

Annual Report 2010 and Sustainability Report



Posten Norden



POST

» Corporate Governance Report

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→ Information on the group's corporate governance can also be found on www.postennorden.com

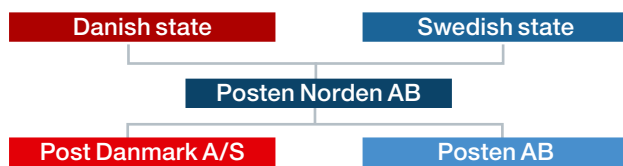


Governance of Posten Norden

Posten Norden's overall goal is to create long-term value for its owners and other stakeholders and to ensure the fulfillment of its universal service obligations. One prerequisite for this is well-functioning corporate governance characterized by an efficient organizational structure as well as clarity and simplicity in the management system and governing documents. This Corporate Governance Report has been prepared in accordance with the Companies Act, the Annual Reports Act and the Swedish Code of Corporate Governance.

Ownership structure

Posten Norden AB (publ), corporate identity number 556771-2640, is a Swedish corporation owned 40% by the Danish state and 60% by the Swedish state. Posten Norden AB is the parent company of the Posten Norden Group. Votes are allocated 50/50 between the Danish and Swedish states.



Deviations from the Code

Posten Norden applies the Swedish Code of Corporate Governance, with the exception of the following Code provisions:

1.5 The rule specifies that simultaneous interpretation must be offered and that all or portions of meeting material must be translated, if so warranted by the composition of the owners and if financially justifiable. Posten Norden's sole owners are the Danish and Swedish states. All meeting material is provided in Swedish. It is the company's assessment that this does not limit the owners' ability to participate in the meetings or to read and understand the material.

2.1 The nomination and appointment of Board members is performed in accordance with the principles agreed upon by the owners. Nominations are made in cooperation with the owners.

4.4 Under the Code, the Board of Directors must include a specified minimum number of members who are independent of major shareholders, and the independence of all Board members must be audited. The primary reason for this rule is to protect minority shareholders. Posten Norden has only two owners; the auditing of Board members is therefore less relevant.

9.7 The rules concerning equity-related incentive programs are not applicable, as the Danish and Swedish states together own 100 percent of the company's shares.

Annual General Meeting

Under the terms of the Companies Act, the AGM is the company's highest decision-making body. The Swedish Ministry of Finance and the Danish Ministry of Transport vote on behalf of the Swedish and Danish states at Posten Norden's Annual General Meeting. AGM resolutions are normally made by simple majority. In certain issues, however, the Companies Act and Posten Norden's by-laws stipulate that motions must be seconded by a higher proportion of the shares represented and votes cast.

2010 Annual General Meeting

Posten Norden AB's 2010 Annual General Meeting was held on April 14, 2010. The AGM resolved to adopt the proposal concerning the election of Board members and the proposal concerning Board member remuneration. The AGM also resolved that Board and Committee remuneration shall not be paid to Board members employed by the Swedish Government Offices. In accordance with the Board of Directors' proposal, the AGM resolved to distribute a dividend of SEK 1,440m to the owners. The AGM also approved the proposed guidelines for determining compensation for executives, adopted by the Board of Directors in February 2010. The proposal includes provisions stipulating that neither variable salaries nor bonuses will be paid to executives. Minutes from the 2010 AGM are published on Posten Norden's website.

2011 Annual General Meeting

Posten Norden's 2011 AGM is planned for April 15, 2011. In accordance with the Code, Posten Norden published the date of its 2011 AGM on its website and in its January-September Interim Report.

A Notice of Annual General Meeting is published in Post och Inrikes Tidningar (the Swedish Official Gazette) and Dagens Nyheter. Notification of the time and place of the AGM is also sent to the central offices of the Danish and Swedish Parliaments in conjunction with the issuance of the notice. AGM minutes are published as soon as they have been verified.

The public and members of the Swedish and Danish Parliaments can register via e-mail to attend the AGM at ir@posten.se.

Rules and regulations affecting the governance of Posten Norden

External rules and regulations

- Companies Act (2005:559)
- NASDAQ OMX Stockholm's regulations for issuers
- Swedish Code of Corporate Governance
- Swedish Annual Accounts Act
- International Financial Reporting Standards, IFRS
- Laws and regulations of the countries concerned
- Danish and Swedish states' owner directives
- Specific legislation, regulations, concessions and licensing terms concerning universal service obligations in Denmark and Sweden. Read more on page 52

Internal rules and regulations

- By-laws
- Rules of procedure for the Board of Directors, including the Board's instructions to the CEO
- Formal decision-making procedure
- Code of Conduct and policy documents
- Financial Accounting Manual
- Audit Committee's formal work plan

Board of Directors

Composition of the Board

The Board is composed of eight ordinary Board members. Fritz H. Schur is Chairman of the Board. Among the elected Board members, 37.5% are women and 62.5% are men. The Board also includes three employee representatives and their three deputies.



Fritz H. Schur



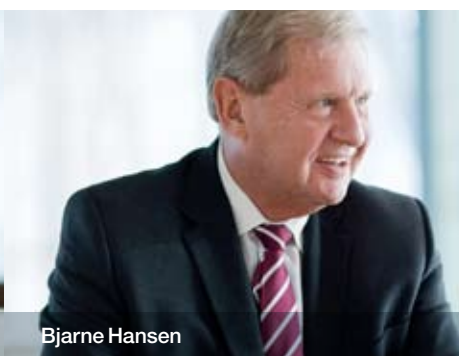
Mats Abrahamsson



Ingrid Bonde



Gunnel Duveblad



Bjarne Hansen



Torben Janholt

Fritz H. Schur

Born 1951. Resides in Klampenborg, Denmark. Chairman since April 2009.

Chairman of the Board of Post Danmark A/S since 2002, board member since 1995. Chamberlain and Consul-General.

CEO or chairman of the board of Fritz Schur Gruppen companies.

Chairman of the board of DONG Energy A/S, F. Uhrenholdt Holding A/S, SAS AB and C.P. Dyvig & Co. A/S.

Vice-chairman of Brd. Klee A/S.

Committee: The Compensation Committee (chair) since 2009.

Gunnel Duveblad

Born 1955. Resides in Danderyd, Sweden. Board member since August 2009.

Board member of Posten AB since 2007.

Degree in Systems Engineering from Umeå University.

Previous positions include: CEO of EDS Northern Europe.

Board member of, inter alia, HiQ International AB, Ruter DAM Foundation, Sweco AB and Aditro AB.

Committee: The Audit Committee (chair) since 2009.

Mats Abrahamsson

Born 1960. Resides in Linköping, Sweden. Board member since August 2009.

Board member of Posten AB since 2003.

PhD (Tech). Professor at Linköping University.

Board member of Dixma Consultant AB.

Committee: The Compensation Committee since 2009.

Bjarne Hansen

Born 1940. Resides in Charlottenlund, Denmark.

Board member since August 2009.

Board member of Post Danmark A/S 2005-09.

Partner, WingPartners IS.

Chairman of the board of Billund Lufthavn A/S and Bel Air by Lastein A/S and subsidiaries.

Board member of F. Uhrenholdt Holding A/S, Aalborg Industries Holding A/S, Aalborg Industries A/S, Bacher Work Wear A/S, Newco AEP A/S, Wrist Group A/S, O.W. Bunker and Trading A/S, Ove Wrist and Company A/S, Keppel Offshore and Marine Pte. Ltd, Monali Aps, Eva Vind K/S, Torvegade K/S.

Director, Rosenborg Partners Aps. Director Bjarne Hansen Aps.

Committee: The Audit Committee since 2009.

Ingrid Bonde

Born 1959. Resides in Stockholm, Sweden.

Board member since August 2009.

Board member of Posten AB since 2005.

Master of Business Administration.

CEO of AMF.

Previous positions include: Director-General, Swedish Financial Supervisory Authority.

Board member of the Swedish Public Employment Service, the Center for Business and Policy Studies (SNS) and the Swedish Insurance Federation.

Committee: The Compensation Committee since 2009.

Torben Janholt

Born 1946. Resides in Holte, Denmark.

Board member since August 2009.

Bachelor of Commerce.

CEO of J Lauritzen A/S.

Board member of A/S United Shipping & Trading Company, Danmarks Rederiforening, European Community Shipowners' Association. Chairman of the board or board member of several companies within Lauritzen Gruppen. Committee: The Compensation Committee since 2009.



Anne Birgitte Lundholt



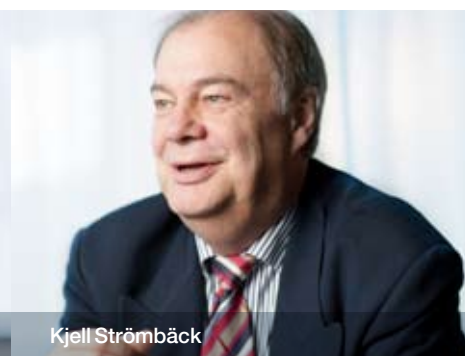
Lars Chemnitz



Alf Mellström



Richard Reinius



Kjell Strömbäck

Anne Birgitte Lundholt

Born 1952. Resides in Dragør, Denmark.
Board member since April 2009.
Board member of Post Danmark A/S since 2005.
Degree in Economics and Master of Political Science.
CEO of VIF, Veterinary Pharmaceutical Industry.
Chairman of the board of Naviair, FOF Danmark and Bornholms Erhvervsfond.
Board member of SCF Technologies A/S, Svaneke Bryghus A/S and IFAH Europe.
Committee: The Compensation Committee since 2009.

Richard Reinius

Born 1967. Resides in Stockholm, Sweden.
Board member since April 2009.
Board member of Posten AB since 2007.
Master of Business Administration.
Senior advisor, Ministry of Finance state ownership unit.
Board member of Jernhusen AB and AB Svensk Bilprovning.
Committee: The Audit Committee since 2009.

Lars Chemnitz

Born 1957. Union-appointed representative.
Resides in Copenhagen, Denmark.
Board member since January 2010.
Deputy representative since August 2009.
Board member of Post Danmark A/S since 2007.

Kjell Strömbäck

Born 1950. Union-appointed representative.
Resides in Tullinge, Sweden.
Board member since August 2009.
Board member of Posten AB since June 1999.
Employee representative appointed by the Union of Civil Servants (ST) at Posten.
Joined Posten in 1968.
Board member of ST.

Alf Mellström

Born 1956. Union-appointed representative.
Resides in Nyköping, Sweden.
Board member since August 2009.
Board member of Posten AB since April 2001.
Employee representative appointed by the Union of Service and Communication Employees (SEKO).
Joined Posten in 1978.

Deputy employee representatives

Peter Madsen

Born 1953. Union-appointed representative.
Resides in Aalborg, Denmark.
Deputy representative since January 2010.
Board member of Post Danmark A/S since 2007.
Joined Post Danmark in 1990.

Isa Merethe Rogild

Born 1949. Union-appointed representative.
Resides in Copenhagen, Denmark.
Deputy representative since August 2009.
Board member of Post Danmark A/S since 1995.
Post Danmark employee.

Anne-Marie Ross

Born 1951. Union-appointed representative.
Resides in Strängnäs, Sweden.
Deputy representative since August 2009.
Board member of Posten AB since April 2005.
Employee representative appointed by the Union of Service and Communication Employees (SEKO).
Joined Posten in 1971. Member of SEKO's executive committee.

Board of Director's actions

Rules of procedure / delegation of authority

The Board of Directors establishes annually rules of procedure regulating matters such as the Chairman's duties, information to the Board and the roles and responsibilities of the CEO and Board members. Apart from the committees presented in this report, Board tasks are not divided among the members. The CEO and other company officials participate in Board meetings in reporting or administrative capacities. Posten Norden's General Counsel serves as secretary to the Board of Directors.

Evaluation of Board actions

The Board conducts an annual evaluation of its own actions. The evaluation is carried out via a questionnaire and through discussions between the Chairman of the Board and Board members. Areas evaluated include the manner in which important decisions are prepared, discussed and managed; whether the right issues are brought up by the Board; the integrity of supporting documentation; and how well decisions and discussions are recorded in the minutes. Verbal and written feedback is provided to Board members.

Board members' remuneration

Remuneration for Board members was determined by the Annual General Meeting held on April 14, 2010. The remuneration for each elected Board member is SEK 250,000, while the Chairman's remuneration is SEK 600,000. Members of the Audit Committee are paid SEK 50,000, while the committee chair receives SEK 62,500. Members of the Compensation Committee are paid SEK 25,000, while the chair receives SEK 37,500. Board and Committee remuneration is not paid to members employed by the Government Offices. See also Note, Employees, Personnel Expenses and Executive Compensation in the consolidated financial statements.

Audit Committee

The Audit Committee's rules of procedure are set by the Board and are aimed at preparing the Board to perform its duties to supervise the company's financial reporting. The Committee's task is to assure the quality of the company's financial reporting, and to monitor the effectiveness of the company's internal governance and control as well as risk management systems and processes. The Committee also assists the owners in selecting auditors. The Audit Committee, in addition to reporting to the Board on its efforts, regularly reviews the auditors' reports and determines whether the auditors are performing their task independently, objectively and cost-efficiently. The Audit Committee is the principal of the internal audit and its monitoring of internal governance and control, and remains apprised of internal audit reports. The Committee is comprised of at least three Board members and meets at least four times

per year. The company's external auditors participate in meeting(s) at which the year-end report, annual report and auditor's report are presented, as well as when they are needed for assessment of the group's financial position. The Committee chair is responsible for continually appraising the Board of the Committee's activities. Audit Committee members are Gunnel Duveblad (chair), Bjarne Hansen, Anne Birgitte Lundholt and Richard Reinius.

Compensation Committee

The Compensation Committee is tasked with preparing and presenting proposals to the Board regarding compensation and other benefits for executive management and remuneration principles for external directors serving on the boards of group subsidiaries. The Compensation Committee is comprised of at least three members. The Chairman of the Board chairs the Committee. The Committee meets at least twice per year. Seven non-recorded meetings, including two telephone meetings, were held in 2010. The Committee's chair is responsible for continually appraising the Board of the Committee's activities. Compensation Committee members are Fritz H. Schur (chair), Mats Abrahamsson, Ingrid Bonde and Torben Janholt.

Board actions 2010

The Board held 5 ordinary meetings and one statutory meeting, 6 Audit Committee meetings and 5 Compensation Committee meetings.

Board attendance 2010

Board member	Number of board meetings	Number of Audit Committee meetings	Number of Compensation Committee meetings*
Fritz H. Schur	5/6	-	5/5
Mats Abrahamsson	6/6	-	5/5
Ingrid Bonde	6/6	-	5/5
Gunnel Duveblad	6/6	6/6	-
Bjarne Hansen	6/6	6/6	-
Torben Janholt	5/6	-	5/5
Anne Birgitte Lundholt	6/6	6/6	-
Richard Reinius	6/6	5/6	-
Lars Chernitz	4/6	-	-
Alf Mellström	6/6	-	-
Kjell Strömbäck	5/6	-	-

* Excluding telephone meetings.

Board meeting	Main topic	Additional key issues
02-23-2010	2009 annual financial statements	Business plan 2010-2012
04-14-2010	Statutory board meeting	
05-11-2010	Interim Report	New subsidiary – Logistik Danmark A/S
08-30-2010	Interim Report	Group financial strategy
11-08-2010	Interim Report	
12-14-2010	Business plan 2011-2013 2011 budget	Principles for CEO and executive compensation Investment program in Denmark

External auditors

Ernst & Young AB is the appointed auditor, with authorized public accountant Lars Träff as the managing auditor. The auditors meet with the Board at least once per year and also participate in a number of Audit Committee meetings. In 2010, the Board met with the auditors during one board meeting, during which board members were able to present questions to the auditors.

Internal audit

Posten Norden's internal audit is certified in accordance with the Institute of Internal Auditors' international standards and is tasked with examining and evaluating the group's internal governance and control. The audit plan is established by the Audit Committee and the Board of Directors. The Head of Group Audit participates in Audit Committee meetings along with the group's external auditors.

Operative structure

The group's operative structure consists of four business areas. Traditional postal operations in Denmark and Sweden are run in business areas Breve Danmark and Meddelande Sverige. The information logistics operations and other Strålfors AB operations are gathered in the Information Logistics business area. The above three business areas constitute the group's communication business. The group's logistics operations are run in the fourth business area, Logistics.

Seven group functions have been established for group management and coordination: Business Development,

Business Information Services, Finance & Treasury, HR, Legal, Group Communications and Operations Development.

Group management

The CEO, assisted by the other members of group management, oversees the day-to-day business operations as framed by the Board's rules of procedure and instructions. Group management operates on the principle that it should be easy to make decisions and to manage and follow up on operations.

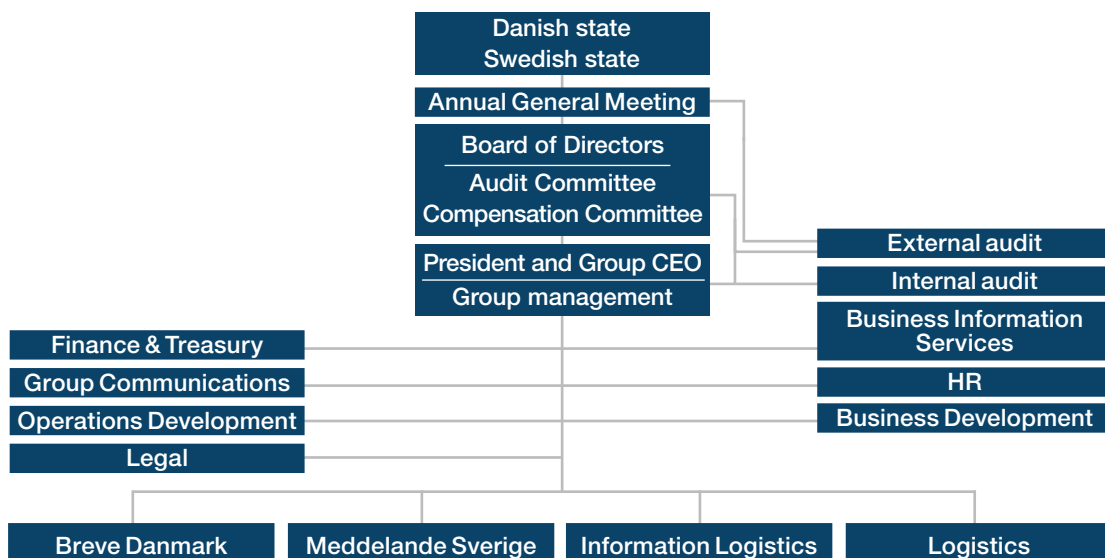
Since July 1, 2009 group management has been comprised of the President and Group CEO, the heads of Posten Norden's seven group functions (Business Development, Business Information Services, Finance & Treasury, HR, Legal, Group Communications and Operations Development) and the heads of business areas Breve Danmark, Meddelande Sverige, Information Logistics and Logistics. Women constitute 8% of group management, while men constitute 92%.

Principles for executive compensation

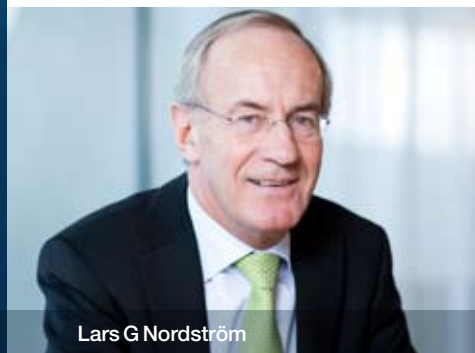
Salaries and wages for Posten Norden employees shall conform to market conditions. The CEO's employment terms are determined by the Board after preparation by the Compensation Committee.

For additional details on executive compensation, see Note, Employees, Personnel Expenses and Executive Compensation in the consolidated financial statements, and page 40 of the Consolidated Financial Review.

Governance structure



Group Management



Lars G Nordström



K. B. Pedersen



Göran Sällqvist



Viveca Bergstedt Sten



Joss Delissen



Andreas Falkenmark

Lars G Nordström, President and Group CEO

Born 1943.

Studied law at the University of Uppsala. President and Group CEO of Posten AB, 2009-11.

Previous positions include: President and Group CEO of Nordea Bank AB, 2002-07. Various positions within Nordea and Skandinaviska Enskilda Banken, 1970-2002.

Other duties: Board member of Nordea Bank AB, Viking Line Abp. Chairman of Finnish-Swedish Chamber of Commerce and member of Swedish-American Chamber of Commerce.

Viveca Bergstedt Sten, General Counsel

Born 1959.

Master of Laws and Master of Business Administration.

General Counsel at Posten Norden AB since 2009.

Previous positions include: General Counsel at Posten AB, 2002-09. General Counsel, LetsBuyIt.com and SMART AB; Corporate Legal Counsel, Scandinavian Airlines.

K. B. Pedersen, Executive Vice President

Born 1948.

Trained at the Danish Post and Telegraph Service.

Executive Vice President and head of group function Operations Development at Posten Norden AB since 2009.

Previous positions include: Deputy CEO of Post Danmark A/S, 1995-2009. Deputy Director of P&T, 1988-95.

Other duties: Board member of bpost and e-Boks A/S.

Joss Delissen, Chief Information Officer

Born 1963.

Master of Business Administration.

CIO at Posten Norden AB since 2009.

Previous positions include: CIO at Posten AB, 2006-09. Various positions at Unilever, most recently as Director of Solutions Architecture.

Göran Sällqvist, Executive Vice President

Born 1957.

Bachelor of Science (Economics), Purchasing and Logistics.

Executive Vice President and head of group function Business Development at Posten Norden AB since 2009.

Previous positions include: Deputy CEO responsible for Posten AB's Production and Logistics Division, 2003-09. Deputy CEO of Coop Sverige AB.

Andreas Falkenmark, Head of business area Meddelande Sverige

Born 1955.

Master of Laws.

Head of business area Meddelande Sverige at Posten Norden AB since 2009.

Previous positions include: CEO of Posten Meddelande AB, 2007-09. Deputy CEO responsible for Posten AB's Marketing and Sales Division, 2005-07. CEO of NK Förvaltnings AB, CEO of Duka AB. CEO of Coop Sverige AB. CEO of Observer Northern Europe.



Bo Friberg, Chief Financial Officer

Born 1957.

Master of Business Administration.

CFO at Posten Norden AB since 2009.

Previous positions include: CFO at Posten AB, 2002-09. Director of Business Development, NCC; Director of IT and Finance, NCC. Business Controller, Beckers, Kanthal-Höganäs and Nordstjernan. Auditor, PriceWaterhouse-Coopers.

Palle Juliussen, HR Director

Born 1948.

Master of Laws.

HR Director at Posten Norden since 2009.

Previous positions include: Member of Post Danmark's general management with HR as area of responsibility, 1995-2009. Director of TeleDanmark, 1991-95.

Finn Hansen, Head of business area Breve Danmark

Born 1956.

Master of Science.

Head of business area Breve Danmark at Posten Norden AB since 2009.

Previous positions include: Deputy Director of Distribution, 2008-09, and Deputy Director of Mail Production and Transport, 2003-08, Post Danmark A/S. Various positions within Post Danmark A/S since 1987.

Per Mossberg, Director of Corporate Communications

Born 1953.

Bachelor of Science (Econ.).

Director of Corporate Communications at Posten Norden AB since 2009.

Previous positions include: Director of Corporate Communications, Posten AB, 2004-09. Partner, JKL AB; Director of Communications, Telia; Corporate Communications Manager, Trygg-Hansa SPP, Nobel Industries and Bofors; CEO, Näringslivets EU-Fakta and Näringslivets Ekonomifakta.

Henrik Højsgaard, Head of business area Logistics

Born 1965.

Head of business area Logistics at Posten Norden AB since 2009.

Previous positions include: CEO of Posten Logistik, 2007-09. Shipbroker in Denmark, Great Britain and Hong Kong. Head of TNT International Express in Denmark. CEO of TNT International Express in Sweden. President and Group CEO of Busslink in Sweden AB. CEO of Keolis Nordic AB.

Per Samuelson, Head of business area Information Logistics

Born 1957.

Master of Business Administration.

Head of business area Information Logistics at Posten Norden AB since 2009.

Previous positions include: CEO of Strålfors AB since 1999. Lecturer at the Stockholm School of Economics and IFL. Various positions within the Perstorp and PLM groups, most recently as Divisional Manager and member of PLM group management.

Other duties: Chairman, BTJ Group AB; member, Chamber of Industry and Commerce of Southern Sweden and Aniagra.

Co-opted members of group management

Jørn Schmidt, Senior Vice President

Born 1959.

Master of Science in Business Economics and Auditing and state authorized public accountant.

Senior Vice President at Posten Norden AB since 2009.

Previous positions include: Executive Secretary of Post Danmark A/S management secretariat, 2000-09. State authorized public accountant, KPMG, 1979-95.

Internal governance and control of financial reporting

Internal governance and control of financial reporting is defined in the Board of Director's rules of procedure as a process by which the Board, the CEO and employees provide a reasonable level of assurance for the reliability of financial reports. Following is a description of the main elements of the group's internal governance and control aimed at ensuring that the group's external reporting is complete and accurate.

Control environment

A good control environment is ensured by clearly defining and communicating details about the organization, decision-making paths and allocation of authority within the group.

Decision-making within the group is regulated by Posten Norden AB's formal delegation of authority, which is based on the allocation of responsibilities established by the Board in its formal rules of procedure. The delegation of authority document sets forth the decision-making authority delegated by the CEO to the managers who report to him. These managers may then further delegate their decision-making authority within their respective areas of responsibility.

The group has a Code of Conduct and policy documents that clarify the values that are expected to be applied. The Code and policy documents provide guidance in terms of what Posten Norden stands for and how we want to be perceived by our stakeholders.

A significant part of the control environment in terms of financial reporting is covered by governing documents and processes for accounting and financial reporting. These documents are regularly updated by the group's central accounting and finance departments in the event of changes to legislation, accounting rules, reporting requirements, etc.

Identification and management of risks

Risk analysis and risk management is a continuous process and constitutes a natural link in planning and follow-up of the group's operations. Risk analysis results are dealt with regularly by the Board, which evaluates and monitors financial reporting risks. See also the Risk and Risk Management section in the Consolidated Financial Review.

Control activities

Control activities help to limit identified risks and are aimed at ensuring that financial reporting is complete and accurate. The group's business processes include controls

that cover issues such as the approval and reporting of business transactions.

The Shared Services unit ensures that services outsourced within the group's finance and payroll administration are delivered with high quality to the consuming units. Special finance functions within all business areas and group functions are responsible for planning and evaluating each unit's business goals and results.

The closing and reporting processes also include built-in controls for reporting, evaluation, disclosure requirements and application of established accounting principles. The group's central finance and treasury function is responsible for consolidated financial statements and for the group's shared financial and administrative control system. This responsibility includes regular analyses of the financial results of the business areas and group functions.

The group's internal audit function conducts efforts to examine the group's internal governance and control.

The Audit Committee, which has the overall task of preparing the Board's work in terms of the control and quality assessment of the group's financial reporting, helps ensure complete and accurate reporting by, among other things, maintaining an ongoing discussion with group management and examining accounting issues and the formulation of the group's financial reports.

Information and communication

The group's Financial Accounting manual and supplementary internal guidelines for accounting and closing procedures are regularly updated and are communicated to relevant employees via the group's intranet and other channels.

The Board receives financial reports on the group's position and earnings trends on a regular basis, and deals with all quarterly accounts and the group's annual report before they are published.

Information to the group's external stakeholders is communicated on an ongoing basis through press releases and Posten Norden's external website.



Governance and monitoring

The Audit Committee plays an important role in the Board's monitoring of the effectiveness of the internal governance and control of financial reporting. The CEO, pursuant to instructions from the Board, is also tasked with ensuring that internal governance and control are appropriate and effective.

All companies and corporate functions conduct annual self-assessments of the internal governance and control of financial reporting. A selection of companies and divisions are visited annually in order to verify the reliability of the self-assessments. Results are compiled and presented to the Audit Committee, the Board and to responsible managers.

Based on responses received, the internal governance and control of financial reporting is deemed satisfactory with reference to the companies and to the group functions.

Posten Norden has an overall internal audit function tasked with monitoring the group's internal governance and control and performing regular independent audits pursuant to an annual audit plan established by the Audit Committee and the Board. The function reports to the Board and to the CEO.

Universal service obligations

Posten Norden's subsidiaries, Post Danmark A/S and Posten AB, are commissioned to provide universal postal services in Denmark and Sweden, respectively. The commissions are based on the EU directive regulating postal services within the EU and on the Universal Postal Union treaty that regulates international mail.

Deregulation within the EU

In February 2008 the European Parliament and Council of Ministers announced their approval of Directive 2008/6/EC (the "Third Postal Directive") concerning the complete implementation of community inner markets for postal services. The new directive includes provisions for the deregulation of EU postal markets by December 31, 2010, with the exception of 11 countries which are exempted until December 31, 2012.

Denmark

The EU directive was enacted in a new Danish Postal Law which regulates postal services in Denmark. The new law was passed by the Danish Parliament on December 16, 2010 and came into effect on January 1, 2011. It includes provisions stipulating that Post Danmark A/S will ensure universal services in a deregulated postal market. Post Danmark A/S has been appointed to fulfill the distribution obligation during the 2011-13 period. Postal operators will be licensed and the Ministry of Transport has been commissioned to establish a fund to finance the net costs of the universal postal service obligation to which all postal operators shall contribute.

Nationwide postal services and associated rights and obligations are also set forth in the "Special License for Post Danmark S/A". The final license is being prepared; Post Danmark has been granted a temporary license that is valid through April 1, 2011. The special license includes terms for service level, quality and prices. Under the new law Post Danmark shall, six days per week (five days per week for parcels), pick up and distribute mail items that are covered by the delivery obligation. Such items include addressed letters; daily, weekly and monthly periodicals; addressed parcels weighing up to 20 kilos and Braille material weighing up to 7 kilos. Addressed priority mail is delivered overnight, non-priority letters are delivered within 2-3 days and C-mail within four days. The quality requirement for letters and parcels is set at 93%.

Prices for services provided under the delivery obligation shall be cost-based, transparent and non-discriminatory. Only single mail items are required to be offered at uniform prices throughout the country. The Transport Ministry approves the price for domestic, stamped non-priority letters weighing up to 50 grams that are sent as single mail items. Post Danmark sets the price of other mail items.

Post Danmark shall maintain a nationwide service network of postal service points able to perform all services covered by the delivery obligation. Under the new law, format-based rates for stamped letters have been abolished. The law also specifies that mailboxes for all Danish households must be located on the property line. In line with the enactment of the new law, Posten Norden has decided to introduce two new types of parcels.

Sweden

The Swedish Postal Act, Postal Statutes, and Concession terms issued by the Swedish Post and Telecom Agency (PTS) regulate universal postal services in Sweden.

The Third Postal Directive has been enacted in Sweden through a new Postal Act which came into effect on September 1, 2010. The Postal Act mandates the provision of nationwide postal services that enable all residents of Sweden to receive addressed mail items weighing up to 20 kilos (universal postal service).

Postal services must be of good quality, and it must be possible for everyone to receive such mailings delivered at reasonable prices. In addition, single mail items shall be conveyed at uniform prices. It must be possible to insure mailings and to obtain a receipt from the recipient showing that the mail item has been delivered. The government's service objectives for mail weighing up to 20 kilos are that mail be collected and delivered on every workday and at least five days a week nationwide. The Postal Statutes specify that at least 85% of the mail posted before a specified time and stamped for overnight delivery must be delivered on the following business day, wherever it is addressed to in Sweden. At least 97% of mail shall be delivered within three business days. For overnight mail, a price limit applies to single mail items weighing up to 500 grams, so their price may be raised no faster than the consumer price index.

The new Postal Act imposes the same universal postal service requirements as the previous law in terms of scope and quality. The new law also includes regulations that exceed those in the EU's Postal Directive. Among other things, the requirements for pricing transparency for the national operator have been increased and the price cap has been retained. At the same time, Posten Norden's main competitor, Bring – owned by the state-owned Norwegian Post – is not subject to these regulations. Under the new law the market is also allowed to provide necessary universal postal services, meaning that no specific postal operator needs to be appointed. If needed, how-



ever, PTS may appoint a postal operator to provide universal postal service. Following the law's effective date, PTS decided to include a requirement for Posten AB to provide universal postal service as part of Posten AB's licensing terms. Posten AB appealed this decision to the Administrative Court in 2010.

Supervision

In Denmark, the Traffic Board regulates postal services on the national level. The Traffic Board supervises Post Danmark and all private postal companies operating in the Danish market. There are estimated to be over 700 postal operations in Denmark. Under Danish postal legislation, "postal operation" is defined as a business that provides commercial postal services for addressed mail items weighing up to 20 kilos. Upon request, postal operations must provide the Traffic Board with a number of details, including information on mail volumes processed.

In Sweden, PTS supervises postal operations to ensure that Posten complies with postal legislation and fulfills government requirements for universal postal services. PTS has granted permits to conduct postal operations in Sweden to more than 30 companies. According to the PTS report "Service and Competition 2010", the group fulfills the government requirements in terms of service level and quality. In terms of the proportion of mail distributed on the following day, the group continues to exceed by a wide margin the minimum requirements stipulated by the terms of its license.

Special provisions – including provisions for sparsely populated areas

In Denmark, a postal operations and postal services ordinance sets forth regulations for the installation of mailboxes and apartment mailboxes. Under the new law, mailboxes for all households must be located on the property line. All multi-storey buildings must install apartment mailboxes in the entrance area. Disabled persons are entitled to have their mail delivered to their door. The Ministry of Transport may limit mail distribution in fringe areas, such as particularly remote areas and islands lacking ferry service. An extra day is added to the delivery time for parcels from Bornholm addressed nationwide.

In Sweden, PTS has issued general suggestions concerning the delivery of mail in the provision of the universal postal service. The general suggestions include advice that, outside urban areas, mail should be delivered to mailbox clusters along the mail carrier's route. Mail items addressed to a mail recipient living less than 200 meters down a side road from the mail carrier's main route should be delivered to the mailbox cluster on the main route. If there are at least two mail recipients who reside or work permanently for every kilometer of the side road, mail should be delivered along that road. However, elderly and physically handicapped people are entitled to have their mail delivered to their property line, as opposed to the mailbox cluster, upon request.

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HC. 341609 Eco-labeled printed matter.

Concept, text and production: Posten Norden. Print: Alloffset.

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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 Norden was founded through the merger of Post Danmark A/S and Posten AB. The group offers communication and logistics solutions to, from and within the Nordic region. In 2010 the group had sales of approximately SEK 42 billion and over 44,000 employees. The parent company, Posten Norden AB, owner of the legal entities Post Danmark A/S and Posten AB, is a Swedish public company owned 40% by the Danish state and 60% by the Swedish state. Votes are allocated 50/50 between the owners. Operations are managed in business areas Breve Danmark (mail), Meddelande Sverige (mail), Information Logistics and Logistics. The group's headquarters are located in Solna, Sweden.

Read more about Posten Norden at www.postennorden.com.

