higher closure costs attributable to Cashier Service employees. Experiences from Posten's outplacement unit Futurum show that the length of time spent in the program rises dramatically for older employees. Because the job market is tougher for individuals in these particular categories, estimates are higher going forward as regards the time spent in the Futurum program.

Note 6, continued

Restructuring provisions

Administration

Posten launched a restructuring effort in 2002 aimed at building a more efficient organization. In 2002 steps were taken to enhance the efficiency of the administrative function, affecting roughly the equivalent of 80 full-time positions. Further measures, primarily targeting the central administrative and IT units, were taken in 2003; approximately the equivalent of 460 full-time positions were affected. In 2004 Posten reorganized its central administration, affecting the equivalent of 230 full-time positions.

Production

In 2003 the decision was also made to close mail processing facilities in Norrköping and Växjö. The equivalent of 260 full-time positions were affected by the closures. In 2004 provisions were made for the reorganization of the retail service network.

Provision, RR 29 effect on payroll tax for health insurance

Posten insures its sick leave commitments through Posten's insurance association. In connection with the adoption of RR 29, a provision was made for payroll tax concerning health insurance. The opening balance has been adjusted by SEK 96m, after which a further SEK 35m has been entered as a liability. The 2004 closing balance is SEK 131m.

Provisions for estimated future conditional pensions

Posten is responsible for future conditional pension benefits under the so-called transition regulations. The transition regulations apply to those employees who are entitled to retire at the age of 60 or 63. The employee must be 28 years old by January 1, 1992 and held the same position at Posten. The utilization rate has averaged 16 percent between 1998 and 2004. The amounts have been entered as a liability at 25 percent of the outstanding commitment plus special payroll tax. The gross commitment, excluding payroll tax, totals SEK 3,628m (3,647).

In connection with the incorporation of Posten in 1994, it assumed a responsibility for pensions, so-called final responsibility. Provisions have been made for this in the amount of SEK 108m, plus a pending payroll tax of SEK 26m. For more information, see Note 22.

Other provisions

Provisions for job-related injuries, other group reserves as well as miscellaneous smaller reserves reported by Posten Group companies are accounted for under this heading. The total annual changes in these provisions are usually immaterial for Posten Group.

Work-related injuries

The Workers' Compensation Act (LAF; 1976:38) went into force on July 1, 1977. Workers' compensation is administrated by the social insurance offices (FK) and the National Social Insurance Board (RFV).

Workers' compensation benefits are disbursed in the form of a personal annuity or a beneficiary annuity in the case of a fatality. Beginning with and including the month in which the injured worker turns 65, the annuity is reduced to 65 percent of the previous amount.

Compensation for injuries predating July 1, 1979, may be paid out in the form of a workers' compensation annuity, in accordance with law (1954:243). Workers' compensation insurance is administrated by the National Social Insurance Board's work-related injury unit.

Note 7 Earnings from participations in affiliated companies

	Parent Company	
SEK m	2004	2003
Dividends	17	19
Capital gain/loss	–74	–10
Utilization of loss reserve		171
Closure provision	–866	
Write-down of subsidiary shares	–31	–256
thereof Svensk Kassaservice		*–206*
Total	**–954**	**–76**

Note 8 Other interest income and similar items

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Interest income	81	104	138	222
thereof affiliated companies			*70*	*138*
Capital gain/loss				5
Write-downs	–5		–5	
Exchange rate differences				2
Total	**76**	**104**	**133**	**229**

See Note 29: Financial risk management and financial instruments.

Note 9 Interest expense and similar items

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Interest expense	–41	–21	–48	–77
thereof affiliated companies			*–31*	*–53*
Interest expense, pensions	–17	–50		
Exchange rate differences	–4	1	0	
Other financial expenses	0	–8		
Total	**–62**	**–78**	**–48**	**–77**

See Note 29: Financial risk management and financial instruments.

For more information on interest expenses related to pensions, see Note 22: Pension provisions and similar obligations.

Note 10 Tax expense

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
10.1 Current tax				
Current tax	–25	–18	173	–128
Adjustment of tax expense attributable to previous years	0	0	0	0
Total	**–25**	**–18**	**173**	**–128**
10.2 Deferred tax expense				
Deferred tax on untaxed reserves	–1	23		
Tax effect, RR29 accounting change (one-time effect)	163			
Tax effect in 2004, RR29	–75			
Deferred tax on capitalized development expenditures	86	–46		
Deferred tax on the difference between the book and written-down value of fixed assets	4	65		
Deferred tax on the difference between the book and written-down value of current assets	11			
Deferred tax on loss provisions, Cashier Service		–56		–56
Deferred tax on closure provisions, Cashier Service	–43	–66	242	
Deferred tax, restructuring	–49	75		
Deferred tax on provisions for future conditional pension benefits	–2	–20		
Deferred tax, other	29	46	1	1
Deferred tax related to the tax loss for the year	–36	127	71	151
Revision, deferred tax credit	156	–110	–232	–58
Total	**243**	**38**	**82**	**38**
Tax on net earnings	**218**	**20**	**255**	**–90**

Note 10, continued

Consolidated , SEK m	2004 %	2004 Amount	2003 %	2003 Amount
10.3 Reconciliation of effective tax rate				
Pretax earnings		1,007		–253
Tax according to the parent company rate	–28,0	–282	28.0	71
Depreciation of consolidated goodwill	–1.3	–13	–2.8	–7
Other nondeductible expenses	–3.1	–31	–12.6	–32
Write-down of previously capitalized tax value of the loss carryforward arising in previous years	–3.8	–38		
Tax-exempt capital gains on the sale of subsidiaries	5.8	58	3.6	9
Tax-exempt income	1.8	18	7.5	19
Increase in loss carryforwards without corresponding capitalization of deferred tax	–0.1	–1	–12.6	–32
Utilization of previously uncapitalized loss carryforwards	17.8	179	4.3	11
Tax attributable to previous years	1.1	11	31.6	80
Tax effect resulting from accounting change, RR 29 (one-time effect)	16.2	163		
Effect of other tax rates for foreign companies	0.3	3	0.4	1
Other	–0.5	–5	4.0	10
Revision, deferred tax credit	15.5	156	–43.5	–110
Total	**21.6**	**218**	**7.9**	**20**

Uncapitalized loss carryforwards are primarily attributable to foreign operations, as well as to Swedish companies ineligible for group contributions.

Parent Company, SEK m	2004 %	2004 Amount	2003 %	2003 Amount
10.4 Reconciliation of effective tax rate				
Pretax earnings		–907		69
Tax according to the parent company rate	–28.0	254	28.0	–19
Other nondeductible expenses	0.1	–1	7.2	–5
Write-down owing to re-evaluation of deferred tax credits	4.2	–38		
Tax attributable to previous years			–82.6	57
Tax-free dividend	–0.6	5	–7.2	5
Write-down of participations in affiliated companies	1.4	–13	102.9	–71
Reversal of previous write-downs of the tax value of loss carryforwards from previous years	–33.4	303		
Nondeductible capital loss on the sale of subsidiaries	2.4	–22		
Other	0.1	–1	–1.4	1
Revision, deferred tax credit	25.6	–232	84.1	–58
Total	**–28.1**	**255**	**130.9**	**–90**

The value of the closing balance deferred tax credit has been revised downward by SEK 232m (58) and thereafter totals the amount estimated to be the maximum for the Swedish portion of the group, SEK 601m (519).

SEK m	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
10.5 Tax items reported directly against equity				
Current tax in received/provided group contributions			–173	128
Total			**–173**	**128**

Note 11 Intangible fixed assets

Consolidated, SEK m	Goodwill	Licenses, brands and similar rights	Development ongoing	Development, completed	Total
Acquisition value, beginning of the year	1,150	110		748	2,008
Acquisitions during the year	6	7	47		60
Acquisition/divestment of affiliated companies	–46	–7		–7	–60
Divestments/disposals	–9				–9
Reclassifications	1		–47	47	1
Translation differences	–4	0			–4
Accumulated acquisition value, end of the year	**1,098**	**110**		**788**	**1,996**
Depreciation, beginning of the year	–144	–13		–134	–291
Depreciation for the year	–58	–22		–112	–192
Acquisition/divestment of affiliated companies	20	4		2	26
Divestments/disposals	1				1
Translation differences	1	0			1
Accumulated depreciation, end of the year	**–180**	**–31**		**–244**	**–455**
Write-downs, beginning of the year	–36			–5	–41
Write-downs for the year				–240	–240
Acquisition/divestment of affiliated companies	24			5	29
Translation differences	0				0
Accumulated write-downs, end of the year	**–12**			**–240**	**–252**
Planned residual value, closing balance	**906**	**79**		**304**	**1,289**

During the year expensed development totaled SEK 0m (16).

Parent Company, SEK m	Goodwill	Licenses, brands and similar rights	Development ongoing	Development, completed	Total
Acquisition value, beginning of the year	194	2			196
Acquisitions during the year					
Accumulated acquisition value, end of the year	**194**	**2**			**196**
Depreciation, beginning of the year	–19	–1			–20
Depreciation for the year	–10	0			–10
Accumulated depreciation, end of the year	**–29**	**–1**			**–30**
Planned residual value, closing balance	**165**	**1**			**166**

Note 12 Tangible fixed assets

Consolidated, SEK m	Buildings and land	Machinery and equipment	Ongoing construction and advances	Total
Acquisition value, beginning of the year	292	7,582	125	7,999
Acquisitions during the year	33	443	217	693
Reassessment of leases 1)	76			76
Acquisition/divestment of affiliated companies	–8	–92		–100
Divestments/disposals	–3	–665		–668
Reclassifications	7	118	–125	0
Translation differences	0	0		0
Accumulated acquisition value, end of the year	**397**	**7,386**	**217**	**8,000**
Depreciation, beginning of the year	–35	–4,684		–4,719
Depreciation for the year	–14	–856		–870
Acquisition/divestment of affiliated companies	3	59		62
Divestments/disposals	1	584		585
Reclassifications		0		0
Translation differences	0	0		0
Accumulated depreciation, end of the year	**–45**	**–4,897**		**–4,942**
Write-downs, beginning of the year		–6		–6
Reversal of write-downs for the year		3		3
Acquisition/divestment of affiliated companies		1		1
Accumulated write-downs, end of the year		**–2**		**–2**
Planned residual value, closing balance	**352**	**2,487**	**217**	**3,056**
Value assessed for tax purposes (Sweden)	56			
thereof real estate	*27*			

1) Posten Group reassessed its property leases in the run-up to the adoption of the new International Financial Reporting Standards (IFRS). This has resulted in a new assessment regarding the agreements for two mail processing facilities, which are reported as financial leases as of 2004. For more information about financial and operational leases, see Note 13.

Parent Company, SEK m	Buildings and land	Machinery and equipment	Ongoing construction and advances	Total
Acquisition value, beginning of the year		2		2
Acquisitions during the year		0		0
Accumulated acquisition value, end of the year		**2**		**2**
Depreciation, beginning of the year		0		0
Depreciation for the year		0		0
Accumulated depreciation, end of the year		**0**		**0**
Planned residual value, closing balance		**2**		**2**

Note 13 Leased machinery and equipment, property leases

Operational leases

At year-end, the group had operational leases on machinery and equipment with an estimated acquisition value of SEK 1,182m (918). The group's leasing charges for the period totaled SEK 1,340m (1,477). At fiscal year-end, the group had outstanding leasing expenses, calculated at the exchange and interest rates in force at that time, of SEK 6,016m.

The payments for the operational leases mature as follows:

Annual minimum leasing expenses, SEK m	Machinery and equipment	Properties
Within one year	190	993
Between one and five years	143	2,647
Later than five years	5	2,038

Falcon Air holds the majority of the machinery and equipment (Boeing aircraft) put at the group's disposal through lease agreements. Falcon Air's leasing contract is denominated in U.S. dollars.

Financial leases

In previous years consolidated financial leases have been immaterial. In 2004 Posten Group reassessed its property leases on two mail processing facilities, which have been reclassified as financial leases. More, Posten began leasing company cars in December 2004. Hence consolidated financial leases have become material.

The payments for the financial leases mature as follows:

Annual minimum leasing expenses, SEK m	Nominal value	Present value
Within one year	45	43
Between one and five years	124	103
Later than five years	18	14

Financial leasing assets

Financial leasing assets reported as material fixed assets in Note 12 comprise:

SEK m	2004	2003
Acquisition value		
– machinery and equipment	101	31
– properties	76	
Closing balance	**177**	**31**
Accumulated depreciation		
– machinery and equipment	–24	–19
– properties	–4	
Closing balance	**–28**	**–19**
Reported value, end of year	**149**	**12**

In 2004 leasing charges for financial leases totaled SEK 22m (–).

The maturities of the long-term liabilities attributable to financial leases are presented in Note 23.

The financial leases primarily comprise two processing facilities in Sweden, as well as leased vehicles for which Posten is liable for the residual value.

Note 14 Participations in affiliated companies

SEK m	2004	2003
Accumulated acquisition value, beginning of the year	3,484	3,040
Investments	2	19
Shareholder contribution, paid	258	454
Reduction of share capital, dormant subsidiary	–30	0
Reclassifications		4
Divestments	–217	–33
Accumulated acquisition value, end of the year	**3,497**	**3,484**
Accumulated write-downs, beginning of the year	–1,088	–818
Write-downs for the year	–32	–256
Write-downs against Equity		–43
Divestments		23
Reclassification		6
Accumulated write-downs, end of the year	**–1,120**	**–1,088**
Reported value, end of the year	**2,377**	**2,396**

Note 14, continued

Parent company's shareholdings in affiliated companies

Shares owned directly or indirectly by parent company (Posten AB), SEK m	Corporate identity number	Domicile	Equity stake, %		No. of shares	Book value, parent company	
			Direct	Indirect		12/31/2004	12/31/2003
Posten Sverige AB	556451-4148	Stockholm, Sweden	100		25,000	1,335	1,267
DPD Parcel Holding A/S		Bröndby, Denmark	100		1	254	254
– DPD Holding A/S		Bröndby, Denmark		100	1		
– DPD Danmark A/S		Bröndby, Denmark		100	2		
– DPD Nordic AB	556528-7694	Stockholm, Sweden		100	3,000		
DPD Finland OY		Helsinki, Finland	100		250	239	239
Poståkeriet Sverige AB	556453-7404	Stockholm, Sweden	100		100,500	141	141
Falcon Air AB	556204-3702	Stockholm, Sweden	100		280,000	67	67
Posten Försäkrings AB	516401-8649	Stockholm, Sweden	100		50,000	66	50
Swedgiro AB	556425-2913	Stockholm, Sweden	100		2,500,000	56	85
Svensk Kassaservice AB	556615-7987	Stockholm, Sweden	100		1,000	50	50
Tidningstjänst AB	556039-7480	Stockholm, Sweden	100		7,500	19	19
Direct Link Worldwide Ltd		Middlesex, UK	100		110,000	18	18
Posten PIC AB	556340-9985	Stockholm, Sweden	100		10,000	15	15
Posten Reinsurance S.A		Luxembourg	99	1	4,950	13	13
Posten Leasing AB	556341-0009	Stockholm, Sweden	100		5,000	10	10
Länsdepån Gävleborg AB	556514-5306	Gävle, Swedem	100		90	9	9
HIT Danmark AS		Copenhagen, Denmark	100		500,001	9	1
Posten Cargo Center AB	556535-0310	Stockholm, Sweden	100		5,000	7	7
Hultberg Inrikes Transporter AB	556042-3203	Stockholm, Sweden	100		52,000	6	6
NetMark Holding AB [1]	556586-1464	Stockholm, Sweden	100		1,000	5	0
Posten Express PEX AB	556041-7098	Stockholm, Sweden	100		17,867	4	4
HIT Finland OY		Vantaa, Finland	68.75		11	2	2
Addresspoint International AB	556632-7770	Stockholm, Sweden	85		8,500	1	1
-Addresspoint AB	556587-5597	Stockholm, Sweden		85	170		
-Svensk Adressändring AB	556476-3562	Stockholm, Sweden		85	850		
Direct Link Worldwide Inc		New Jersey, USA	100		100	1	1
Posten Sverige GmbH		Berlin, Germany	100		150	1	1
Direct Link Worldwide Pte. Ltd		Singapore	100		700,000	0	0
-Direct Link Worldwide Pty. Ltd		Australia		100			
-Direct Link Worldwide Company Ltd		Hong Kong		100			
DPD Norge AS		Oslo, Norway	100		10,000	0	0
DPD Sweden AB	556371-8021	Stockholm, Sweden	100		1,000	0	0
Fastighets AB Penelope	556517-0544	Stockholm, Sweden	100		100	0	0
Fastighets AB Kvasten 8	556482-7508	Stockholm, Sweden	100		1,000	0	0
Swedish Post Group BV		Amsterdam, Netherlands	100		200	0	0
– Starintex Road Cargo N.V		Gendringen, Netherlands		100	21,000		
– Gendringen Expeditic BV.		Gendringen, Netherlands		100	80		
Dormant companies						49	78
Divested companies							57
Subsidiaries of affiliated companies, total						**2,377**	**2,395**

[1] Dormant in 2003, active in 2004.

Note 14, continued

Shares owned directly or indirectly by parent company (Posten AB), SEK m	Corporate identity number	Domicile	Equity stake, %	No. of shares [3]	Book value, parent company 12/31/2004	Book value, parent company 12/31/2003
Posten Treasury AB [2]	556194-3548	Stockholm	100	1,000	28.0	28.0
Posten Utrikes AB	556451-4122	Stockholm	100	100	12.0	12.0
Postbolagen AB	556234-1353	Stockholm	100	25,000	5.3	4.3
Unidas AB [2]	556601-9971	Stockholm	100	10,000	2.8	2.8
Posten Brev AB	556451-4114	Stockholm	100	100	0.1	15.6
Posten Lättgods AB	556451-4106	Stockholm	100	100	0.1	9.1
Posten Logistik On Line Center AB [2]	556485-4403	Stockholm	100	1,000	0.1	5.0
Mailvision AB	556451-1086	Stockholm	100	1,000	0.1	0.5
Posten Finansiella Tjänster AB	556451-4130	Stockholm	100	100	0.1	0.3
Fromto AB	556206-0706	Stockholm	100	1,000		0.3
Dormant Swedish companies, total					**48.6**	**77.9**

[2] Active in 2003, dormant in 2004.

[3] The decision was taken at the Annual General Meeting to redeem shares held in all dormant companies (excluding Postbolagen AB, Unidas AB and Posten Finansiella Tjänster AB) in connection with reductions in share capital. District court has not yet formally approved reductions in Posten Treasury AB and Posten Utrikes AB.

Note 15 Participations in joint ventures

Participations in joint ventures consolidated in the consolidated financial statements in accordance with the proportional method.

SEK m	Parent company 2004	Parent company 2003
Accumulated acquisition value, beginning of the year	317	350
Reclassification		–33
Accumulated acquisition value, end of the year	**317**	**317**
Accumulated write-downs, beginning of the year		–23
Reclassification		23
Accumulated write-downs, end of the year		**0**
Reported value, end of the year	**317**	**317**

Parent company's stake in joint ventures

Shares owned directly by parent company (Posten AB), SEK m	No. of shares	%	Book value, parent company
Tollpost Globe AS, 984 054 564, Oslo, Norway	58,785	50	317
Total			

Review of shares of income statement and balance sheet items, joint ventures

SEK m	Consolidated 2004	Consolidated 2003
Net sales	906	928
Operating earnings	29	25
Net interest income/expense	–3	–9
Tax	–12	–8
Net earnings	**14**	**8**
Fixed assets	190	165
Current assets	123	113
Total assets	**313**	**278**
Equity	87	59
Provisions	1	4
Long-term liabilities	3	6
Current liabilities	222	209
Total equity and liabilities	**313**	**278**

Plus goodwill of NOK 201m (214) and depreciation of NOK –12m (–11) converted to goodwill of SEK 220m (231) and depreciation of SEK –13m (–13).

Note 16 Participations in associated companies

SEK m	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
Accumulated acquisition value, beginning of the year	53	42	46	35
Investments		11		11
Reclassifications		1		
Divestments	–3	–1		
Accumulated acquisition value, end of the year	**50**	**53**	**46**	**46**
Accumulated share of earnings, beginning of the year	–49	–38		
Share of earnings for the year		–2		
Reclassifications		–9		
Accumulated share of earnings, end of the year	**–49**	**–49**	**0**	
Accumulated write-downs, beginning of the year			–45	–34
Divestments /disposals				0
Write-downs for the year				–2
Reclassification				–9
Accumulated write-downs, end of the year			**–45**	**–45**
Reported value, end of the year	**1**	**4**	**1**	**1**

Parent company's and group participations, associated companies:

Shares owned directly by parent company Posten AB, SEK m	No. of shares	%	Book value, group	Book value, parent company
Nordic Mail AB, 556105-4411, Stockholm	1,375	50	1	1
Gråstenen 2 AB i likvidation, 556597-7450, Stockholm	9,980	49.9	0	0
Total			**1**	**1**

Parent company Posten AB's indirect holdings, SEK m	No. of shares	%	Book value, group	Book value, parent company
Other Swedish associated companies			0	
Total				
Total direct and indirect holdings, associated companies			**1**	

Note 17 Deferred tax

Consolidated, SEK m	Balance, year-end 2003	Accounting change	Reported over income statement	Balance, year-end 2004
Deferred tax liability				
Untaxed reserves	–19		–1	–20
Tax effect, RR29 accounting change (one-time effect)	9	–163	163	
Full-year tax effect, RR29			–75	–75
Capitalized development expenditures	–170		86	–84
Offset against receivables	180			170
Reported deferred tax liability	**–9**			**–9**
Thereof: Sweden				*0*
Foreign				*–9*
Deferred tax credit				
Difference between book and taxable value of fixed assets			4	4
Difference between book and taxable value of current assets			11	11
Loss provision, Cashier Service	169			169
Closure provision, Cashier Service	285		–43	242
Restructuring provisions	131		–49	82
Provisions, future conditional pension benefits	317		–2	315
Other provisions, etc.	154		29	183
Fiscal losses carried forward	532		–36	496
Offset against liabilities	–180			–170
Adjustment, deferred tax credit	–880	163	–7	–724
Reported deferred tax	**528**		**80**	**608**
Thereof: Sweden				*601*
Foreign				*7*

In Sweden receivables and liabilities have been reported in net amounts (SEK 601m), whereas other receivables and liabilities have been reported in gross amounts. Foreign receivables totaled SEK 7m and foreign payables were SEK 9m. Non-reported receivables relating to previous years' fiscal loss carried forward total SEK 26m, which concerns in its entirety foreign receivables. Of these receivables, SEK 0m falls due in 2005, SEK 2m falls due between 2006 and 2009, and thereafter not at all.

The deferred tax credit was revised upward in light of earnings forecasts for the coming years. The valuation takes into account forecasted earnings for the next six years. Adjustments may be made in line with an improved outlook. No divestments entailing a tax effect abroad are currently being considered.

The RR29 accounting change is explained in Note 1 of the Notes to the financial statements.

Parent Company, SEK m	Balance, beginning of 2004	Reported over income statement	Balance, year-end 2004
Deferred tax credit			
Fiscal losses carried forward	530	71	601
Provisions	191	242	433
Other	5	1	6
Write-downs	–207	–232	–439
Total deferred tax credit	**519**	**82**	**601**

Note 18 Other long-term receivables

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Assets under management in excess of commitments for funded pension plans; see Note 22	1,080			
Payroll tax receivables attributable to reporting lower pension commitments (in accordance with RR29) than those recognized in the financial statements for legal entities in Sweden	262			
Other	66	68	12	18
Total	**1,408**	**68**	**12**	**18**

Note 19 Prepaid expenses and accrued income

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Accrued interest income	14	23	14	23
Accrued commission income				
Accrued postage charges	139	154		
Prepaid rent	215	206		
Other items	344	370	0	1
Total	**712**	**753**	**14**	**24**

Note 20 Short-term investments

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Commercial paper (company and bank)	2,440	1,163	2,440	1,163
Treasury bills	65	47		
Other short-term investments	179	54	129	45
Total	**2,684**	**1,264**	**2,569**	**1,208**

Note 21 Pension provisions, parent company

When calculating pension commitments, regulation FFFS 2001:13 of the Swedish Financial Supervisory Authority was applied to legal entities.

	Parent company	
SEK m	2004	2003
Capital value of all pension commitments at year-end was	6	12
Secured via "Pension Provisions" FPG/SPV pensions account, etc.	**6**	**12**

Parent company, guarantor activities

The parent company is a guarantor for subsidiary Posten Sverige AB's pension commitments for former Postverket employees receiving benefits as of March 1, 1994, in the amount of SEK 2,513m (2,631). The corresponding pension payments are guaranteed by Posten Pension Fund and therefore not reported as a liability on the consolidated financial statements.

Further, the parent company is a guarantor for the final responsibility commitments assumed by Posten Sverige AB in the amount of SEK 108m (281) as per fiscal year-end. In addition the parent company is a guarantor for subsidiaries with certain pension commitments, which are entered as liabilities and to a certain extent taken up as contingent liabilities in the subsidiaries' financial statements, in the amount of SEK 3,625m (3,426). The parent company's total guarantees therefore total SEK 6,246m (6,338). See Note 25.

Note 22 Pension provisions and similar obligations

SEK k	12/31/2004 Liabilities
Pension provisions	
Unfunded pension plans, future unconditional pension benefits	592,665
Other provisions	
Unfunded pension plans, future conditional pension benefits	1,140,714
Other long-term receivables	**Assets**
Assets under management in excess of commitments for funded pension plans (see Note 18)	1,080,083

Most all Posten employees are covered by defined-benefits pension plans. These primarily encompass old-age retirement benefits.

Posten Pension Fund

In 1997, a corporate pension fund was established to guarantee all pension commitments earned in the group up to 1996. The fund's bylaws were amended in 2001, enabling the fund to guarantee pensions regardless of when they were earned.

Thus far the pension fund guarantees the pension commitments of Posten Sverige AB. During the fiscal year Posten Sverige AB's pension commitments are guaranteed through a provision on the balance sheet to the account titled "Reserved for pensions." At year-end the responsibility for guaranteeing these commitments is transferred to the pension fund. In September 2004 Posten Sverige AB added SEK 16m to the pension fund regarding an accumulated liability in Posten PIC AB. In December Posten Sverige AB added SEK 566m to the pension fund. In 2004 the company added a total of SEK 582m (718).

A refund was received during the year from Posten's Pension Fund totaling SEK 582m (544).

After deductions for the refund, from the pension fund to Posten Sverige AB, Posten's Pension Fund's net assets had a market value of SEK 12,009m (11,226). The assets exceed the outstanding commitments secured by Posten's Pension Fund by SEK 1,331m (909).

Posten's commitments and assets under management as of December 31, 2004, report in accordance with RR29.

Defined-benefits pension plans

12/31/2004, SEK k	Funded pension plans	Unfunded pension plans, future unconditional pension benefits	Unfunded pension plans, future conditional pension benefits	Total
Present value of defined-benefits commitments	11,758,758	634,867	1,055,048	13,448,673
Assets under management, fair value	−12,342, 695			−12,342,695
	−583,937	**634,867**	**1,055,048**	**1,105,978**
Unreported actuarial gains (+) and losses (–)	−496,146	−42,202	85,666	−452,682
Net debt on balance sheet (receivable (–), payable (+))	**−1,080,083**	**592,665**	**1,140,714**	**653,296**
Amount reported on balance sheet				
Other provisions			1,140,714	1,140,714
Pension provisions		592,665		592,665
Other long-term receivables	−1,080,083			−1,080,083
Net debt on balance sheet (receivable (–), payable (+))	**−1,080,083**	**592,665**	**1,140,714**	**653,296**
Net amount divided among plans in following countries				
Sweden				655,079
Norway				−1,783
Total				**653,296**

Note 22, continued

Transition regulations provision
As of December 31, 2004, Posten's responsibility for the so-called transition regulations, which relate to commitments conditional on employees holding the same position at Posten, totaled SEK 3,628m (3,647). The amounts have been accounted for as a liability at 25 percent of the outstanding commitment plus payroll tax. The amount totals SEK 1,177m (1,133) and is accounted for under "Other provisions." (See Note 6 of the Notes to the financial statements for more information.)

Index-linking responsibility
In 2000 pension commitments previously guaranteed by Posten Pension Fund were redeemed through the acquisition of insurance policies. As of December 31, 2004, the capital value of these totaled SEK 317m (386). Posten bears index-linking and gross coordination responsibility for these pension commitments.

Final responsibility provision
In connection with its incorporation in 1994, Posten took over civil service pensions falling under the purview of the so-called "final responsibility." Previously these were reported as contingent liabilities.

Provisions were made for the commitment in connection with the adoption of RR29. The capital value is difficult to asses due to the nature of the commitment. Based on available information, the commitment has been estimated at SEK 108m as of December 31, 2004. Further, there is a reserve for payroll tax, which is accounted for under "Other provisions." (See Note 6 of the Notes to the financial statements for more information.)

Costs and revenues for defined-benefits pension plans.

2004, SEK k	Funded pension plans	Unfunded pension plans, future unconditional pension benefits	Unfunded pension plans, future conditional pension benefits	Total
Costs, employment service during current year	226,443	47,710	28,799	302,952
Interest expense (see Note 9)	518,391	21,287	58,384	598,062
Expected return on assets under management (see Note 9)	−581,702			−581,702
Early retirement	144,928	121,359		266,287
Total cost, defined-benefits plans	**308,060**	**190,356**	**87,183**	**585,599**
Total cost, defined-contribution plans				**492,513**
Cost for special payroll tax and dividend tax				234,520
Utilization of restructuring provision, pension-related costs				−278,579
Total pension cost				**1,034,053**

Return on assets under management

Real return on assets under management	776,026
Expected return on assets under management	−581,702
Actuarial result during the period for assets under management	194,324

Further information regarding the pension fund's management of assets is provided below. The table below shows how net debt related to defined-benefits pension liabilities has trended during the year.

2004, SEK k	Funded pension plans	Unfunded pension plans, future unconditional pension benefits	Unfunded pension plans, future conditional pension benefits	Total
Net debt, beginning of year according to approved balance sheet	42,914	322,662	911,933	1,277,509
Effect of accounting change	−936,529	107,743	282,866	−545,920
Net debt at the beginning of the year adjusted in accordance with adoption of new accounting principle (receivable (–), payable (+))	**−893,615**	**430,405**	**1,194,799**	**731,589**
Net cost reported on income statement	308,060	190,356	87,183	585,599
Payment of benefits	−681,549	−40,522		−722,071
Funds disbursed to employers	644,251			644,251
Funds paid into funded pension plans by employer	−586,072			−586,072
Transfers	128,842	12,426	−141,268	
Net debt, end of year (receivable (–), payable (+))	**−1,080,083**	**592,665**	**1,140,714**[1]	**653,296**

[1] The provision for future conditional pension benefits reported under Other provisions is subject to a special payroll tax on the total provision.

Note 22, continued

Actuarial calculation assumptions

The actuarial calculation of pension obligations and pension expenses is based on the following principal assumptions, each presented as a weighted average for the respective pension plan. A change in any of these key assumptions may have a significant impact on the projected benefit commitments, funding requirements and periodic pension cost.

Actuarial assumptions, fiscal year-end

	2004 Result	2004 Forecast
Discount rate	4.50%	5.00%
Expected return on assets under management	4.80%	5.00%
Future annual pay increases	3.00%	3.00%
Change in income base amount	3.00%	3.00%
Inflation	2.00%	2.00%
Life expectancy	P94	P94
Personnel turnover	5.00%	5.00%
Average remaining employment service	10	10

The assumptions used in calculating the result dated 12/31/2004 will also apply to the 2005 forecast.

Posten has chosen to base the estimated discount rate on the yields of domestic government bonds, as management regards such bonds as high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits.

The expected return on assets under management reflects the expected average return on current (or future) investments made in the pension fund, less all expenses including tax.

Future annual pay increases reflect expected future salary increases as a compound of inflation, seniority and promotion. The estimate is based on historical data on pay increases.

The income base amount is set yearly by the Swedish Government and used, among other things, to establish a cap on the pension-based income for the social security system.

Posten has chosen to use the Riksbank's inflation targets.

Personnel turnover is the aggregate expected future business development, increases in real wages and requisite productivity trend needed to maintain profitability. The average remaining employment service factor is estimated based on employees' current age breakdown.

Alecta

Retirement and family pension plans for civil servants in Sweden are insured by Alecta. According to a pronouncement by the Swedish Financial Accounting Standards Council's Task Force, URA 42, this is a defined-benefits plan encompassing several employers. For the fiscal year 2004 the company has not had access to such information enabling the reporting of this plan as a defined-benefits pension plan. The ITP pension plan insured by Alecta is therefore reported as a defined-contribution plan. 2004 pension insurance fees related to Alecta total SEK 7.3m. Alecta's surplus cannot be disbursed to policyholders and/or insured. As of December 2004, Alecta's surplus in the form of the collective consolidation level is 129 percent. The collective consolidation level comprises the market value of Alecta's assets expressed as a percent of the insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions, which are not in agreement with RR 29.

Assets under management

Posten Pension Fund asset allocation:

Asset class, SEK m	2004	%
Property	324	3%
Index-linked bonds	4,515	37%
Other interest-bearing assets	3,582	30%
Stock and alternative assets	3,588	30%
Total	**12,009**	**100%**

Posten Group occupies space in two of the properties owned by Posten Pension Fund. The market value of these properties is SEK 286m.

About 97% of the assets under management are included in Posten Pension Fund. Other assets under management mainly comprise pension insurance instruments at Skandia.

Posten Pension Fund's assets as of December 31, 2004 are presented in the above table. The fund's strategic asset allocation is based on a risk/return profile and internal covariance aimed at achieving at least 100 percent asset coverage (FSA regulation 2001:13) and full payment of pension benefits guaranteed by the fund. The actual asset allocation is permitted to deviate from the strategic allocation within a fixed set of parameters. The 2004 net return, less all costs and taxes, was 7 percent. The pension fund saw positive returns in all asset classes.

The pension fund's property holdings declined in 2004 following the sale of a property owned by Stockholm 1 AB. The percentage of investments in interest-bearing assets remained largely unchanged, whereas investments in equities and alternative assets grew. The interest-bearing assets comprise liquidity as well as interest-bearing securities denominated in SEK, issued by the Swedish Government or by companies with high credit ratings. Investments in equities totaled 20 percent of assets at year-end 2004. 21 percent of equities were Swedish and 79 percent foreign. Alternative assets totaled 10 percent of assets under management and mainly comprise investments in hedge funds, though a marginal sum was invested in private equity. Investments in foreign assets with fixed return targets (hedge funds, properties and most private equity) as well as a smaller percentage of foreign equities have been hedged.

Real estate investments as well as investments in equities are managed externally. The interest-bearing assets are mainly managed directly by the fund.

Note 23 Interest-bearing liabilities

Long-term liabilities have maturities of more than 5 years:

– Financial leasing SEK 68m (–)
– Debt, credit institutions SEK 212m (263).

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Long-term interest-bearing liabilities				
Financial leases	142		0	
Bonds	200	400	200	400
Debt, credit institutions	381	493		
Other long-term liabilities		5		
Total	**723**	**898**	**200**	**400**
Current interest-bearing liabilities				
Bonds	200		200	
Liabilities, payment transfers	104	572		
Debt owed to affiliated companies			1,671	377
Other current liabilities	109	10		
Total	**413**	**582**	**1,871**	**377**

The commercial paper and MTN programs have limits of SEK 2,000m and SEK 3,000m, respectively. The company has credit facilities totaling SEK 1,000m (SEK 0m utilized). See Note 29: Financial risk management and financial instruments of the Notes to the financial statements for more information.

Note 24 Accrued expenses and deferred income

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Reserve for stamps sold but unutilized	279	279		
Accrued payroll expenses	317	294		4
Vacation pay liability	552	557	1	
Social security expenses	415	400	0	2
Severance pay reserves				
Accrued interest expense	18	12	18	9
Insurance premiums				
Other items	734	732	1	18
Total	**2,315**	**2,274**	**20**	**33**

Note 25 Other contingent liabilities

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Pension commitments, not entered as liability		288		
Guarantees, subsidiary pension commitments			6,246[1]	6,338
Guarantees	171	171	610[2]	1,291
Total	**171**	**459**	**6,856**	**7,629**

1) See Note 21 for more information.

2) As of December 31, 2004, Posten AB has pledged capital adequacy guaranties for the benefit of wholly owned subsidiaries totaling SEK 58m (579). An unlimited capital adequacy guaranty has been issued for the benefit of Svensk Kassaservice AB. Subsidiaries' capital has been covered via group contributions or capital infusions in conjunction with preparation of the 2004 year-end results. The commitments, however, remain until the general meeting has approved the 2004 annual report.

Note 26 Interest paid/received

Cash flows from operating activities include interest that has been paid and received in the following amounts:

	Consolidated		Parent Company	
SEK m	2004	2003	2004	2003
Interest received	93	89	148	223
Interest paid	–35	–83	–40	–160

Note 27 Acquisition/divestment of affiliated companies and other business units

MSEK	Consolidated 2004 Acquisition	Consolidated 2004 Divestment	Consolidated 2003 Acquisition	Consolidated 2003 Divestment
Fixed assets	−14	137	−25	15
Receivables	−5	73	−53	48
Liquid assets	0	65	−24	15
Financial liabilities			12	0
Other liabilities and provisions	8	−102	78	−89
Capital gains on affiliated companies		206		11
Purchase price paid/received	**−11**	**379**	**−12**	**0**
Liquid assets, acquired affiliated companies	0		24	
Liquid assets, divested affiliated companies		−65		−15
Net effect on cash flows	**−11**	**314**	**12**	**−15**

Note 28 Liquid assets

"Funds in transfer" refers to funds held on behalf of external customers. These funds can only be transferred and are unavailable to Posten's business operations. The same amount has also been used to adjust the increase/decrease in financial liabilities on the statements of cash flows. See section under accounting principles.

SEK m	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
Cash and cash equivalents	1,627	2,208	817	866
Short-term investments [1]	2,684	1,264	2,569	1,208
Liquid assets according to the balance sheets	**4,311**	**3,472**	**3,386**	**2,074**
Less:				
Funds in transfer	−104	−572		
Liquid assets according to the statements of cash flows	**4,207**	**2,900**	**3,386**	**2,074**

[1] Investments maturing in fewer than 90 days.

Note 29 Financial risk management and financial instruments

Policies and principles for managing financial transactions and risk

The group's treasury policy, which is set by the board of directors, governs Posten's financial risk management activities. The treasury policy establishes the criteria for liquidity management, raising capital and financial risk management. Treasury management is a centralized unit of the parent company whose purpose is to extract coordination economies, mitigate cash-flow and earnings fluctuations, as well as to provide firm control of financial risks. The treasury policy does not permit speculative trading. Subsidiaries are responsible for identifying as well as reporting and following up on financial risks that arise from operating activities. The centralization of payment traffic, coupled with the introduction of an enterprise resource management system for the Swedish subsidiaries facilitates the identification of risks that arise from operating activities. Because Posten operates primarily in the Swedish market, foreign currency streams are limited in scope.

Reported value and fair value of interest-bearing financial instruments

The table below shows the reported and fair value of financial instruments broken down by category. Other financial instruments on the balance sheet, which are not presented in the table below, are reported at their fair value. Official market quotes have been used to ascertain fair value. In cases where market quotes are unavailable, prices of comparable instruments have been used.

For accounting and valuation principles for financial assets and liabilities, see Note 1.

Note 29, continued

Reported and fair value

	Consolidated 12/31/2004		Parent Company 12/31/2004		Consolidated 12/31/2003		Parent Company 12/31/2003	
	Reported value	Fair value	Reported value	Fair value	Reported value	Fair value	Reported value	Fair value
ASSETS								
Bonds and other long-term securities	66	66	13	13	8	3	5	0
Other interest-bearing receivables					7	7	1	1
Interest-bearing receivables, affiliated companies			1,221	1,221			1,788	1,788
Short-term investments								
Commercial paper (banks and corporations)	2,440	2,440	2,440	2,440	1,163	1,163	1,163	1,163
Treasury bills	65	65			47	47		
Other lending	179	179	129	129	54	54	45	44
Total short-term investments	**2,684**	**2,684**	**2,569**	**2,569**	**1,264**	**1,264**	**1,208**	**1,207**
Cash and cash equivalents								
Own funds [1]	1,523	1,523	817	817	1,636	1,636	866	866
Funds in transfer	104	104			572	572		
Total cash and cash equivalents	**1,627**	**1,627**	**817**	**817**	**2,208**	**2,208**	**866**	**866**
LIABILITIES								
Long-term interest-bearing liabilities								
Financial leases	142	142						
Bonds (MTN)	200	201	200	201	400	406	400	406
Debt, credit institutions	381	381			493	491		
Other liabilities					5	5		
Total long-term interest-bearing liabilities	**723**	**724**	**200**	**201**	**898**	**902**	**400**	**406**
Current interest-bearing liabilities								
Bonds (MTN)	200	201	200	201				
Liabilities, payment transfers	104	104			572	572		
Debt owed to affiliated companies			1,671	1,671			377	377
Other current liabilities	109	109			10	10		
Total current liabilities	**413**	**414**	**1,871**	**1,872**	**582**	**582**	**377**	**377**
DERIVATIVES [2]								
Forward currency contracts								
Contracts with a positive value, on balance sheets	0	0	3	3	3[3]	4[3]	6[3]	5[3]
Contracts with a negative value, on balance sheets	–6	–6	–5	–5				
Contracts with a positive value, off balance sheets		3						
Contracts with a negative value, off balance sheets		–5				–4[3]		
Utilities contracts								
Contracts with a positive value, off balance sheets		6				4[3]		
Contracts with a negative value, off balance sheets		–8						

1) Of the group's own funds, SEK 941m (1,069) is exposed to credit risk. The remainder comprises own cash within payment transfer

2) Most of the derivatives are realized within one year. The forward contracts related to the hedging of balance sheet items are reported on the balance sheet. Other forward contracts are off-balance-sheet items.

3) Net reported contract value.

Note 29, continued

Liquidity management
Under the group's policy a high payment adequacy should be maintained to satisfy both disturbances in the capital and monetary market as well as unforeseen requirements at operating units. The liquidity surplus is deposited in a bank account or invested in interest-bearing instruments with high liquidity and creditworthiness. Investments in interest-bearing instruments have a term of less than 90 days and are accounted for as liquid assets. As of December 31, 2004, consolidated liquid assets—i.e., short-term investments and cash and cash equivalents—totaled SEK4,311m (3,472), of which financial investments with an average term of 62 days accounted for SEK 2,684m (1,264).

An annually renewed confirmed credit facility of SEK 1,000m further bolsters payment adequacy. The confirmed credit facility was not utilized in 2004.

Raising capital
Affiliated companies' investment and financing needs are handled via established consolidated account structures at Swedish banks. Foreign subsidiaries, which do not have access to consolidated accounts, raise capital mainly through loans provided by the parent company. Loans are provided to foreign subsidiaries in their local currencies, and both the principal and interest are hedged.

Though the group primarily borrows funds denominated in SEK, it occasionally borrows funds denominated in other currencies. As of December 31, 2004 the group's loan portfolio totaled SEK 1,136m (1,480), of which SEK 104 (572) is attributable to debt incurred in payment transaction.

The group's financing needs are met in part through bilateral agreements with banks and credit institutions and in part through Swedish financing programs such as the Medium Term Note (MTN) program and the Commercial Paper program.

- The Commercial Paper program, comprising SEK 2,000m overall, is used for short-term financing purposes. As of December 31, 2004, no commercial paper was outstanding.
- The MTN program, comprising SEK 3,000m overall, is used for medium- and long-term borrowing purposes. As of December 31, 2004, SEK 400m was outstanding under the MTN program.

Current bilateral loan agreements with banks and credit institutions feature standard limits on key financials focusing on the consolidate income statements and balance sheets.

Financial risk management
The group's exposure to financial risks is limited by constraints stipulated by the treasury policy. Posten's financial risks are categorized according to currency risk, interest-rate and cash-flow risk, credit risk and refinancing risk.

Currency risk
Currency risk is the risk that the market value of assets denominated in foreign currency varies due to exchange-rate fluctuations. The group's currency risk is divided into transaction exposure and translation exposure.

Transaction exposure is defined as changes in the value of contracted and projected future ingoing and outgoing payments denominated in foreign currencies both on and off the balance sheet. Derivatives in the form of forward currency contracts are used to eliminate the group's risk exposure (see table blow). Forward currency contracts are used chiefly to hedge against exchange-rate exposure to loans and investments as well as, to a certain extent, supplier and customer payment streams. The group's transaction exposure to Special Drawing Rights (SDR), the artificial basket currency used by national postal organizations to compensate each other for the provision of postal distribution services, is not hedged. Posten's transaction volume is well within the fixed criteria framework.

Outstanding currency derivatives
Below is an account of the group's currency derivatives by currency and maturity. Price refers to the mean contract price.

	Matures in 2005 Nominal amount				Matures in 2006 Nominal amount			
	On balance sheet		Off balance sheet		On balance sheet		Off balance sheet	
Consolidated, 12/31/2004	SEK m	Price	SEK m	Price	SEK m	Price	SEK m	Price
Buy								
DKK	11	1.21	8	1.20			0	1.23
EUR	6	9.03	116	9.06			1	8.97
GBP	2	12.78	8	12.80				
NOK			5	1.09				
SGD			0	4.13				
USD	162	6.78	27	7.93				
	180		**164**				**1**	
Sell								
DKK	229	1.21	1	1.23				
EUR	14	8.99	0	8.96				
GBP	12	12.77	8	12.77				
NOK	44	1.08						
SGD	2	4.13	0	4.13				
USD	18	6.79	10	7.59			4	7.58
	318		**20**				**4**	

On-balance-sheet forward currency contracts comprise the hedging of balance-sheet items. Off-balance-sheet forward currency contracts hedge items such as contracted payment flows denominated in foreign currency.

Note 29, continued

Translation exposure is defined as the consolidated change in subsidiaries' net assets resulting from exchange-rate fluctuations. Because the group's international operations are limited in scope, translation exposure is not hedged. The DKK, NOK, USD and EUR account for the largest translation exposures. See table below.

Translation exposure

Foreign net assets exposed to exchange-rate fluctuations.

	12/31/2004		12/31/2003	
Consolidated, Currency	Amount, SEK m	%	Amount, SEK m	%
AUD	–4	0	–3	0
DKK	324	35	325	31
EEK	0	0	14	1
EUR	361	39	364	34
GBP	21	2	32	3
LTL	0	0	30	3
LVL	0	0	2	0
NOK	197	21	290	27
PLN	0	0	13	1
RUR	0	0	–25	–2
SGD	3	0	4	0
USD	17	2	13	1
Total	**919**	**100**	**1,059**	**100**

Interest-rate risk

Interest-rate risk is the risk that the market value of fixed-rate financial instruments fluctuates due to changes in market rate of interest. Posten measures interest rate risk as the change in value of all interest-bearing assets and liabilities if the market rate of interest for all relevant terms moves 1 percentage-point.

Posten Group has elected to not hedge interest rate risk, as its affect on Posten is immaterial.

Credit risk

Credit risk refers to the risk that debtors will be unable to partially or entirely meet their obligations.

Posten limits the credit risk that accompanies financial transactions by depositing the surplus liquidity in a bank or investing it in interest-bearing instruments with high creditworthiness. Trade is also constrained through industry-specific caps, borrower profile and term. Applicants' creditworthiness must be evaluated to qualify for assistance. As of December 31, 2004 the group's total credit exposure to interest-bearing receivables—i.e., short-term investments and funds deposited in bank accounts—totaled SEK 3,626m (2,333). In 2004 there were no credit losses in connection with investing activities.

Credit risk in connection with credit sales to customers is mitigated by spreading the risk across numerous customers in various industries. Of total consolidated receivables, SEK 2,543m, the single largest exposure is SEK 32m. Posten has established routines and guidelines for assessing creditworthiness and surveillance. In 2003 accumulated losses from credit sales were SEK 24m (15).

Refinancing risk

Refinancing risk is the risk that liquid assets are unavailable, that financing is partially or wholly unobtainable, or can be obtained at substantially increased cost.

Posten mitigates refinancing risk by always maintaining certain payment adequacy and by diversifying the maturity structure in the financing portfolio. Payment adequacy is the sum of liquid assets, investments, unutilized confirmed loan facilities and projected cash flows less loans received.

Note 29, continued

Interest-bearing assets and liabilities, effective interest rate and maturity structure

Consolidated, 12/31/2004	Nominal amount in millions (original currency)	Effective interest, %	Average fixed interest term (months)	<1 year SEK m	1–5 years SEK m	>5 year SEK m	Totalt MSEK
Short-term investments							
Commercial paper, SEK		2.07	1	2,440			2,440
Treasury bills [1], SEK		2.02	5	65			65
Other lending [2], SEK		2.80	1	179			179
Total short-term investments				**2,684**			**2,684**
Long-term liabilities							
Bank loans							
SEK, variable interest rate	246	2.29	2		109	137	246
USD, variable interest rate	21	2.28	2		60	75	135
Bonds							
SEK, variable interest rate	200	3.82	0		200		200
Other loans							
Financial leases				1	67	68	136
Other long-term liabilities [3]					6		6
Total long-term liabilities				**1**	**442**	**280**	**723**
Current liabilities							
Bonds				200			200
Debt, payment transfers				104			104
Other current liabilities [3]				109			109
Total current liabilities				**413**			**413**

1) Items not included in parent company financial statements.
2) Under “other lending,” SEK 129m of the SEK 179m relates to the parent company.
3) Items represent the current portion of long-term liabilities as well as loans at subsidiaries denominated in NOK.

Note 30 Transactions with associated parties

Affiliated companies
Affiliated companies provide products and services to one another in accordance with the full costing principle, except for services included in Posten’s service range, for which market rates and terms apply. Intra-group sales totaled SEK 3,688m (3,952).

Swedish State
Posten AB is wholly owned by the Swedish State. Posten Group’s range of services is provided to state-owned companies and agencies on generally accepted commercial terms. Correspondingly, Posten purchases services from state-owned agencies and companies at market rates and generally accepted commercial terms.

Posten has been mandated by the Swedish state to provide universal mail service and essential financial-transaction services in accordance with the Postal Services Act and the Essential Financial

Like other postal operators in Sweden, Posten must have a permit to provide postal services. In 2004 the National Post and Telecom Agency (PTS) received SEK 11.2m from Posten for this permit.

In 2003 the National Post and Telecom Agency appropriated SEK 41.8m to Posten for physical disability compensation, corresponding to full cost. SEK 37.6m is related to compensation for Braille or audio recordings sent to and from the visually impaired. The remaining SEK 4.2m concerns compensation for special service provided by rural letter carriers to senior citizens and the physically disabled living in sparsely populated areas.

Under the Essential Financial Transaction Services Act, Posten provides nationwide essential financial-transaction services, enabling people to make and receive payments at equitable prices. Posten fulfills its mandate through wholly owned Svensk Kassaservice AB. In 2004 the Swedish Government appropriated SEK 400m to support the provision of service in commercially unviable areas lacking suitable alternatives.

Statement of retained earnings

The group has non-restricted equity of SEK 2,012m. The group proposes that SEK 0m of the non-restricted equity be transferred to restricted reserves.

Presented below are the parent company's earnings to be placed at the disposal of the Annual General Meeting:

	SEK
Retained earnings	4,892,982,521
Net earnings	–651,368,202
Non-restricted equity	4,241,614,319

The board of directors and chief executive officer propose that the retained earnings be allotted as follows:

	SEK
Dividend, 600,000 shares (SEK 250 per share)	150,000,000
Brought forward	4,091,614,319
Total	4,241,614,319

Stockholm, February 25, 2004

Marianne Nivert
Chairman

Mats Abrahamsson   Jonas Iversen   Jan Kvarnström

Ulla Litzén   Katarina Mohlin   Åke Kihlberg

Alf Mellström   Kjell Strömbäck

Erik Olsson
President and Chief Executive Officer

The group and parent company income statements and balance sheet will be presented for approval at the Annual General Meeting.

The three employee-appointed board directors oppose the dividend proposal.

Auditors' report

To the Annual General Meeting of Posten AB (publ)
Corporate identity number 556128-6559

We have examined the annual report, consolidated financial statements, accounting records and the administration of Posten AB (publ) by the Board of Directors and the Chief Executive officer for the fiscal year 2004. These accounts and the administration of the company are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion of the annual report, the consolidated financial statements and the administration on the basis of our audit.

The audit has been carried out in accordance with generally accepted auditing practices in Sweden. These practices require that we plan and perform the audit to obtain reasonable assurance that the annual report and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles and their application by the Board of Directors and the Chief Executive Officer as well as evaluating the overall presentation of information in the annual report and the consolidated financial statements. To determine the liability for damages, if any, to the company of any members of the Board or the Chief Executive Officer, we have examined significant decisions, actions taken and the circumstances of the company. We have also examined whether any members of the Board or the Chief Executive Officer have in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the company's Articles of Association. We believe that our audit provides us with a reasonable basis for our opinion as set forth below.

The annual report and the consolidated financial accounts have been prepared in accordance with the Annual Accounts Act and thereby provide a true and fair view of the company's and the group's profit and financial position in accordance with generally accepted auditing standards in Sweden.

We recommend that the Annual General Meeting adopt the income statement and the balance sheet for the parent company and the group, distribute the earnings in the parent company in accordance with the proposal in the Board of Directors' report, and discharge the members of the Board of Directors and the Chief Executive Officer from liability for the fiscal year.

Stockholm, February 25, 2004

KPMG Bohlins AB
Stefan Holmström
Authorized Public Accountant

Staffan Nyström
Authorized Public Accountant
Swedish National Audit Bureau

Five-year review

SEK m unless otherwise specified	2000 2)	2001 2)	2002	2003	2004
Net sales	21,813	21,668	23,632	24,519	25,120
Operating earnings	–1,956	1,420	29	–278	991
After-tax earnings 3)	–1,528	2,993	–796	–233	1,225
Operating margin %	neg	6.7	neg	neg	3.4
Total assets	16,056	17,311	13,863	12,662	14,289
Equity	–57	3,299	2,587	2,308	3,930
ROE, %	neg	137	neg	neg	37
Equity-assets ratio, %	neg	19	19	18	28
Cash flows before financing activities	1)	2,972	–1,813	–524	1,274
Average number of employees	39,335	39,466	39,554	37,905	35,731
Employees, December 31	47,426	45,104	48,144	41,885	40,101
Net sales per employee, SEK thousand	554	549	597	647	703
Number of sick days per employee	30.9	33.3	35.0	33.5	32.1
Customer Satisfaction Index (CSI)	61	63	61	60	63

1) Historical statistics unavailable.
2) Pro forma excluding Postgirot.
3) After-tax earnings comprise earnings before minority interests.

Quarterly data

SEK m unless otherwise specified	2004 Oct.–Dec.	2004 July–Sept.	2004 April–June	2004 Jan.–March	2003 Oct.–Dec.	2003 July–Sept.	2003 April–June	2003 Jan.–March
Net sales	6,905	5,699	6,263	6,253	6,565	5,827	6,022	6,105
Operating earnings	310	402	97	182	139	96	–497	–16
After-tax earnings [1]	436	384	102	303	168	82	–496	13
Operating margin [2] %	4	7	2	3	2	2	neg	neg
Total assets	14,289	13,176	13,904	13,353	12,662	12,976	13,672	13,130
Equity	3,930	3,399	3,032	2,938	2,308	2,121	2,066	2,585
ROE, %, 12-month	37	35	26	2	neg	neg	neg	neg
Equity-assets ratio	28	26	22	22	18	16	15	20
Cash flows before financing activities	985	–28	134	183	344	–479	126	–515
Customer Satisfaction Index (CSI)	63	63	62	61	60	60	61	60
Average number of employees, from 1/1/2004-12/31/2004	35,731	36,068	35,465	35,302	37,905	38,500	37,761	37,504

1) After-tax earnings comprises earnings before minority interest.

2) Operating margin: operating earnings divided by net sales.

Board of directors and auditors

Marianne Nivert

Mats Abrahamsson

Jonas Iversen

Jan Kvarnström

Elected at the Annual General Meeting

Marianne Nivert (1940)
Chairman of Posten AB since April 2003, board director since December 2002. Professional board director. Resides in Stockholm, Sweden. Vice Chairman: Karolinska University Hospital. Board director: Beijer Alma AB, Chalmers Tekniska Högskola AB, Fourth AP Fund, Lennart Wallenstam Byggnads AB, SSAB, Studieförbundet Näringsliv och Samhälle (SNS) and Systembolaget AB. Member of the Audit Committee (since April 2004) and Compensation Committee (chairman).

Mats Abrahamsson (1960)
Ph.D., MSc. Professor in Logistics Management.
Board director since April 2003. Resides in Linköping, Sweden. Professor, Linköping University. Board director: Content Provider AB, Dixma Consultant AB, Linköping's Management Enterprising AB and Senaten Interactive Academy AB. Member of the Compensation Committee.

Jonas Iversen (1965)
Degree in Business Administration.
Board director since April 2001. Resides in Tyresö, Sweden.
Director/Senior Advisor, Ministry of Industry, Division for State Enerprises.
Board director: Vin & Sprit AB. Member of the Audit Committee (chairman).

Jan Kvarnström (1948)
Degree in Business Administration.
Board director since April 2001. Resides in Hamburg, Germany. Board director and member of the executive management, Dresdner Bank AG. Chairman, Castellum AB. Board director: Nobel Biocare AG.

Ulla Litzén (1956)
Degree in Business Administration, MBA.
Board director since April 2001. Resides in Stockholm, Sweden. CEO, W Capital Management AB. Board director: AB SKF, Atlas Copco AB, Investor AB and Karo Bio AB. Member of the Audit Committee (January–April 2004, January 2005–).

Katarina Mohlin (1961)
Degree in Business Administration.
Board director since April 2003. Resides in Stockholm, Sweden. Head of communications, If Skadeförsäkring. Board director: Danderyds Sjukhus AB and Expanda Design Group. Member of the Compensation Committee.

Christina Ragsten Pettersson (1958)
Degree in Business Administration.
Board director since April 2003; stepped down on November 30, 2004). Resides in Stockholm, Sweden. Formerly Assistant undersecretary, Ministry of Industry, Employment and Communications. Stepped down in connection with employment at Nordea. Was a member of the Audit Committee.

Ulla Litzén

Katarina Mohlin

Åke Kihlberg

Alf Mellström

Kjell Strömbäck

Elected by employees

Åke Kihlberg (1944)
Trade union representative.
Board director since May 1995. Resides in Hägersten, Sweden. Employee representative appointed by the Swedish Union of Service and Communications Employees. Posten employee since 1964.

Alf Mellström (1956)
Trade union representative.
Board director since April 2001. Resides in Nyköping, Sweden. Employee representative appointed by the Swedish Union of Service and Communications Employees. Posten employee since 1978.

Kjell Strömbäck (1950)
Trade union representative, degree in Business Administration
Board director since June 1999. Resides in Tullinge, Sweden. Employee representative appointed by the Swedish Federation of Civil Servants at Posten. Director of Swedish Federation of Civil Servants. Posten employee since 1968.

Alternates

Björn Nyström (1953)
Urban planner.
Alternate since April 2001 (board director since 1994). Resides in Stockholm, Sweden. Employee representative appointed by the PTK employee guild at Posten. Posten employee since 1984.

Ann-Marie Ross (1951)
Trade union representative.
Alternate since April 2001. Resides in Strängnäs, Sweden. Employee representative appointed by the Swedish Union of Service and Communications Employees. Posten employee since 1971. Alternate board director, Swedish Union of Service and Communications Employees.

Kjell Öström (1945)
Trade union representative and personnel management professional. Alternate since May 2003. Resides in Härnösand, Sweden. Employee representative appointed by the Swedish Federation of Civil Servants at Posten. Posten employee since 1963.

Board secretary

Viveca Bergstedt Sten (1959)
Chief Legal Officer

Auditors

At the 2003 Annual General Meeting, KPMG Bohlins AB was appointed auditor for a period of four years. Authorized accountant Stefan Holmström was appointed chief auditor, and authorized accountant Lena Möllerström was named alternate chief auditor.

Authorized accountant Staffan Nyström was appointed by the Swedish National Audit Bureau for a period of four years. Authorized accountant Göran Selander was appointed alternate.

Corporate Governance at Posten

The Swedish State owns 100 percent of Posten. The owner unit at the Ministry of Industry, Employment and Communications is tasked with actively monitoring and managing state assets. The Government has also set the parameters for certain corporate governance issues, and established a number of guidelines regarding the governance of state-owned companies, financial reporting and so forth. Value-creation is the overarching objective of all state-owned enterprises. Posten's corporate governance principles embrace ease in decision-making and fluid operational management and follow-up.

Board of directors and its actions

Seven board directors were elected at the Annual General Meeting held on April 29, 2004. Following Christina Ragsten Pettersson's resignation in November, the board comprises six directors and three employee-appointed alternates. All shareholder-elected board directors, apart from Jonas Iversen, are independent. The average age of the Annual General Meeting-elected board directors is 49. No Annual General Meeting-elected board director was elected earlier than 2001. The CEO and other officers attend board meetings in speaking or administrative capacities.

Annually the board establishes rules of procedure based on the model crafted by the Ministry of Industry, Employment and Communication, which regulates inter alia the chairman's duties, information to be disclosed to the board, and the respective roles and responsibilities of the CEO and board. Board tasks, apart from the committees presented on the opposite page, are not divided among the board members.

In the fiscal year 2004 the board held eight meetings, of which one followed election and one was per capsulam. In addition to monitoring operating activities, the board addressed inter alia the following:

March 1, 2004	**Structure of action program**	• Measures to improve net earnings • 2004–2006 Action Program • Evaluation of board actions
April 28, 2004	**Revised business plan and quantified goals**	• Updated business plan for 2005–2006 • Profitability, corporate image and customer satisfaction, competitiveness, costs and employee satisfaction targets
June 16, 2004	**Market analysis**	• Assessing market situation • Future Posten services
August 25–26, 2004	**Audit of Posten's international market presence**	• Audit of Posten's international market presence • Decisions regarding strategies for international market presence
November 8, 2004	**Market scenario 2005–2010**	• Strategy for adapting to new market conditions • Current Government inquiries
December 2, 2004	**Measures to boost growth**	• 2005–2007 business plan • Governance at Posten

During the year the board addressed inter alia the budget, full-year results, interim financial reports, ongoing investments and decisions regarding efficiency improvements. In addition the board devoted continual attention to Government inquiries—mainly the postal and payment transaction inquiry, but also the freedom of information and procurement inquiries.

2004 attendance record, board and committee meetings (number)

	Board	Audit	Compensation
Number of meetings	8	6	1
Marianne Nivert [1)]	8	2	1
Mats Abrahamsson	8	–	1
Jonas Iversen	7	6	–
Jan Kvarnström	5	–	–
Ulla Litzén [2)]	6	3	–
Katarina Mohlin	7	–	1
Christina Ragsten Pettersson [3)]	6	6	–
Åke Kihlberg [4)]	8	–	–
Alf Mellström [4)]	7	–	–
Kjell Strömbäck [4)]	7	–	–

1) Member of Audit Committee from April 2004.
2) Member of Audit Committee January-April 2004.
3) Resigned November 30, 2004.
4) Union representative.

Audit Committee

The board has appointed a standing Audit Committee—comprising at least three board directors and convening at least four times a year—charged with aiding the board in issues concerning financial control, governance and auditing. The Audit Committee also assists the owner in choosing auditors. The Audit Committee, in addition to reporting to the board on its efforts, regularly reviews the auditors' reports and determines whether they are performing their tasks independently, objectively and cost-effectively. The committee's rules of procedure are put before the board for approval. The company's auditors will participate in the meeting(s) during which the year-end report, annual report and auditors' report are presented, as well as when the need arises for information pertaining to the group's financial position. The Audit Committee includes Jonas Iversen (chairman), Ulla Litzén (January-April 2004; from and including January 2005) and Marianne Nivert (since April 2004).

Compensation Committee

The board has also appointed a standing Compensation Committee. In addition to shaping policy and outlining principles for bonuses, pensions and other benefits received by the CEO and executive management, the Compensation Committee is tasked with outlining remuneration principles for external directors serving on the boards of subsidiaries. The chairman is responsible for continually apprising the board of the activities of the Compensation Committee. The committee comprises Marianne Nivert (chairman), Mats Abrahamsson and Katarina Mohlin.

Nominations to the board

Because the Swedish State owns 100 percent of Posten, there is no nomination committee. The nomination and naming of board directors is preceded by an ongoing dialog between the owner, via the department in charge of Posten, chairman and other board directors. Gender equity and expertise are particular considerations when nominating board directors.

Compensation for board directors

Remuneration for board directors is set at the Annual General Meeting. In 2004 aggregate remuneration to the Annual General Meeting-elected board directors totaled SEK 1.5m. See Note 3 on page 57 for details on how the remuneration was apportioned. SEK 0.2m was provided for committee members.

Evaluation of board actions

Beginning in 2004 the board conducts an annual evaluation of its actions. The evaluation comprises surveys as well as dialog between the chairman and board directors. The evaluation covers, for instance, how matters were addressed; whether the right matters were addressed; integrity of supporting documentation; quality of board dialog as well as how well decisions and discussions are reflected in the minutes. Verbal and written feedback is provided to the board directors.

Executive management

The executive management comprises seven officers: CEO; Executive Vice President, Marketing and Sales; Executive Vice President, Production and Logistics; Vice President, Human Resources; Chief Financial Officer, CFO; Chief Information Officer, CIO as well as Vice President, Corporate Communications. Posten's Chief Legal Officer is an alternate member of the executive management.

The CEO oversees day-to-day business operations as framed by the current rule of procedure in which the board has established the roles and responsibilities of the board and chief executive. The board has also crafted a written set of instructions for the CEO.

In May Inger Holmström stepped down as Vice President, Corporate Communications. Per Mossberg succeeded Ms. Holmström in October 2004. Britt Rozental served as interim head of corporate communication but was not a member of the executive management. Per-Inge Olsson took up his duties as CIO in February.

Executive compensation principles

Posten's pay and benefits packages are designed to reflect market pay rates. The chairman of the board, acting on approval of the Compensation Committee, designs the benefits plan for the chief executive officer. Executive compensation packages do not feature a variable pay component. See Note 3 on page 57 for a closer examination of executive pay.

Business segment governance

As of July 1 Posten has two business segments: Messaging & Logistics and Cashier Service. The Messaging & Logistics segment comprises two divisions, Marketing & Sales and Production & Logistics, as well as the executive management. The functional responsibility of the executive management will extend only to the Messaging & Logistics business segment. The Cashier Service business segment is managed exclusively by its board of directors, and its management is not part of the executive management.

Interplay between the owner, board and management

Posten is wholly owned by the Swedish state and complies with the Swedish Companies Act, which, among other things, regulates roles and responsibilities and use of company funds. In addition, the owner has provided the company with guidelines for financial disclosure, executive employment terms, as well as environmental and equal-opportunity practices. The company's mandates are outlined in the articles of incorporation.

Parliament makes laws and establishes frameworks and guidelines for Posten's business operations in Sweden. These are based on, among other things, EU directives regulating the fundamental level of postal service in Europe and Universal Postal Union treaty, which regulates international mail. The Postal Act outlines the fundamental regulations for mail-pieces weighing up to 20 kilograms. Complementary regulations are stipulated in the Postal Statutes, which are approved by the Government. In Parliament, postal matters are primarily addressed by the standing Committee on Transport and Communications; however, postal matters can also come under the jurisdiction of the Committee on Industry and Trade and the Committee on Finance. Moreover, Posten's provision of essential financial-transaction services is regulated by the Essential Financial Transaction Services Act.

The Government is ultimately responsible for administrating Posten, which is handled by the Ministry of Industry, Employment and Communications. The ministry exercises the state's voting rights at Posten AB's Annual General Meeting and therefore appoints Posten's board directors. In 2004 the Swedish Government launched a number of inquiries that may affect Posten's business operations. See the section titled "Market" on page 10 for more information.

The National Post and Telecom Agency (PTS) monitors postal operations to ensure compliance with decisions taken by Parliament and the Government. PTS issues permits to companies wanting to offer postal services in Sweden. Under the terms and conditions of the permit issued by PTS, Posten undertakes to provide universal service. PTS is also the oversight body for the essential financial-transaction services provided by Posten.

Posten's board, under the rules of procedure, coordinates its view with that of the owner in matters of material significance.

The chief executive officer, acting in concert with the executive management, is responsible for operating activities in accordance with the board's guidelines and instructions. The relationship between the board and management is regulated by rules of procedure and chief executive instructions. The rules of procedure state inter alia that the chief executive's and executive management's tasks include crafting business plans and budgets as well as full-year, interim and annual reports. The CEO is also responsible for inter alia business governance, the group's financing, capital structure and risk management. The CEO is also responsible for a string of other corporate matters.

Internal control

Internal control aims and contributes to ensuring that the business is operated with efficiency and toward stated objectives, that financial reporting is reliable and that the company complies with laws, codes and internal regulations. In this way, the system of internal control enables the board and management to ensure that business objectives are met.

The board is ultimately responsible for ensuring that Posten has in place a good system of internal control, and must remain apprised of and evaluate the efficacy of this system. The quality of the financial reporting is assured through ongoing dialog between Posten's independent auditors and, primarily, the company's treasury and finance function as well as the Audit Committee and board.

Corporate units have operating responsibility for identifying risks in their respective areas of responsibility, and identified operating risks are included in each division's business plan. The CFO has, in addition to financial responsibility, strategic and coordinated responsibility for following up on the group's risks. Risk management is regulated by a number of policies. The Risk Management Policy regulates all business and operating risk; the Security Policy governs Posten's security efforts; and the Treasury Policy specifically spans the management of financial risk. A comprehensive review of the company's financial risks can be found in Note 29.

The Ethics Policy frames actions by Posten and its employees aimed at building trust and respect.

Posten also has an Internal Audit unit tasked with auditing and evaluating the group's governance practices and system of internal control. The Audit Committee crafts the audit plan, which outlines the activities of the Internal Audit unit.

The CEO has decided that all areas of Posten's core business will be encompassed by a shared quality and environmental management system, in accordance with ISO 9000 and 14000 standards, by year-end 2005.

Annual General Meeting

The annual general meeting is held within six months of fiscal year-end. In addition to an official press release, an Annual General Meeting notice will appear in Post- och Inrikes Tidningar and a nationwide daily four to six weeks prior to the event. The 2005 Annual General Meeting is to be held on April 27, 2005.

Auditors

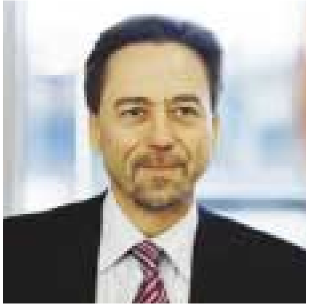
Posten's auditors are named to four-year terms at the Annual General Meeting. KPMG Bohlins AB was named auditor at the 2003 Annual General Meeting; Stefan Holmström is lead accountant for the Posten account. The auditors meet with the board at least once a year and also participate in a number of Audit Committee meetings (see above). As a representative of the Swedish National Audit Bureau, Staffan Nyström is appointed for a four-year term (from 2003).

Executive management

Erik Olsson

Elisabeth Ström

Göran Sällqvist



Ingemar Persson

Bo Friberg

Per Mossberg

Per-Inge Olsson

Viveca Bergstedt Sten

Erik Olsson (1959)
President and CEO
Degree in Business Administration
Joined Posten in 2003
Previous employment: President and CEO, Coop Sverige AB.

Elisabeth Ström (1962)
Executive Vice President, Marketing & Sales; Deputy CEO
Degree in Marketing and Sales
Board director: Ticket Travel Group (publ), Sveriges Radio
Joined Posten in 2003
Previous employment: Executive Vice President, KF incorporated association as well as Executive Vice President, COOP Sverige AB.

Göran Sällqvist (1957)
Executive Vice President, Production & Logistics
Degree in Purchasing Economics
Board director: Almega and Bornicon & Salming AB
Joined Posten in 2003
Previous employment: Executive Vice President, Coop Sverige AB.

Ingemar Persson (1951)
Executive Vice President, Human Resources
Board director: Stiftelsen Svenska Jobs & Society and Nyföretagarcentrum Solna/Sundbyberg
Joined Posten in 1970
Previous employment: Various management positions at Posten.

Bo Friberg (1957)
Chief Financial Officer
Degree in Business Administration
Joined Posten in 2002
Previous employment: Executive, NCC.

Per Mossberg (1953)
Senior Vice President, Corporate Communications
Degree in Business Administration
Joined Posten in October 2004
Previous employment: Partner, JKL.

Per-Inge Olsson (1950)
Chief Information Officer
Degree in Chemical Engineering
Joined Posten in February 2004
Previous positions: Executive, Pfizer/Pharmacia (United States).

Viveca Bergstedt Sten (1959) Alternate member of the executive management
Chief Legal Officer and Secretary of the board of directors
LLB (Bachelor of Law), degree in Business Administration
Joined Posten in 2002
Previous positions: Chief Legal Officer, LetsBuyit.Com.

Definitions

After-tax earnings: Earnings before minority share.

Average number of employees: The total number of paid employee hours divided by the standard number of hours for a fulltime employee.

Corporate Image: An annual survey conducted by pollster Temo. 1,000 personal interviews conducted with individuals between the ages of 16 and 75. Posten has been included in the survey since 1994.

Customer Satisfaction Index (CSI): CSI is a performance metric that reflects achievement relating to the customer satisfaction target. 2,000 measurements are regularly conducted among business and consumer customers throughout the year. Statistical information is compiled quarterly. Fourth-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.

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

Operating margin: Operating earnings after depreciation expressed as a percent of operating income.

ROE: Net earnings divided by average equity.

Salaried staff: Employee earning a monthly salary working at least 40 percent of a fulltime equivalent position.

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 to rate their overall work situation.

Glossary

Addressed Direct Mail (ADM): ADM encompasses all advertising mail displaying the recipient's personal address. ADM reaches most homes and can incorporate high-precision target audience selection.

DPD: Through its strategic alliance with Direct Parcel Distribution (DPD), owned by French postal operator La Poste, Posten is part of Europe's largest parcel delivery network. Customers can send parcels to all of Europe just as fast, reliably and secure as within Sweden.

Direct Mail: Direct Mail encompasses customer mailings and serves as a media channel within the direct marketing discipline. Direct mail comprises addressed direct mail (ADM) and unaddressed direct mail (UDM). Businesses and households are both intended recipients of this class of mail.

Fourth-party logistics (4PL): Companies outsource management of the logistics or distribution function. Fourth-party logistics services are built on logistics expertise that benefits the customer in the form of strengthened competitiveness and delivery capacity. Based on customer needs, 4PL meshes resources in the most efficient way possible. This includes designing logistics solutions, purchasing resources as well as implementing and assuming responsibility for operating the solution.

Flow: The movement of something from supplier to recipient.

In-night Transportation: Shipments are delivered to retailers before the opening of business so that items are in stock when customers need them. A contractual service, it enables one or more senders can reach one or more recipients along a fixed transportation route.

ISO 9001: ISO stands for the International Organization for Standardization. It is a system for managing and structuring day-to-day operating activities. ISO certification demonstrates adherence to an international standard for systematic quality efforts. In 1999, Posten's entire letter mail operation achieved ISO 9001 certification, making it one of the largest certifications in Europe.

ISO 14001: An environmental management system that is in compliance with the international environmental standard ISO 14001 is a prestigious endorsement of the environmental effort. Posten's product and service development activities include environmental analysis and assurance plans, where internal and external environmental requirements are analyzed and enforced.

Medium Term Note (MTN): MTN is a bond loan, Posten's issuance of corporate bonds.

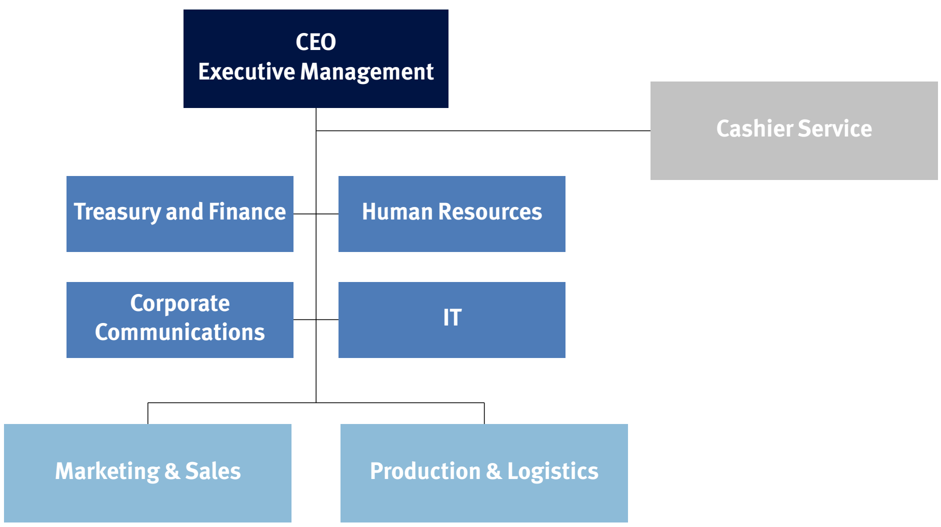
Non-priority Mail: Also known as Economy Mail in Sweden, reaches any address in the country within three business days.

Priority Mail: Domestic Priority Mail is delivered anywhere in Sweden on the first weekday (Monday-Friday) after acceptance. International Priority Mail should be affixed with a blue label or marked "Prioritaire" and may be used by businesses, organizations and consumer customers to send correspondence, printed matter and light goods to recipients around the world.

Third-party logistics (3PL): Logistics for companies in needs of transportation services, as well as distribution and warehousing or holistic supply chain management. A series of add-on services have been developed, including handling, registration, assembly, and labeling. More and more customers are choosing administrative services too, such as billing and payment reminders as well as IT services. Each solution is tailored to meet specific customer needs.

Unaddressed Direct Mail (UDM): Unaddressed mailings delivered by Posten's letter carriers; delivery performance requirements are the same as for regular mail. Though UDM reaches most households, it is also remarkably reliable for reaching specific target audiences.

CORPORATE STRUCTURE



Posten AB (publ)
SE-105 00 Stockholm
Visiting address:
Terminalvägen 24, Solna
Telephone +46 (0)8-781 10 00
Corporate identity 556128-6559
www.posten.se

Posten's Contact Center
Box 1840
SE-171 29 Solna
Consumer +46 (0)8 23 22 21
Business +46 (0)8 23 22 20
Email kundtjanst.foretag@posten.se
kundtjanst.privat@posten.se

Production: n3prenör and JKL · Print: Strokirk-Landströms · Photo: Bengt Alm and others