# Interim report

# Q2 2016

**APRIL-JUNE 2016**

- Net sales SEK 9,590m (9,666).
- Operating income SEK -270m (503).
- Adjusted operating income SEK -1m (33).
- Items affecting comparability, net, SEK -269m (470).
- Net income for the period SEK -282m (390).
- Earnings per share -0.14 (0.19).
- Cash flow from operating activities SEK 387m (-127).

**JANUARY-JUNE 2016**

- Net sales SEK 19,228m (19,699).
- Operating income SEK 30m (815).
- Adjusted operating income SEK 299m (345).
- Items affecting comparability, net, SEK -269m (470).
- Net income for the period SEK -63m (593).
- Earnings per share SEK 0.03 (0.30).
- Cash flow from operating activities SEK 598m (1,013).

**We Deliver!** PostNord is the leading supplier of communication and logistics solutions to, from and within the Nordic region. We ensure the postal service to households and businesses in Sweden and Denmark. With our expertise and strong distribution network, we develop options for tomorrow's communication, e-commerce, distribution and logistics in the Nordic region. In 2015, the Group had 35,000 employees and sales of about SEK 40 billion. The Parent Company is a Swedish public limited company headquartered in Solna, Sweden. Visit us at www.postnord.com

postnord

# FINANCIAL OVERVIEW AND KEY RATIOS[1]

| SEKm, unless otherwise specified | Apr-jun 2016 | Apr-jun 2015 | Δ | Exkl.[2] Δ | Jan-jun 2016 | Jan-jun 2015 | Δ | Exkl.[2] Δ | Jan-dec 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME ITEMS** | | | | | | | | | |
| Net sales | 9,590 | 9,666 | -1% | -1% | 19,228 | 19,699 | -2% | -2% | 39,351 |
| Operating income (EBITDAI) | 213 | 934 | -77% | | 917 | 1,697 | -46% | | 2,436 |
| Operating margin (EBITDAI) | 2.2% | 9.7% | | | 4.8% | 8.6% | | | 6.2% |
| Operating income (EBIT) | -270 | 503 | | | 30 | 815 | | | 564 |
| Operating margin (EBIT) | -2.8% | 5.2% | | | 0.2% | 4.1% | | | 1.4% |
| Adjusted operating income (EBIT) | -1 | 33 | | | 299 | 345 | -13% | | 927 |
| Adjusted operating margin (EBIT) | 0.0% | 0.3% | | | 1.6% | 1.8% | | | 2.4% |
| Income before tax | -282 | 455 | | | 6 | 745 | | | 451 |
| Net income | -282 | 390 | | | -63 | 593 | | | 278 |
| **CASH FLOWS** | | | | | | | | | |
| Cash flows from operating activities | 387 | -127 | | | 598 | 1,013 | | | 1,670 |
| **FINANCIAL POSITION** | | | | | | | | | |
| Financial preparedness | 3,955 | 3,445 | 15% | | 3,955 | 3,445 | 15% | | 3,894 |
| Net debt | 1,020 | 743 | 37% | | 1,020 | 743 | 37% | | -171 |
| **KEY RATIOS** | | | | | | | | | |
| Earnings per share, SEK | -0.14 | 0.19 | | | 0.03 | 0.30 | | | 0.14 |
| Net debt/EBITDAI, times | 0.6 | 0.2 | | | 0.6 | 0.2 | | | -0.1 |
| Net debt ratio | 13% | 8% | | | 13% | 8% | | | -2% |
| Return on capital employed (ROCE) [3] | -2.3% | 9.5% | | | -2.3% | 9.5% | | | 5.4% |
| Average number of employees | 33,365 | 35,398 | | | 33,405 | 35,184 | | | 35,256 |

1) See page 20 for definitions.
2) Change excluding acquisitions/divestments and currency.
3) Recalcuated according to EMSA guidelines.

Unless otherwise stated, the report comments on developments in April-June 2016 compared to the same period in 2015.

# CEO COMMENTS

## FOCUS MAINTAINED ON HARMONIZED OFFERING IN THE NORDICS AND READJUSTMENT OF MAIL OPERATIONS

The fast-growing e-commerce sector remains an important driving force. New postal legislation in Denmark is laying the foundations for more efficient production. With the continued decline in volumes in the mail business, the realization of our strategy is of the highest priority.

Net sales excluding acquisitions and currency effects totaled SEK 9,590m, a decline of 1% compared with the corresponding quarter last year, mainly as a result of falling mail volumes. The Group's adjusted operating income amounted to SEK -1m (33) for the quarter and SEK 299m (345) for the first half-year. Of the items affecting comparability, totaling SEK -269m (470), items attributable to the ongoing divestment of Strålfors' operations outside the Nordic region accounts for SEK -223m. Last year, a capital gain of SEK 500m from the sale of a property in Copenhagen was recognized. The Group's reported operating income totaled SEK -270m (503) in the second quarter and SEK 30m (815) in the first half-year. Our dynamic and essential program of adjustment being conducted in all our countries has delivered a reduction in operating costs, but in Denmark above all further efforts will be needed to establish acceptable profitability. Unfortunately, during this process of adjustment a number of quality failures arose on the mail side. Strong measures and continuous focus have restored quality to a high level in Sweden, but further improvements are necessary in Denmark.

Total mail volumes for the Group decreased by 8% in the quarter and over the first half-year, of which 17% in Denmark and 6% in Sweden. In the light of these continuing volume reductions, it is a positive that postal legislation issues have come into closer focus, and that in both Sweden and Denmark there is a clearer understanding of the revolutionary shift that is taking place, and how this is affecting us.

In early May, a broad agreement was reached in Denmark's Folketing (Parliament), to the effect that the regulatory framework for the Danish business has now been realigned to the prevailing level of demand. This will enable us to increase the pace of adjustment in the business and to offer services that correspond better to our customers' needs. In Sweden, the government's special inquiry presented a recommendation that the requirement for overnight delivery be changed to two-day delivery. This is a positive development. As regards the price ceiling, certain changes in the right direction are proposed. Since the 1990s, postal rates have risen marginally, while labor costs have increased by around 60% and mail volumes have halved. This demonstrates the unsustainability of fulfilling the universal service obligation on reasonable financial terms while a price ceiling is maintained. A Swedish household spend in average around SEK 160 annually on postage. The final report from the inquiry is expected after the summer.

With increased investments in multi-channel sales and growth in mobile shopping, e-commerce is maintaining its constant growth. Our B2C volumes rose by 15% in the second quarter, compared with the corresponding quarter in 2015. We have all the conditions in place to offer the type of communication and logistics services that people and businesses demand, not least in the e-commerce sector, today and tomorrow.

At a high level of intensity, we are continuing to work with customers and partners to develop and offer more innovative and convenient delivery services that meet the wishes of the recipient for convenience and range of options. One successful example of this effort is Volvo Car's acclaimed In-car Delivery service, which enables consumers to have their online purchases delivered directly to the trunk of their car by PostNord. In partnership with ICA and Glue, we are developing possible future modes of delivery for online purchases of food. This will enable customers to have their food delivered and unpacked into the fridge – even when they are not at home.

As part of our strategy to focus more clearly on developing a harmonized end-to-end Nordic offering, PostNord Strålfors has signed an agreement to divest its subsidiaries in the UK, Poland and France. As a result, PostNord Strålfors will be able to focus 100% on its businesses in the Nordic region, while at the same time the divested companies will benefit from more favorable conditions for developing under new owners.

I am also delighted that PostNord is one of the first companies worldwide to have its environmental target approved by the Science Based Targets initiative. The target even exceeded the criteria laid down and so is more than comfortably in line with what research states is needed for the Earth stay below a global warming threshold of two degrees. Reducing our emissions is an important element of our strategy to operate sustainably in everything we do.

*Håkan Ericsson*
*President & Group CEO*

# IMPORTANT EVENTS IN APRIL-JUNE

### New VAT legislation in Sweden

New Swedish VAT legislation on stamps and certain postal services came into effect on April 1, 2016. Under the legislation, stamps and postal services within the universal postal service that are not separately negotiated are VAT-exempt. This means that VAT exemption applies to direct-payment customers who do not have a service agreement with PostNord. As of April 1, 2016, the price for a stamp for mailing within Sweden is SEK 6.50, VAT-exempt, and for abroad SEK 13.00. The change in the law is expected to have marginally negative financial impact on PostNord Sweden.

### Acquisition of G.P. Spedition

On April 4, 2016, PostNord signed an agreement to acquire the assets and liabilities of G.P. Spedition, Denmark. The acquisition strengthens PostNord's position in goods and pallets in Denmark, and the Group's position in the Nordic logistics market. G.P. Spedition is a Danish forwarding company whose customers include Ford and TOP-TOY. Through the acquisition, a powerful forwarding team will be integrated into PostNord, and with this expansion in Denmark the Group will have a strong cross-border goods service offering to customers in all the Nordic countries.

### Swedish postal regulation inquiry recommends changes

On April 8, 2016, the Swedish government's special inquiry into postal legislation presented its interim report on overnight delivery and the price ceiling. The report recommends that the current two requirements, that 85% of priority letters are to arrive by overnight delivery and that 97% of letters are to be delivered within three working days, should be replaced by one requirement to the effect that 95% of individual letters weighing up to 250 grams are to be delivered within two working days. The price ceiling is to be retained but should instead comprise two-day delivery and be made more flexible to enable pricing to be aligned with falling mail volumes.

### MyPack launched in Europe

On April 1, MyPack was launched in Europe. Through MyPack, recipients in Germany, Belgium, the Netherlands and Luxembourg will be able to collect their e-commerce items from Nordic e-retailers at agents. Sweden will be first off the blocks, and from June Norway, Denmark and Finland are able to offer the new delivery options. The aim during the year is to introduce MyPack in Austria, the Baltics, France, Portugal and the United Kingdom as well.

### PostNord refinancing SEK 2 billion credit facility

PostNord has entered into a multicurrency revolving credit facility (RCF) of SEK 2 billion and a bridging finance facility of SEK 1 billion. The new credit line replaces an existing RCF agreement. The term is initially three years, but there is an option for extension.

### Annual General Meeting 2016

PostNord's Annual General Meeting (AGM) took place on April 28, 2016 at the Group's headquarters in Solna. The meeting adopted the income statements and balance sheets of the Group and parent company, adopted the Board's recommendation as to distribution of unappropriated profits and granted discharge from personal liability to the Board of Directors and the CEO for the financial year just ended. The meeting also voted to approve guidelines on remuneration to senior executives and fees to Board members and auditors.

Directors Jens Moberg, Mats Abrahamsson, Gunnel Duveblad, Christian Ellegaard, Torben Janholt, Magnus Skåninger and Anitra Steen were re-elected. Mette Grunnet was elected to the Board, replacing Sisse Fjelsted Rasmussen who declined re-election. Jens Moberg was re-elected Chairman of the Board. The accounting firm KPMG AB was re-appointed to serve in the period until the end of the next AGM.

### New postal legislation in Denmark

On May 3, a large majority in Denmark's Folketing reached agreement on new postal legislation, setting the framework for PostNord's operations in Denmark until the end of 2019. This introduces a series of adaptations to the requirements applying to PostNord in Denmark. For example, the national delivery obligation for priority mail is scrapped, the service requirement for non-priority mail is amended, mail needs only to be delivered to addresses in the civil registry and the number of delivery days is reduced from six to five.

### Peter Kjaer Jensen succeeds Henning Christensen as CEO of PostNord Danmark

On June 2, Henning Christensen departed from his position as Chief Executive Officer of PostNord Danmark and was succeeded by Peter Kjaer Jensen, formerly Head of Business area eCommerce & Logistics at

PostNord. Peter Kjaer Jensen has a strong leadership profile to manage the continuing adjustment process, build up the company's logistics operations and restore the company to acceptable profitability.

### PostNord’s environmental target approved by Science Based Targets

PostNord had Science Based Targets evaluate the Group’s environmental target to determine whether it was in line with what research states is needed for the Earth to stay below a global warming threshold of two degrees. The outcome is that PostNord is one of the first companies worldwide to have its environmental target approved by the initiative. The Science Based Targets initiative is based on a partnership between CDP, the UN Global Compact, WRI and WWF.

### PostNord Strålfors plans to divest its subsidiaries in the United Kingdom, Poland and France

PostNord Strålfors (Strålfors) has signed an agreement with AURELIUS Wachstumskapital on a sale of its subsidiaries in the United Kingdom, Poland and with AURELIUS Wachstumskapital and its partner Coliseum on a sale of its subsidiary in France. Sale of Strålfors’ subsidiaries in are dependent on certain conditions being fulfilled. The companies have approximately 400 employees in total.

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

### Tim Jørnsen appointed Acting Head of Business area eCommerce & Logistics

Tim Jørnsen took up the position of Acting Head of Business area eCommerce & Logistics on July 4. Tim Jørnsen will also join PostNord’s Group Executive Team. Tim Jørnsen has been serving as Head of Product Management in the business area. Before joining PostNord, he was Group Director at Posten Norge/Bring’s Nordic logistics operations outside Norway.

### New mail services in Denmark from July 1

Denmark’s priority mail service will be scrapped from July 1. Customers who need overnight delivery will be offered the new Quickbrev service.  At the same time, a new two-day service for business customers with large mailings was launched. With the priority mail service being scrapped, Economy Mail will now become the new standard letter service.

### Reprofiling in Denmark

In late June, the process of more public reprofiling of Post Danmark to PostNord began. The message is that the Group’s services will also be offered in Denmark under the common PostNord brand. This is part of the strategy of profiling PostNord as a common Nordic Group and the leading supplier of communication and logistics solutions to, from and within the Nordics.

### Scrapping of VAT rule on postage costs for Danish e-retailers

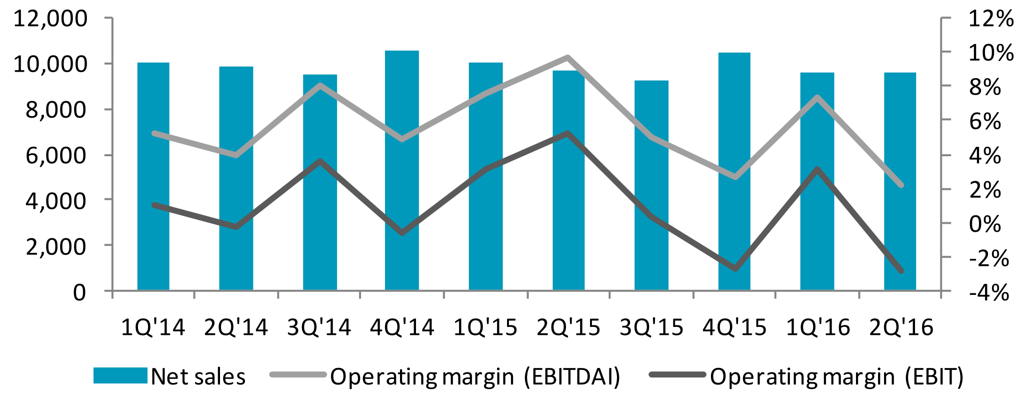
Denmark’s tax authority SKAT will, effective January 1, 2017, abolish the special rule on postage costs, which has provided a simplified procedure for e-commerce companies that enables them to benefit from VAT-free postage costs within the scope of the national delivery obligation. As a result of the scrapping of the rule, parcel distribution by PostNord will become in practice subject to VAT, to be paid by the end-user, which poses the risk of lower volumes and loss of sales. PostNord is working on identifying alternative arrangements to enable e-retailers to continue benefiting from mail items within the scope of the national delivery obligation remaining VAT-free. Dialogue with SKAT has been opened up with a view to finding practical solutions in order to reduce the negative impact on PostNord Denmark.

# GROUP SALES AND EARNINGS

| External net sales [1)] SEKm | Apr-jun 2016 | Apr-jun 2015 | △ | Exkl.[2)] △ | Jan-jun 2016 | Jan-jun 2015 | △ | Exkl.[2)] △ | Jan-dec 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Business area Communication Services | 5,215 | 5,437 | -4% | -4% | 10,672 | 11,213 | -5% | -4% | 22,194 |
| Business area eCommerce & Logistics | 4,375 | 4,229 | 3% | 3% | 8,556 | 8,486 | 1% | 1% | 17,157 |
| **Group total** | **9,590** | **9,666** | | | **19,228** | **19,699** | | | **39,351** |

1) Numbers are restated in accordance with the new organization.

2) Change excluding acquisitions/divestments and currency.




Excluding acquisitions and exchange rate effects, PostNord's net sales decreased by 1%. As a result of continued digitization, mail volumes declined by a total of 8%, of which 17% in Denmark and 6% in Sweden. The Group's parcel volumes increased by 9%. Growth in e-commerce-related B2C continues, with e-commerce-related B2C parcel volumes rising 15%. The slowdown in Norway's economy reduced income in Business area eCommerce & Logistics, as a result of lower volumes and price pressure in the market.

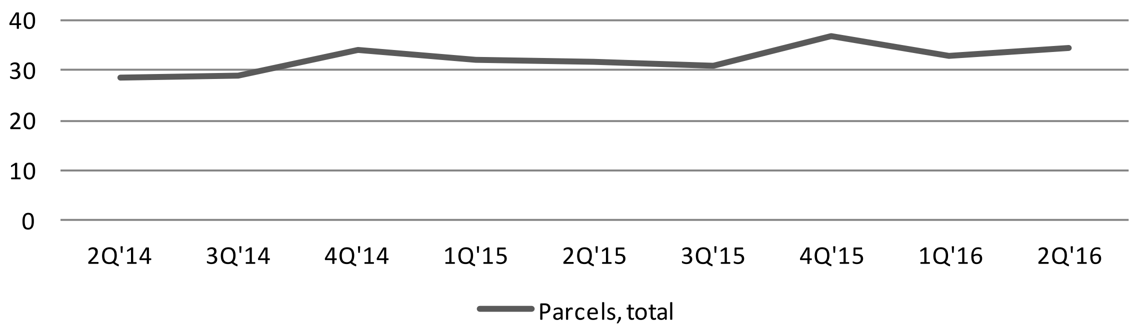
The Group's adjusted operating income totaled SEK -1m (33) and the adjusted operating margin was 0% (0.3). Operating income was largely maintained, despite lower revenue, by ongoing adjustments and efficiency improvements, as well as cost-cutting programs implemented.

The Group's reported operating income totaled SEK -270m (503). The operating margin was -2.8% (5.2). The result includes items affecting comparability amounting to SEK -269m net (470), the most notable being items related to the divestment of the non-Nordic parts of Strålfors. In 2015, the items comprised a capital gain on sale of property and an impairment loss on the interest held in Eson Pac Group AB.

Net financial items totaled SEK -12m (-48). Tax in the quarter was SEK 0m (-65). Net income for the period totaled SEK -282m (390).

### Total parcel volumes, Group

*millions*



## FINANCIAL POSITION AND CASH FLOW

The Group's equity decreased to SEK 7,832m compared to SEK 8,561 on March 31, 2016. The decline was in the main attributable to revaluation of pension commitments of SEK 553m. Lower interest rates in Sweden’s housing bond market increased the Group’s pension commitment. Net income for the period, SEK -282m, also adversely affected equity.

The Group’s net debt increased by SEK 381m during the quarter to SEK 1,020m, as a result of the above-mentioned increase in the pension liability.

The debt ratio (net debt/equity) was 13% (8), which was within the Group’s target range of 10-50%.

Net debt

| SEKm | 30-Jun 2016 | 31-Mar 2016 | 31-Dec 2015 | 30-Sep 2015 | 30-Jun 2015 |
|---|---|---|---|---|---|
| Interest-bearing debt | 3,854 | 3,849 | 3,840 | 3,849 | 3,816 |
| Pensions and disability pension plans | -620 | -1,051 | -1,867 | -850 | -1,373 |
| Long- and short-term investments | -560 | -254 | -250 | -248 | -255 |
| Cash and cash equivalents | -1,654 | -1,905 | -1,894 | -1,443 | -1,445 |
| **Net debt** | **1,020** | **639** | **-171** | **1,308** | **743** |

Return on capital employed (ROCE) (trailing 12 months) was -2.3% (9.4). The deterioration is attributable to the negative result in the period.

The Group’s financial preparedness totaled SEK 3,955m (3,445) on June 30, 2016 and comprised cash and cash equivalents of SEK 1,654m (1,445), short-term investments of SEK 301m (-) and an unutilized credit facility of SEK 2,000m (2,000) maturing in 2019.

Cash flow from operating activities totaled SEK 387m (-127). The increase arose mainly through higher current liabilities, but also a minor improvement in cash flow from operating activities before changes in working capital, compared to the same quarter last year. Accumulated cash flow from operating activities amounted to SEK 598m (1,013), where the result in the preceding year benefited from a tax refund of SEK 300m.

Cash flow from investing activities totaled SEK -622m (-208). During the second quarter, SEK 300m (-) of the Group’s cash and cash equivalents was invested in commercial paper. The investment was necessitated above all by deposit fees charged by the banks. Investments in tangible and intangible non-current assets rose slightly as a result of investments in infrastructure for the integrated production model.

Cash flow from financing activities totaled SEK -20m (-682). The major difference from the preceding year relates to settlement of a property loan in connection with sale of a property in June 2015.

# COUNTRIES

| PostNord Sweden<br>SEKm | Apr-jun<br>2016 | Apr-jun<br>2015 | △ | Excl.[2]<br>△ | Jan-jun<br>2016 | Jan-jun<br>2015 | △ | Excl.[2]<br>△ | Jan-dec<br>2015 |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 5,703 | 5,665 | 1% | 1% | 11,423 | 11,483 | -1% | -1% | 23,080 |
| *of which Communication Services (external)* [1] | *2,968* | *3,062* | *-3%* | *-3%* | *6,042* | *6,290* | *-4%* | *-4%* | *12,448* |
| *of which eCommerce & Logistics (external)* [1] | *2,463* | *2,351* | *5%* | *5%* | *4,816* | *4,701* | *2%* | *2%* | *9,559* |
| Operating income (EBIT) | 76 | 173 | | | 274 | 401 | | | 750 |
| Operating margin, % | 1.3% | 3.1% | | | 2.4% | 3.5% | | | 3.2% |
| Adjusted operating income (EBIT) | 91 | 173 | | | 289 | 401 | | | 847 |
| Adjusted operating margin, % | 1.6% | 3.1% | | | 2.5% | 3.5% | | | 3.7% |

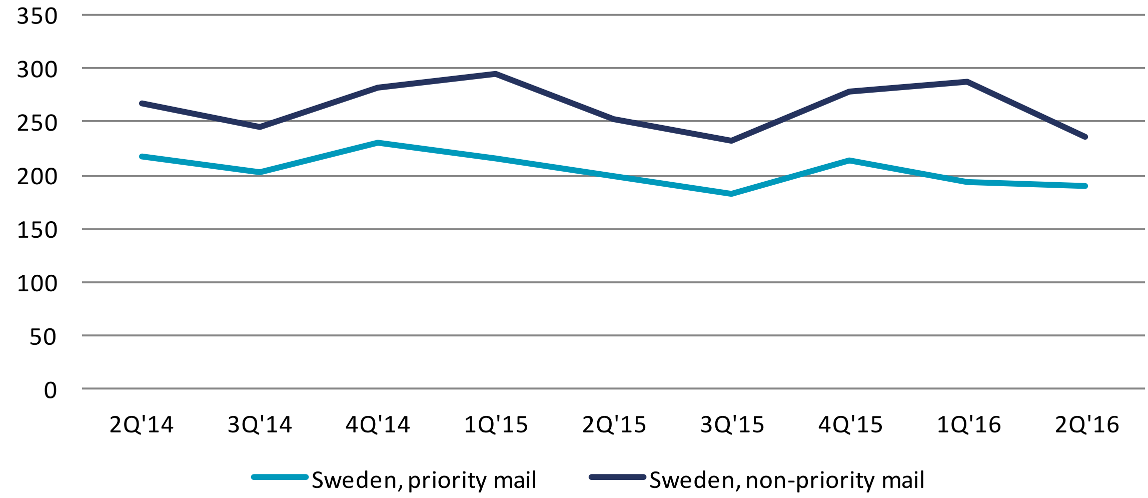
Net sales for PostNord Sweden increased by 1%. Communication Services reported a 3% drop in sales as a result of a 6% decline in mail volumes. Sales for eCommerce & Logistics increased by 5% mainly through continued growth in e-commerce.

Adjusted operating income totaled SEK 91m (173). Costs have been adjusted to the lower mail volumes, but have been negatively affected by higher social insurance costs for young people in Sweden. The result includes items affecting comparability totaling SEK 15m, the cost of restoring a terminal.

Operating income totaled SEK 76m (173). Accumulated operating income totaled SEK 274m (401).

**Mail volumes, Sweden**

*millions*



| **PostNord Denmark SEKm** | **Apr-jun 2016** | **Apr-jun 2015** | **△** | **Excl.[2] △** | **Jan-jun 2016** | **Jan-jun 2015** | **△** | **Excl.[2] △** | **Jan-dec 2015** |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 2,376 | 2,402 | -1% | -2% | 4,807 | 4,969 | -3% | -3% | 9,987 |
| *of which Communication Services (external)* [1] | *1,362* | *1,472* | *-7%* | *-7%* | *2,811* | *3,090* | *-9%* | *-9%* | *6,109* |
| *of which eCommerce & Logistics (external)* [1] | *893* | *816* | *9%* | *6%* | *1,746* | *1,640* | *6%* | *5%* | *3,400* |
| Operating income (EBIT) | -253 | 298 | | | -304 | 251 | | | -287 |
| Operating margin, % | -10.6% | 12.4% | | | -6.3% | 5.0% | | | -2.9% |
| Adjusted operating income (EBIT) | -222 | -202 | | | -273 | -249 | | | -371 |
| Adjusted operating margin, % | -9.3% | -8.4% | | | -5.7% | -5.0% | | | -3.7% |

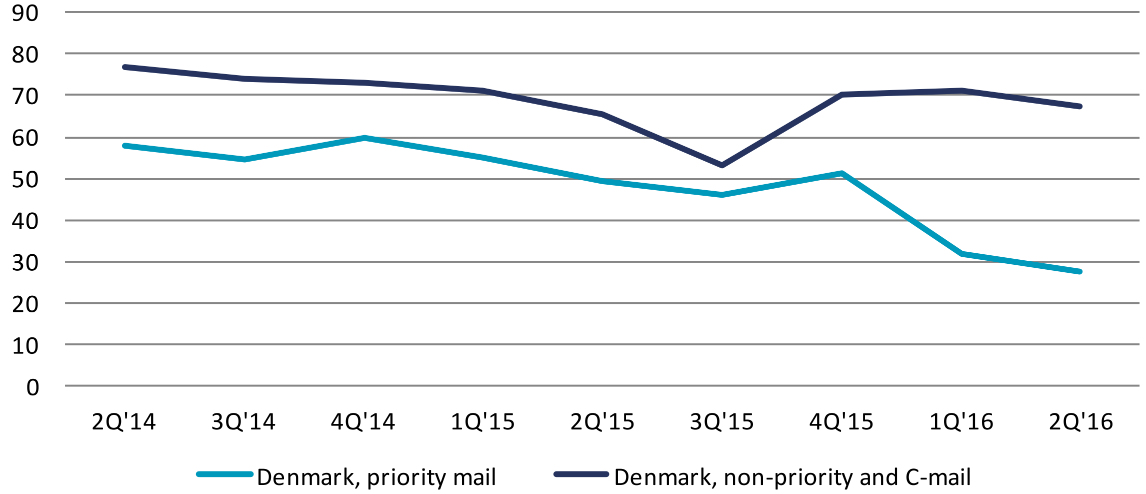
PostNord Denmark's net sales decreased by 1%. Excluding acquisitions and exchange rate effects, sales fell by 2%. In Communication Services, sales declined by 7% as a result of an 17% fall in mail volumes. At the turn of the year 2015/2016, postage rates for priority mail were increased, offsetting to a certain extent the decline in mail volumes. Net sales for eCommerce & Logistics in Denmark increased by 9% as a result of higher B2C parcel volumes and positive growth in heavy logistics.

Adjusted operating income totaled SEK-222m (-202) and SEK -273m (-249) on an accumulated basis. The result was substantially affected by lower mail income that has not yet been fully offset by cost adjustments. A comprehensive program of measures for the Danish business is in progress.

Operating income totaled SEK -253m (298). The sharp deterioration above all reflects the impact last of the sale of a property.

**Mail volumes, Denmark**

*millions*



| PostNord Norway<br>SEKm | Apr-jun<br>2016 | Apr-jun<br>2015 | △ | Excl.[2]<br>△ | Jan-jun<br>2016 | Jan-jun<br>2015 | △ | Excl.[2]<br>△ | Jan-dec<br>2015 |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 959 | 1,056 | -9% | -2% | 1,870 | 2,133 | -12% | -6% | 4,112 |
| *of which Communication Services (external)* [1] | *8* | *11* | *-27%* | *-19%* | *16* | *23* | *-30%* | *-25%* | *47* |
| *of which eCommerce & Logistics (external)* [1] | *843* | *948* | *-11%* | *-4%* | *1,649* | *1,918* | *-14%* | *-8%* | *3,660* |
| Operating income (EBIT) | -4 | -5 | | | -5 | 6 | | | -34 |
| Operating margin, % | -0.4% | -0.5% | | | -0.3% | 0.3% | | | -0.8% |
| Adjusted operating income (EBIT) | -4 | -5 | | | -5 | 6 | | | -25 |
| Adjusted operating margin, % | -0.4% | -0.5% | | | -0.3% | 0.3% | | | -0.6% |

PostNord Norway’s net sales decreased by 9%. Excluding acquisition and exchange rate effects, net sales fell by 2%, due largely to subdued demand as a result of weak growth in the Norwegian economy, caused in turn by the steep drop in the price of oil.

Operating income totaled SEK-4m (-5) and SEK -5m (6) on an accumulated basis. A wide-ranging program to adjust costs is in progress to offset the decline in income.

| PostNord Finland<br>SEKm | Apr-jun<br>2016 | Apr-jun<br>2015 | △ | Excl.[2]<br>△ | Jan-jun<br>2016 | Jan-jun<br>2015 | △ | Excl.[2]<br>△ | Jan-dec<br>2015 |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 246 | 171 | 44% | 11% | 477 | 346 | 38% | 6% | 787 |
| *of which Communication Services (external)* [1] | *4* | *3* | *23%* | *23%* | *8* | *7* | *14%* | *10%* | *15* |
| *of which eCommerce & Logistics (external)* [1] | *177* | *114* | *55%* | *6%* | *345* | *226* | *53%* | *4%* | *538* |
| Operating income (EBIT) | -3 | -1 | | | -15 | 0 | | | -1 |
| Operating margin, % | -1.2% | -0.6% | | | -3.1% | 0.0% | | | -0.1% |
| Adjusted operating income (EBIT) | -3 | -1 | | | -15 | 0 | | | -1 |
| Adjusted operating margin, % | -1.2% | -0.6% | | | -3.1% | 0.0% | | | -0.1% |

PostNord Finland’s net sales grew by 44%. Excluding acquisitions and exchange rate effects, net sales increased 11% as a result of higher parcel volumes.

Operating income totaled SEK -3m (-1) and SEK -15m (0) on an accumulated basis. Results for the quarter are in line with the preceding year, but for the half-year are lower than a year earlier, owing to integration costs for Uudenmaan Pikakuljetus Oy (UPK), the company acquired in 2015.

| PostNord Strålfors<br>SEKm | Apr-jun<br>2016 | Apr-jun<br>2015 | △ | Excl.[2]<br>△ | Jan-jun<br>2016 | Jan-jun<br>2015 | △ | Excl.[2]<br>△ | Jan-dec<br>2015 |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 604 | 584 | 3% | 7% | 1,221 | 1,225 | 0% | 3% | 2,335 |
| *of which Communication Services (external)* [1] | *575* | *563* | *2%* | *5%* | *1,163* | *1,183* | *-2%* | *1%* | *2,251* |
| Operating income (EBIT) | -189 | 8 | | | -155 | 34 | | | -36 |
| Operating margin, % | -31.3% | 1.4% | | | -12.7% | 2.8% | | | -1.5% |
| Adjusted operating income (EBIT) | 34 | 8 | | | 68 | 34 | | | 86 |
| Adjusted operating margin, % | 5.6% | 1.4% | | | 5.6% | 2.8% | | | 3.7% |

Net sales for PostNord Strålfors increased by 3%. Excluding exchange rate effects, sales for eCommerce & Logistics increased by 7% mainly through the acquisition of new customers in Finland and Norway.

Adjusted operating income totaled SEK 34m (8) and SEK 68m (34) on an accumulated basis. The improvement arose mainly through cost-cutting programs implemented, and higher income.

Operating income totaled SEK -189m (8). PostNord has signed agreements on a sale of Strålfors’ subsidiaries in the United Kingdom, Poland and France. Sale of Strålfors’ subsidiaries are dependent on certain conditions being fulfilled. The companies have approximately 400 employees in total. 0On that basis, an impairment loss of SEK 88m and another current liability of SEK 135m have been recognized. These amounts are recognized as items affecting comparability.

| Direct Link<br>SEKm | Apr-jun 2016 | Apr-jun 2015 | △ | Excl.[2] △ | Jan-jun 2016 | Jan-jun 2015 | △ | Excl.[2] △ | Jan-dec 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 228 | 247 | -8% | -4% | 511 | 479 | 7% | 10% | 1,055 |
| *of which Communication Services (external)* [1] | *228* | *247* | -8% | *-4%* | *511* | *479* | 7% | *10%* | *1,055* |
| Operating income (EBIT) | 1 | 16 | | | 16 | 29 | | | 78 |
| Operating margin, % | 0.4% | 6.5% | | | 3.1% | 6.0% | | | 7.3% |
| Adjusted operating income (EBIT) | 1 | 1 | | | 16 | 16 | | | 78 |
| Adjusted operating margin, % | 0.4% | 0.4% | | | 3.1% | 3.1% | | | 7.3% |

During the quarter, sales decreased due to lower volumes in APAC (Asia-Pacific). The background was a delivery incident in connection with volumes via Denmark.

Net sales for the half-year increased sharply through operations in APAC, arising from agreements with major new customers. Other operations performed less strongly, partly through rising competition.

Operating income totaled SEK 1m (16). The decline was attributable in the main to lower sales.

Common notes applicable to the financial tables in the above section:

[1] Figures for comparison have been adjusted in line with the new business area organization.
[2] Change excluding acquisitions/divestment within operational activities and exchange rates.

## SUSTAINABILITY

The average number of employees totaled 33,405 (35,184), a reduction of 1,779. Sweden and Denmark accounted for the major share of the reduction. Sick leave ended the period at 5.9% (5.5). The level remains high and in order to address the problem, in which long-term sick leave accounts for the highest growth, initiatives are focused on rehabilitation, together with fitness programs and the company healthcare service. During the quarter, the proportion of women in management positions rose from 30% to 31%.

At 188,519 tonnes, carbon dioxide emissions were 4% lower during the first half-year than in the corresponding quarter last year. This was because more external transportation was used, as well as new initiatives taken to raise the proportion of biofuels used and reverse the trend. Since 2009, emissions have fallen by 22%. During the quarter, the Group’s environmental target was approved by Science Based Targets.

The weighted delivery quality for priority mail was 91.2% during the quarter. This was a clear improvement on the first-quarter performance. Actions to bring about immediate quality improvements have been taken in both Sweden and Denmark, while long-term improvement measures continue. In Sweden, the preventive and corrective actions taken have delivered good results. In Denmark, work continues on coordinating two mail terminals, which has affected operations. In parcels, the weighted quality remained high, at 96.6%.

At the end of the second quarter, the proportion of the Group’s total purchasing from suppliers who had signed up to the Code of Conduct for Suppliers had risen to 53%, compared with 45% at the end of the first quarter. During the second quarter, development continued on the Group-wide model for risk assessment and management of risks associated with suppliers’ compliance with the Code. In addition, work on reviews for following up compliance with the Code of Conduct by suppliers began.

## FINANCIAL CALENDAR

| | |
|---|---|
| Interim report January-September 2016 | October 28, 2016 |
| Year-end report January-December 2016 | February 10, 2017 |

Solna, August 12, 2016
PostNord AB (publ), CIN 556771-2640

The Board of Directors and the President and Group CEO declare that the H1 report provides a true and fair view of the Group's and Parent Company's operations, position and performance and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

| | | |
|---|---|---|
| Jens Moberg<br>Board chairman | | Mats Abrahamsson<br>Director |
| Gunnel Duveblad<br>Director | Christian Ellegaard<br>Director | Mette Grunnet<br>Director |
| Torben Janholt<br>Director | Magnus Skåninger<br>Director | Anitra Steen<br>Director |
| Kristofer Björklund<br>Employee representative | Lars Chemnitz<br>Employee representative | Johan Lindholm<br>Employee representative |

Håkan Ericsson
*President and Group CEO*

This report has not been subject to review by the Company's auditors.

This information is such that PostNord AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at 13.00 CET on August 12, 2016.

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

## CONTACT INFORMATION

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DK-2300 Copenhagen S
Tel.: +45 70 70 70 30

# FINANCIAL STATEMENTS

## Consolidated income statement

| SEKm | Note | Apr-jun 2016 | Apr-jun 2015 | Jan-jun 2016 | Jan-jun 2015 | Jan-dec 2015 |
|---|---|---|---|---|---|---|
| | 1 | | | | | |
| Net sales | | 9,590 | 9,666 | 19,228 | 19,699 | 39,351 |
| Other income | | 76 | 559 | 130 | 635 | 765 |
| **Income** | 2 | **9,666** | **10,225** | **19,358** | **20,333** | **40,116** |
| | | | | | | |
| Personnel expenses | | -4,427 | -4,589 | -8,792 | -9,118 | -18,222 |
| Transport expenses | | -2,574 | -2,456 | -4,919 | -4,929 | -10,051 |
| Other expenses | | -2,452 | -2,246 | -4,730 | -4,589 | -9,407 |
| Depreciation, amortization and impairments | | -483 | -431 | -887 | -882 | -1,872 |
| **Expenses** | | **-9,936** | **-9,722** | **-19,328** | **-19,518** | **-39,552** |
| | | | | | | |
| **OPERATING INCOME** | | **-270** | **503** | **30** | **815** | **564** |
| | | | | | | |
| Financial income | | 3 | 3 | 8 | 8 | 21 |
| Financial expenses | | -15 | -51 | -32 | -78 | -134 |
| **Net financal items** | | **-12** | **-48** | **-24** | **-70** | **-113** |
| **INCOME BEFORE TAX** | | **-282** | **455** | **6** | **745** | **451** |
| Tax | | 0 | -65 | -69 | -152 | -173 |
| **NET INCOME** | | **-282** | **390** | **-63** | **593** | **278** |
| | | | | | | |
| **Attributable to** | | | | | | |
| Parent company shareholders | | -282 | 389 | -64 | 592 | 276 |
| Non-controlling interests | | 0 | 1 | 1 | 1 | 2 |
| | | | | | | |
| Earnings per share, SEK | | -0.14 | 0.19 | -0.03 | 0.30 | 0.14 |

## Consolidated statement of comprehensive income

| SEKm | Apr-jun 2016 | Apr-jun 2015 | Jan-jun 2016 | Jan-jun 2015 | Jan-dec 2015 |
|---|---|---|---|---|---|
| **NET INCOME** | **-282** | **390** | **-63** | **593** | **278** |
| | | | | | |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| **Items that cannot be transferred to net income** | | | | | |
| Revaluation of pension liabilities | -710 | 1,909 | -1,830 | 1,261 | 1,388 |
| Change in deferred tax | 157 | -420 | 403 | -277 | -166 |
| **Total** | **-553** | **1,489** | **-1,427** | **984** | **1,222** |
| | | | | | |
| **Items that have been or may be transferred to net income** | | | | | |
| Cash flow hedges after tax | 2 | 2 | 3 | 1 | 4 |
| Translation differences | 106 | -94 | 171 | -145 | -342 |
| **Total** | **108** | **-92** | **174** | **-144** | **-338** |
| | | | | | |
| **TOTAL OTHER COMPREHENSIVE INCOME** | **-445** | **1,397** | **-1,253** | **840** | **884** |
| | | | | | |
| **COMPREHENSIVE INCOME** | **-727** | **1,787** | **-1,316** | **1,433** | **1,162** |
| | | | | | |
| **Attributable to** | | | | | |
| Parent company shareholders | -727 | 1,786 | -1,317 | 1,432 | 1,160 |
| Non-controlling interests | 0 | 1 | 1 | 1 | 2 |

## Consolidated statement of financial position

| MSEK | Note | 30 jun 2016 | 31 mar 2016 | 31 dec 2015 | 30 sep 2015 | 30 jun 2015 |
|---|---|---|---|---|---|---|
| | 1 | | | | | |
| **ASSETS** | | | | | | |
| Goodwill | | 3,337 | 3,275 | 3,236 | 3,372 | 3,361 |
| Other intangible assets | | 873 | 901 | 955 | 1,065 | 1,163 |
| Property, plant and equipment | | 8,489 | 8,540 | 8,664 | 8,713 | 8,873 |
| Participations in associated companies and joint ventures | | 65 | 62 | 71 | 73 | 72 |
| Financial investments | 4 | 259 | 254 | 250 | 248 | 255 |
| Other non-current receivables | | 839 | 1,125 | 1,945 | 954 | 1,420 |
| Deferred tax assets | | 720 | 780 | 484 | 647 | 502 |
| **Total non-current assets** | | **14,582** | **14,937** | **15,605** | **15,072** | **15,646** |
| Inventories | | 133 | 166 | 150 | 158 | 168 |
| Tax assets | | 734 | 579 | 527 | 520 | 396 |
| Trade receivables | 4 | 4,189 | 4,368 | 4,524 | 4,347 | 4,402 |
| Prepaid expenses and accrued income | | 1,423 | 1,395 | 1,251 | 1,464 | 1,484 |
| Other receivables | | 682 | 470 | 563 | 666 | 1,129 |
| Short-term investments | 4 | 301 | - | - | - | - |
| Cash and cash equivalents | 4 | 1,654 | 1,905 | 1,894 | 1,443 | 1,445 |
| Assets held for sale | | 172 | 213 | 209 | 200 | 286 |
| **Total current assets** | | **9,288** | **9,096** | **9,118** | **8,798** | **9,310** |
| **TOTAL ASSETS** | | **23,870** | **24,033** | **24,723** | **23,870** | **24,956** |
| **EQUITY AND LIABILITIES** | | | | | | |
| **EQUITY** | | | | | | |
| Capital stock | | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Other contributed equity | | 9,954 | 9,954 | 9,954 | 9,954 | 9,954 |
| Reserves | | -1,856 | -1,964 | -2,030 | -1,886 | -1,836 |
| Retained earnings | | -2,268 | -1,433 | -777 | -1,123 | -699 |
| **Total equity attributable to parent company shareholders** | | **7,830** | **8,557** | **9,147** | **8,945** | **9,419** |
| **Non-controlling interests** | | **2** | **4** | **3** | **3** | **2** |
| **TOTAL EQUITY** | | **7,832** | **8,561** | **9,150** | **8,948** | **9,421** |
| **LIABILITIES** | | | | | | |
| Non-current interest-bearing liabilities | 4 | 3,720 | 3,711 | 3,705 | 3,816 | 3,805 |
| Other non-current liabilities | | 53 | 55 | 40 | 38 | 38 |
| Pensions | | 135 | - | - | 57 | - |
| Other provisions | | 1,709 | 1,726 | 1,712 | 1,529 | 1,526 |
| Deferred tax liabilities | | 807 | 981 | 861 | 799 | 954 |
| **Total non-current liabilities** | | **6,424** | **6,473** | **6,318** | **6,239** | **6,323** |
| Current interest-bearing liabilities | 4 | 134 | 138 | 134 | 34 | 11 |
| Trade payables | | 2,226 | 1,955 | 2,294 | 1,947 | 2,070 |
| Tax liabilities | | 60 | 51 | 47 | 73 | 84 |
| Other current liabilities | | 1,694 | 1,738 | 1,727 | 2,098 | 1,919 |
| Accrued expenses and prepaid income | | 4,937 | 4,660 | 4,404 | 4,030 | 4,570 |
| Other provisions | | 563 | 457 | 649 | 501 | 558 |
| **Total current liabilities** | | **9,614** | **8,999** | **9,255** | **8,683** | **9,212** |
| **TOTAL LIABILITIES** | | **16,038** | **15,472** | **15,573** | **14,922** | **15,535** |
| **TOTAL EQUITY AD LIABILITIES** | | **23,870** | **24,033** | **24,723** | **23,870** | **24,956** |

## Consolidated statement of cash flows

| SEKm | Apr-jun 2016 | Apr-jun 2015 | Jan-jun 2016 | Jan-jun 2015 | Jan-dec 2015 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Income before tax | -282 | 455 | 6 | 745 | 451 |
| Adjustments for non-cash items: | 362 | -425 | 317 | -398 | 554 |
| Taxes | -27 | -69 | -26 | -25 | -79 |
| **Cash flow from operating activities before changes in working capital** | **53** | **-39** | **297** | **322** | **926** |
| Cash flow from changes in working capital | | | | | |
| Increase(-)/decrease(+) in inventories | -2 | 2 | -18 | 10 | 28 |
| Increase(-)/decrease(+) in other operating receivables | -227 | -181 | -149 | -198 | 76 |
| Increase(+)/decrease(-) in other operating liabilities | 595 | 78 | 530 | 823 | 629 |
| Other changes in working capital | -32 | 13 | -62 | 56 | 11 |
| **Changes in working capital** | **334** | **-88** | **301** | **691** | **744** |
| **Cash flow from operating activities** | **387** | **-127** | **598** | **1,013** | **1,670** |
| **INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | -248 | -193 | -407 | -444 | -1,027 |
| Sale of property, plant and equipment | 3 | 8 | 11 | 25 | 525 |
| Purchase of other intangible fixed assets | -68 | -9 | -110 | -26 | -82 |
| Acquisition of financial assets | -310 | - | -310 | - | - |
| Sale of financial assets | 1 | 15 | 6 | 13 | 19 |
| Acquisition of subsidiaries, net | - | -29 | - | -31 | -81 |
| **Cash flow from investing activities** | **-622** | **-208** | **-810** | **-463** | **-646** |
| **FINANCING ACTIVITIES** | | | | | |
| Amortized debts | - | -627 | - | -827 | -843 |
| Dividend paid | -2 | -3 | -2 | -3 | -3 |
| Net pension transactions | -23 | -21 | -45 | -42 | -85 |
| Increase(+)/decrease(-) in other interest-bearing liabilities | 5 | -31 | 14 | -74 | -36 |
| **Cash flow from financing activities** | **-20** | **-682** | **-33** | **-946** | **-967** |
| **CASH FLOW FOR THE PERIOD** | **-255** | **-1,017** | **-245** | **-396** | **57** |
| Cash and cash equivalents, opening balance | 1,905 | 2,466 | 1,894 | 1,843 | 1,843 |
| Translation difference in cash and cash equivalents | 4 | -4 | 5 | -2 | -6 |
| **Cash and cash equivalents, closing balance** | **1,654** | **1,445** | **1,654** | **1,445** | **1,894** |

## Consolidated statement of changes in equity

| SEKm | Capital stock [1] | Contributed equity | Translation differences | Hedging reserve | Retained earnings | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Equity attributable to the parent company's shareholders | | | | | | |
| **Opening balance 1 Jan 2015** | **2,000** | **9,954** | **-1,680** | **-12** | **-2,275** | **4** | **7,991** |
| **Other comprehensive income for the period** | | | | | | | |
| Net income for the period | - | - | - | - | 592 | 1 | 593 |
| Other comprehensive income for the period | - | - | -145 | 1 | 984 | - | 840 |
| **Total other comprehensive income for** | **-** | **-** | **-145** | **1** | **1,576** | **1** | **1,433** |
| Dividend | - | - | - | - | - | -3 | -3 |
| **Closing balance 30 Jun 2015** | **2,000** | **9,954** | **-1,825** | **-11** | **-699** | **2** | **9,421** |

| SEKm | Capital stock [1] | Contributed equity | Translation differences | Hedging reserve | Retained earnings | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Equity attributable to the parent company's shareholders | | | | | | |
| **Opening balance 1 Jul 2015** | **2,000** | **9,954** | **-1,825** | **-11** | **-699** | **2** | **9,421** |
| **Other comprehensive income for the period** | | | | | | | |
| Net income for the period | - | - | - | - | -316 | 1 | -315 |
| Other comprehensive income for the period | - | - | -197 | 3 | 238 | - | 44 |
| **Total other comprehensive income for the period** | **-** | | **-197** | **3** | **-78** | **1** | **-271** |
| Dividend | - | - | - | - | - | - | - |
| **Closing balance 31 Dec 2015** | **2,000** | **9,954** | **-2,022** | **-8** | **-777** | **3** | **9,150** |

| SEKm | Capital stock [1] | Contributed equity | Translation differences | Hedging reserve | Retained earnings | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Equity attributable to the parent company's shareholders | | | | | | |
| **Opening balance 1 Jan 2016** | **2,000** | **9,954** | **-2,022** | **-8** | **-777** | **3** | **9,150** |
| **Other comprehensive income for the period** | | | | | | | |
| Net income for the period | - | - | - | - | -64 | 1 | -63 |
| Other comprehensive income for the period | - | - | 171 | 3 | -1,427 | - | -1,253 |
| **Total other comprehensive income for** | **-** | **-** | **171** | **3** | **-1,491** | **1** | **-1,316** |
| Dividend | - | - | - | - | - | -2 | -2 |
| **Closing balance 30 Jun 2016** | **2,000** | **9,954** | **-1,851** | **-5** | **-2,268** | **2** | **7,832** |

[1] Number of shares is 2,000,000,001: 1,524,905,971 ordinary shares and 475,094,030 series B shares.

## FINANSIELLA RAPPORTER I SAMMANDRAG PARENT COMPANY

The parent company, PostNord AB, conducted a very limited intercompany service operation and had three employees by the end of the period.

### Income statement

| SEKm | Note | Apr-jun 2016 | Apr-jun 2015 | Jan-jun 2016 | Jan-jun 2015 | Jan-dec 2015 |
|---|---|---|---|---|---|---|
| | 1 | | | | | |
| Other income | | 4 | 6 | 8 | 13 | 26 |
| **Income** | | **4** | **6** | **8** | **13** | **26** |
| Personnel expenses | | -8 | -8 | -14 | -17 | -33 |
| Other expenses | | -2 | -2 | -3 | -3 | -6 |
| **Operating expenses** | | **-10** | **-10** | **-17** | **-20** | **-39** |
| **OPERATING INCOME** | | **-6** | **-4** | **-9** | **-7** | **-13** |
| Interest income and similar income items | | 0 | 9 | 0 | 35 | 49 |
| Interest expense and similar expense items | | -37 | -19 | -64 | -41 | -77 |
| **Financial items** | | **-37** | **-10** | **-64** | **-6** | **-28** |
| **Income after financial items** | | **-43** | **-14** | **-73** | **-13** | **-41** |
| Balance sheet appropriations | | - | - | - | - | 34 |
| **Income before tax** | | **-43** | **-14** | **-73** | **-13** | **-7** |
| Tax | | - | - | - | - | - |
| **NET INCOME** | | **-43** | **-14** | **-73** | **-13** | **-7** |

### Statement of comprehensive income

| SEKm | Apr-jun 2016 | Apr-jun 2015 | Jan-jun 2016 | Jan-jun 2015 | Jan-dec 2015 |
|---|---|---|---|---|---|
| Net income | -43 | -14 | -73 | -13 | -7 |
| Other comprehensive income for the period | - | - | - | - | - |
| **COMPREHENSIVE INCOME** | **-43** | **-14** | **-73** | **-13** | **-7** |

### Balance sheet

| SEKm | Note | 30 jun 2016 | 31 mar 2016 | 31 dec 2015 | 30 sep 2015 | 30 jun 2015 |
|---|---|---|---|---|---|---|
| | 1 | | | | | |
| **ASSETS** | | | | | | |
| Financial assets | | 11,692 | 11,692 | 11,689 | 11,691 | 11,691 |
| **Total non-current assets** | | **11,692** | **11,692** | **11,689** | **11,691** | **11,691** |
| Current receivables | | 8,220 | 8,237 | 8,247 | 8,232 | 8,276 |
| **Total current assets** | | **8,220** | **8,237** | **8,247** | **8,232** | **8,276** |
| **TOTAL ASSETS** | | **19,912** | **19,929** | **19,936** | **19,923** | **19,967** |
| **EQUITY AND LIABILITIES** | | | | | | |
| Equity | | 15,691 | 15,734 | 15,764 | 15,722 | 15,762 |
| Non-current liabilities | | 4,082 | 4,059 | 4,046 | 4,174 | 4,152 |
| Current liabilities | | 139 | 136 | 126 | 27 | 53 |
| **TOTAL EQUITY AND LIABILITIES** | | **19,912** | **19,929** | **19,936** | **19,923** | **19,967** |

## NOTES TO FINANCIAL STATEMENTS

## Note 1 Accounting principles

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), together with interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), to the extent that they have been approved by the European Commission for application within the European Union. In addition to IFRS, additional rules from the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 1, Supplemental Financial Statements for Groups, were also applied. PostNord Group's interim report is prepared in accordance with IAS 34, Interim Financial Reporting, and with supplementary rules from the Annual Accounts Act. Other disclosures as required by IAS 34.16A are provided both in the financial statements and in other parts of the interim report. At the beginning of July 2016, ESMA's guidelines on alternative key ratios entered into force. An alternative key ratio is defined as a financial measure of historical or future earnings performance, financial position, results or cash flows that are not defined in the accounting rules applied by the company. The guidelines state inter alia that the company shall define its key ratios and present reconciliations and figures for comparison. The changes have not had any material impact on the consolidated financial statements.

The same accounting principles and methods of calculation were used in this interim report as in the Parent Company 2015 Annual and Sustainability Report.

**Risks**

The Parent Company and the Group are exposed to strategic, operational and financial risks. Please refer to PostNord's 2015 Annual and Sustainability Report (pages 38-39 and Note 2 on page 60), for a description of risks, uncertainties, risk management and significant assessments and estimates. No material changes or assessments have been made since the publication of the Annual and Sustainability Report.

## Note 2 Segments

PostNord's organization into business areas is based on the manner in which PostNord is governed and activities are reported to management. Market pricing applies to internal dealings between PostNord business areas. There is no latitude for making external purchases where the service in question is available internally. In PostNord's operational structure, though not in its legal structure, cost distribution of corporate shared service functions is at cost price.

As of the first quarter of 2016, the business of Direct Link is accounted for as a separate segment. Direct Link was formerly reported under "Other". Figures for comparison have been restated. PostNord's segments are divided into the following markets: PostNord Sweden, PostNord Denmark (incl. Germany), PostNord Norway, PostNord Finland, PostNord Strålfors, Direct Link and Other. The countries market and sell the business areas' end-to-end solutions.

*PostNord Sweden* offers mail- and logistic solutions as well as e-commerce at the Swedish market and is also responsible for PostNord's fulfilment business.

*PostNord Denmark* offers mail- and logistic solutions as well as e-commerce at the Danish market and is also responsible for PostNord's e-commerce and logistics business in Germany.

*PostNord Norway* and *Finland* offer mail- and logistic solutions as well as e-commerce at the Norvegian and Finnish market respectively.

*PostNord Strålfors* operates in the area of information logistics. The company develops and offers communication solutions that create stronger, more personal customer relationships for companies that have large customer bases.

*Direct Link* operates in the area of global distribution of marketing communications and lightweight goods, mainly for e-retailers. Operations in the United States, United Kingdom, Germany, Singapore, Hong Kong and Australia.

*Other* comprises business outside the countries served by the segment, shared services and corporate functions including the parent company and Group adjustments. The Group adjustments consist of the adjustments required for IFRS purposes. From Other, service costs for shared services and corporate functions are allocated to the countries. Cost allocations are taken up as income in Other under Other Income, Internal. Within the countries, cost allocations are recognized in Other Expenses.

*Eliminations* comprise the elimination of internal transactions.

## Note2 Segments contd.

| SEKm | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 |
|---|---|---|---|---|---|---|
| **PostNord Sweden** | | | | | | |
| Net sales | 5,818 | 5,665 | 5,424 | 6,173 | 5,720 | 5,703 |
| *of which internal* | 242 | 250 | 261 | 319 | 293 | 273 |
| Operating income (EBIT) | 228 | 173 | 167 | 182 | 198 | 76 |
| Operating margin, % | 3.9% | 3.1% | 3.1% | 2.9% | 3.6% | 1.3% |
| Items affecting comparability | - | - | 19 | 78 | - | 15 |
| Adjusted operating income (EBIT) | 228 | 173 | 186 | 260 | 198 | 91 |
| Adjusted operating margin, % | 3.9% | 3.1% | 3.4% | 4.2% | 3.6% | 1.6% |
| **PostNord Denmark** | | | | | | |
| Net sales | 2,567 | 2,402 | 2,323 | 2,695 | 2,431 | 2,376 |
| *of which internal* | 124 | 115 | 102 | 137 | 129 | 121 |
| Operating income (EBIT) | -47 | 298 | -148 | -390 | -51 | -253 |
| Operating margin, % | -1.8% | 12.4% | -6.4% | -14.5% | -2.1% | -10.6% |
| Items affecting comparability | - | -500 | -1 | 417 | - | 31 |
| Adjusted operating income (EBIT) | -47 | -202 | -149 | 27 | -51 | -222 |
| Adjusted operating margin, % | -1.8% | -8.4% | -6.4% | 1.0% | -2.1% | -9.3% |
| **PostNord Norway** | | | | | | |
| Net sales | 1,077 | 1,056 | 970 | 1,009 | 911 | 959 |
| *of which internal* | 94 | 97 | 99 | 115 | 97 | 108 |
| Operating income (EBIT) | 11 | -5 | -31 | -9 | -1 | -4 |
| Operating margin, % | 1.0% | -0.5% | -3.2% | -0.9% | -0.1% | -0.4% |
| Items affecting comparability | - | - | - | 9 | - | - |
| Adjusted operating income (EBIT) | 11 | -5 | -31 | 0 | -1 | -4 |
| Adjusted operating margin, % | 1.0% | -0.5% | -3.2% | 0.0% | -0.1% | -0.4% |
| **PostNord Finland** | | | | | | |
| Net sales | 175 | 171 | 198 | 243 | 231 | 246 |
| *of which internal* | 58 | 55 | 59 | 62 | 59 | 65 |
| Operating income (EBIT) | 1 | -1 | 4 | -5 | -12 | -3 |
| Operating margin, % | 0.6% | -0.6% | 2.0% | -2.0% | -5.2% | -1.2% |
| Items affecting comparability | - | - | - | - | - | - |
| Adjusted operating income (EBIT) | 1 | -1 | 4 | -5 | -12 | -3 |
| Adjusted operating margin, % | 0.6% | -0.6% | 2.0% | -2.0% | -5.2% | -1.2% |
| **PostNord Strålfors** | | | | | | |
| Net sales | 641 | 584 | 522 | 588 | 617 | 604 |
| *of which internal* | 21 | 21 | 16 | 26 | 28 | 30 |
| Operating income (EBIT) | 26 | 8 | 23 | -93 | 34 | -189 |
| Operating margin, % | 4.1% | 1.4% | 4.4% | -15.8% | 5.5% | -31.3% |
| Items affecting comparability | - | - | - | 122 | - | 223 |
| Adjusted operating income (EBIT) | 26 | 8 | 23 | 29 | 34 | 34 |
| Adjusted operating margin, % | 4.1% | 1.4% | 4.4% | 4.9% | 5.5% | 5.6% |
| **Direct Link** | | | | | | |
| Net sales | 232 | 247 | 252 | 324 | 283 | 228 |
| *of which internal* | 0 | 0 | 0 | 0 | 1 | -1 |
| Operating income (EBIT) | 13 | 16 | 18 | 31 | 15 | 1 |
| Operating margin, % | 5.4% | 6.5% | 7.1% | 9.3% | 5.5% | 0.4% |
| Items affecting comparability | - | - | - | - | - | - |
| Adjusted operating income (EBIT) | 13 | 16 | 18 | 31 | 15 | 1 |
| Adjusted operating margin, % | 5.4% | 6.5% | 7.1% | 9.3% | 5.5% | 0.4% |
| **Other** | | | | | | |
| Net sales | 62 | 79 | 67 | 63 | 51 | 71 |
| *of which internal* | 0 | 1 | 0 | 2 | 0 | 1 |
| Operating income (EBIT) | 80 | 14 | 0 | 0 | 117 | 102 |
| Items affecting comparability | - | 30 | 30 | 159 | - | - |
| Adjusted operating income (EBIT) | 80 | 44 | 30 | 159 | 117 | 102 |
| Adjusted operating margin, % | | | | | | |
| **Eliminations** | | | | | | |
| Net sales | -539 | -538 | -537 | -663 | -606 | -597 |
| *of which internal* | -539 | -538 | -537 | -663 | -606 | -597 |
| **Group total** | | | | | | |
| Net sales | 10,033 | 9,666 | 9,218 | 10,434 | 9,638 | 9,590 |
| Group operating income (EBIT) | 312 | 503 | 33 | -284 | 300 | -270 |
| Group net financial items | -22 | -48 | -23 | -20 | -12 | -12 |
| Group income before tax | 290 | 455 | 10 | -304 | 288 | -282 |

## Note 3 Acquisitions and divestments of subsidiaries

| Effect of acquisitions and divestments on assets and liabilities, SEKm | Jan-june 2016 Acquisitions | Divestments | Total | Jan-june 2015 Acquisitions | Divestments | Total |
|---|---|---|---|---|---|---|
| Goodwill | 14 | - | 14 | 32 | - | 32 |
| Intangible assets | 2 | - | 2 | 5 | - | 5 |
| Property, plant and equipment | - | - | 0 | 2 | - | 2 |
| Other non-current assets | - | - | 0 | - | - | 0 |
| **Total non-current assets** | **16** | **-** | **16** | **39** | **-** | **39** |
| Current assets | - | - | 0 | 29 | - | 29 |
| **TOTAL ASSETS** | **16** | **-** | **16** | **68** | **-** | **68** |
| **TOTAL LIABILITIES** | **-** | **-** | **0** | **-34** | **-** | **-34** |
| **NET ASSETS** | **16** | **-** | **16** | **34** | **-** | **34** |
| Other items affecting cash flow | - | - | | - | - | 0 |
| Purchase consideration paid/received | -14 | - | -14 | -34 | - | -34 |
| Cash and cash equivalents (acquired/divested) | - | - | 0 | 3 | - | 3 |
| **Net effect on cash and cash equivalents** | **-14** | **-** | **-14** | **-31** | **-** | **-31** |

During the second quarter, the assets and liabilities of G.P. Spedition were acquired. Of the purchase price of SEK 16m, SEK14m has been paid and the remainder will be settled on completion of all conditions in the agreement.

## Note 4 Financial instruments

**June 30, 2016**

| Carrying amount and fair value of financial assets and liabilities, SEKm | Financial assets reported at fair value via income[1)] | Loan and trade receivables measured at amortized cost | Financial liabilities at fair value via income[1)] | Financial liabilities measured at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| Financial investments | 259 | - | - | - | 259 | 259 |
| Derivatives | 5 | - | - | - | 5 | 5 |
| Trade receivables | - | 4,189 | - | - | 4,189 | 4,189 |
| Terminal fees | 597 | - | - | - | 597 | 597 |
| Short-term investments | - | 301 | - | - | 301 | 301 |
| Cash and cash equivalents | - | 1,654 | - | - | 1,654 | 1,654 |
| Long-term interest-bearing liabilities | - | - | -168 | -3,552 | -3,720 | -3,781 |
| Current interest-bearing liabilities | - | - | - | -134 | -134 | -134 |
| Trade payables | - | - | - | -2,226 | -2,226 | -2,226 |
| Other current liabilities | - | - | - | -1,694 | -1,694 | -1,694 |
| Derivatives | - | - | -1 | - | -1 | -1 |
| Terminal fees | - | - | -592 | - | -592 | -592 |
| **Total financial assets and liabilities, by category, SEKm** | **861** | **6,144** | **-761** | **-7,606** | **-1,362** | **-1,423** |

**December 31, 2015**

| Carrying amount and fair value of financial assets and liabilities, SEKm | Financial assets reported at fair value via income[1)] | Loan and trade receivables measured at amortized cost | Financial liabilities at fair value via income[1)] | Financial liabilities measured at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| Financial investments | 250 | - | - | - | 250 | 250 |
| Derivatives | 1 | - | - | - | 1 | 1 |
| Trade receivables | - | 4,524 | - | - | 4,524 | 4,524 |
| Terminal fees | 461 | - | - | - | 461 | 461 |
| Cash and cash equivalents | - | 1,894 | - | - | 1,894 | 1,894 |
| Long-term interest-bearing liabilities | - | - | -166 | -3,539 | -3,705 | -3,766 |
| Current interest-bearing liabilities | - | - | - | -134 | -134 | -134 |
| Trade payables | - | - | - | -2,294 | -2,294 | -2,294 |
| Other current liabilities | - | - | - | -1,727 | -1,727 | -1,727 |
| Derivatives | - | - | -17 | - | -17 | -17 |
| Terminal fees | - | - | -335 | - | -335 | -335 |
| **Total financial assets and liabilities, by category, SEKm** | **712** | **6,418** | **-518** | **-7,694** | **-1,082** | **-1,143** |

**June 30, 2015**

| Carrying amount and fair value of financial assets and liabilities, SEKm | Financial assets reported at fair value via income[1)] | Loan and trade receivables measured at amortized cost | Financial liabilities at fair value via income[1)] | Financial liabilities measured at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| Financial investments | 255 | - | - | - | 255 | 255 |
| Derivatives | 11 | - | - | - | 11 | 11 |
| Trade receivables | - | 4,402 | - | - | 4,402 | 4,402 |
| Terminal fees | 511 | - | - | - | 511 | 511 |
| Cash and cash equivalents | - | 1,445 | - | - | 1,445 | 1,445 |
| Long-term interest-bearing liabilities | - | - | -158 | -3,647 | -3,805 | -3,908 |
| Current interest-bearing liabilities | - | - | - | -11 | -11 | -11 |
| Trade payables | - | - | - | -2,070 | -2,070 | -2,070 |
| Other current liabilities | - | - | - | -1,919 | -1,919 | -1,919 |
| Derivatives | - | - | -20 | - | -20 | -20 |
| Terminal fees | - | - | -463 | - | -463 | -463 |
| **Total financial assets and liabilities, by category, SEKm** | **777** | **5,847** | **-641** | **-7,647** | **-1,664** | **-1,767** |

1) Financial assets and liabilities measured at fair value via income using the Fair value option.

## Note 4 Financial instruments contd.

*Recognition and fair value measurement of financial instruments*

The fair value of loan liabilities is calculated as the discounted value of future cash flows relating to repayment of capital amounts and interest. The value is discounted to the current loan interest rate. In view of the short terms for trade receivables and trade payables, it is assumed that the carrying amount is the best approximation of the fair value.

All financial assets and liabilities recognized at fair value in the balance sheet are classified at level 2; see also Note 26 Financial risk management and financial instruments in PostNord's Annual Report.

## Note 5 Definitions

### Alternative key ratios:

**Adjusted operating income** — Total income less total costs, excluding items affecting comparability.

**Adjusted operating margin** — Adjusted operating income as % of net sales. Previously adjusted operating income as % of total income (net sales and other income).

**Capital employed** — Non-interest-bearing assets less non-interest-bearing liabilities.

**EBITDAI** — Earnings before interest, taxes, depreciations and amortizations/impairments.

**Financial preparedness** — Cash and cash equivalents and unutilized committed credit line.

**Items affecting comparability** — Items that do not recur, that are not directly attributable to operational activities and provisions for restructuring referring to the coming year. The items must be significant. Examples: capital gains in the sale of assets, impairment of assets, provisions referring to the coming year.

Running restructuring costs are not regarded as items affecting comparability.

**Net debt** — Interest-bearing debt (including pension provisions) less cash and cash equivalents, financial receivables and current interest-bearing receivables.

**Reconciliation with financial statements**

| SEKm | 30-Jun 2016 | 31-Mar 2016 | 31-Dec 2015 | 30-Sep 2015 | 30-Jun 2015 |
|---|---|---|---|---|---|
| Interest-bearing debt | 3,854 | 3,849 | 3,840 | 3,849 | 3,816 |
| Pensions [1)] | 135 | - | - | 57 | - |
| Financial investments | -259 | -254 | -250 | -248 | -255 |
| Non-current receivables [2)] | -755 | -1,051 | -1,867 | -907 | -1,373 |
| Short-term investments | -301 | - | - | - | - |
| Cash and cash equivalents | -1,654 | -1,905 | -1,894 | -1,443 | -1,445 |
| Net debt | 1,020 | 639 | -171 | 1,308 | 743 |

[1)] Including assets under management. When the plan assets exceed the estimated present value of the pension commitments, they are recognized under the heading of Non-current receivables.

[2)]This amount is the portion of non-current receivables that is attributable to funded defined-benefit disability pension plans and defined-benefit pension plans measured in accordance with IAS 19

**Net debt/EBITDAI** — Net debt divided by EBITDAI (rolling 12-months).

**Net debt ratio** — Net debt divided by equity.

**Operating margin** — Operating income as a percentage of net sales.

**Return on capital employed (ROCE)** — Operating profit for the 12 months to the end of the period divided by average capital employed for the 12 months to the end of the period.

### Other key ratios:

**Average number of employees (FTE)** — The total number of paid employee hours divided by the standard number of hours for a full-time employee during the cumulative period from the beginning of the year.

**Basic staff** — Refers to all full- and part-time regular employees.

**Earnings per share (EPS)** — Share of net earnings attributable to parent company shareholders divided by the average number of shares outstanding.

## Quarterly data

| SEKm, unless otherwise specified | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 |
|---|---|---|---|---|---|---|
| **PostNord Group** | | | | | | |
| Net sales | 10,033 | 9,666 | 9,218 | 10,434 | 9,638 | 9,590 |
| Other income | 69 | 559 | 61 | 72 | 54 | 76 |
| Expenses | -9,796 | -9,722 | -9,244 | -10,790 | -9,393 | -9,936 |
| *of which, personnel expenses* | *-4,528* | *-4,589* | *-4,075* | *-5,029* | *-4,365* | *-4,427* |
| *of which, transport expenses* | *-2,473* | *-2,456* | *-2,473* | *-2,649* | *-2,345* | *-2,574* |
| *of which, other expenses* | *-2,344* | *-2,246* | *-2,268* | *-2,550* | *-2,278* | *-2,452* |
| *of which, depreciation, amortization and impairments* | *-451* | *-431* | *-428* | *-562* | *-405* | *-483* |
| Operating income (EBITDAI) | 763 | 934 | 461 | 278 | 705 | 213 |
| Operating margin (EBITDAI) | 7.6% | 9.7% | 5.0% | 2.7% | 7.3% | 2.2% |
| Operating income (EBIT) | 312 | 503 | 33 | -284 | 300 | -270 |
| Operating margin (EBIT) | 3.1% | 5.2% | 0.4% | -2.7% | 3.1% | -2.8% |
| Cash flows from operating activities | 1,140 | -127 | -264 | 921 | 211 | 387 |
| Net debt | 3,113 | 743 | 1,308 | -171 | 639 | 1,020 |
| Return on capital employed | 4.7% | 9.4% | 7.0% | 5.4% | 5.6% | -2.3% |
| Average number of employees (FTE) | 34,970 | 35,398 | 35,904 | 34,752 | 33,445 | 33,365 |
| Number of staffing (basic) at end of period [1)] | 36,178 | 35,729 | 35,609 | 34,819 | 34,684 | 33,884 |
| | | | | | | |
| *Volumes, millions of mails produced:* | | | | | | |
| Sweden, priority mail | 215 | 199 | 183 | 214 | 193 | 190 |
| Sweden, non-priority mail | 296 | 253 | 233 | 279 | 287 | 237 |
| Denmark, priority mail | 55 | 49 | 46 | 51 | 32 | 27 |
| Denmark, non-priority and business mail | 71 | 65 | 53 | 70 | 71 | 67 |
| | | | | | | |
| *Volumes, millions of parcels produced (net):* | | | | | | |
| (Eliminated for volumes between countries) | | | | | | |
| Parcels, group total | 32 | 32 | 31 | 37 | 33 | 35 |

[1)] Numbers for Q1 and Q2 2015 are restated with additional 1,000 persons.