

Interim Report

Q2 2017

APRIL-JUNE 2017

- Net sales SEK 9,083m (9,590).
- Operating income SEK -291m (-270).
- Adjusted operating income SEK -4m (-1).
- Items affecting comparability, net, SEK -287m (-269).
- Net income for the period SEK -336m (-282).
- Earnings per share, SEK -0.17 (-0.14).
- Cash flow from operating activities SEK 922m (364).

JANUARY-JUNE 2017

- Net sales SEK 18,431m (19,228).
- Operating income SEK -197m (30).
- Adjusted operating income SEK 188m (299).
- Items affecting comparability, net, SEK -386m (-269).
- Net income for the period SEK -320m (-63).
- Earnings per share, SEK -0.16 (-0.03).
- Cash flow from operating activities SEK 1,912m (553).

We deliver! PostNord is the leading supplier of communication and logistics solutions to, from and within the Nordic region. We ensure 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 2016, the Group had around 33,000 employees and sales of just over SEK 38 billion. The parent company, PostNord AB, is a Swedish public limited company headquartered in Solna, Sweden. Visit us at www.postnord.com

FINANCIAL OVERVIEW AND KEY RATIOS¹

SEKm, if not otherwise stated	Apr-Jun 2017	Apr-Jun 2016	Δ	Δ ²⁾	Jan-Jun 2017	Jan-Jun 2016	Δ	Δ ²⁾	Jan-Dec 2016
INCOME ITEMS									
Net sales	9,083	9,590	-5%	-6%	18,431	19,228	-4%	-5%	38,478
Operating income (EBIT)	-291	-270			-197	30			-1,083
Operating margin (EBIT)	-3.2%	-2.8%			-1.1%	0.2%			-2.8%
Adjusted operating income (EBIT)	-4	-1			188	299			500
Adjusted operating margin (EBIT)	0.0%	0.0%			1.0%	1.6%			1.3%
Operating income (EBITDAI)	51	213			469	917			1,737
Operating margin (EBITDAI)	0.6%	2.2%			2.5%	4.8%			4.5%
Income before tax	-293	-282			-213	6			-1,108
Net income	-336	-282			-320	-63			-1,583
CASH FLOWS									
Cash flows from operating activities	922	364			1,912	553			1,321
FINANCIAL POSITION									
Financial preparedness	7,626	3,955			7,626	3,955			4,927
Net debt	32	1,020			32	1,020			354
KEY RATIOS									
Earnings per share, SEK	-0.17	-0.14			-0.16	-0.03			-0.79
Net debt/EBITDAI, times	0.0	0.6			0.0	0.6			0.2
Net debt ratio	0,4%	13%			0,4%	13%			5%
Return on capital employed (ROCE)	-15.9%	-2.3%			-15.9%	-2.3%			-12.1%
Average number of employees	31,210	33,365			31,085	33,405			33,278

¹⁾ See page 18 for definitions.

²⁾ Change excluding acquisitions/divestments and currency.

Unless otherwise stated, the report comments on developments in April-June 2017 compared with the same period in 2016.

CEO COMMENTS

EXECUTION OF THE STRATEGY AND TRANSFORMATION TO MEET THE CHALLENGE OF DIGITIZATION IS ON SCHEDULE.

PostNord's strategy execution and transformation programme are on schedule. The work of maintaining and continuing to drive improved quality and a better customer experience has top priority in gradually restoring trust in PostNord to a high level. While digitization is causing mail volumes to decline, we are seeing strong growth in e-commerce-driven logistics and digital services. The growing loss of volumes in mail is underlining the need for getting a new postal regulation into place in Sweden as soon as possible.

PostNord's like-for-like net sales decreased by 6% in the second quarter to SEK 9,083m. The decrease was attributable to a further major downturn of 10% overall in the Group's mail volumes – 8% in Sweden and 23% in Denmark. In the first six months of the year, like-for-like net sales decreased by around 5%. Total mail volumes were down 9% of which 7% in Sweden and 20% in Denmark. To a certain degree, this is being offset by continuingly strong growth in e-commerce, with the Group reporting a volume increase of 12% in B2C parcels over the quarter and growth of 11% for the first half-year.

Adjusted operating income for the quarter amounted to SEK -4m (-1), in line with the same quarter last year, despite lower income from products affected by digitization. We managed to maintain the level of earnings as a result of growth in the logistics segment and robust costs reductions. Adjusted operating income for the first six months totaled SEK 188m (299). Items affecting comparability totaled SEK -287m (-269) for the quarter and SEK -386m (-269) for the first six months of the year. Items affecting comparability are attributable in full to the transformation to a new production model in Denmark. Reported operating income, EBIT, totaled SEK -291m (-270) for the quarter and SEK -197m (30) for the first six months of the year.

The sharply rising pace of digitization is a reality in all our markets. A Parliamentary bill to introduce a new system of postal regulation in Sweden had been announced for May. The current system lacks the flexibility necessary to enable cost adjustments to be made in a systematic and responsible way. It is therefore a matter of urgency to establish a new postal regulation system as soon as possible. Any further delay increases the likelihood that PostNord will not be able to deliver a good postal service throughout Sweden under reasonable financial conditions. Following the recent change in Finland's postal legislation, Sweden remains among the Nordic countries yet to adapt their system of regulation to the changes in market conditions that are ensuing from digitization.

In Denmark, our transformation of the business, to address the effects of digitization and establish a financially sustainable production model, is progressing on schedule. The work of ensuring a competitive level of administrative costs in the Group as a whole is also going ahead according to plan. While we have secured refinancing for our bonds which mature in September, a dialogue is ongoing with our owners as to the procedures for the transformation in Denmark and how it is to be financed.

Our focus is fully on successful implementation of our strategy. With increased openness to the needs and expectations of customers and recipients, we are developing new services and simplifying our routines. In recent months, we have launched several new services in both communication and logistics offerings that widen choices for recipients. MyPack Home is a clear example, providing a simple notification service that offers the recipient many delivery options and high flexibility. At the same time, PostNord Strålfors is reporting positive growth and becoming an increasingly important key player in PostNord's ambition to strengthen its position in the digital society. To improve the customer and recipient experience and to restore confidence in PostNord, our focus on quality remains uppermost on the agenda in every part of the organisation.

Håkan Ericsson
President & Group CEO

KEY EVENTS IN APRIL-JUNE

Annual General Meeting 2017

PostNord's Annual General Meeting (AGM) took place on April 27, 2017, at the Group's headquarters in Solna. The AGM adopted the income statements and balance sheets of the Group and the Parent Company and the appropriation of profit proposed by the Board of Directors, and resolved to discharge the Board of Directors and the President and Chief Executive Officer from liability for the past financial year. The AGM also adopted guidelines on remuneration to senior executives and remuneration to Board members and auditors. Jens Moberg, Mats Abrahamsson, Gunnel Duveblad, Christian Ellegaard and Anitra Steen were re-elected to the Board. Måns Carlson, Jesper Lok and Peder Lundquist were elected to the Board as new members, replacing Mette Grunnet, who resigned from the Board on February 14, and Torben Janholt and Magnus Skåninger, both of whom declined to stand for re-election. Jens Moberg was re-elected Chairman of the Board. Accounting firm KPMG AB was re-appointed to serve in the period until the end of the next AGM.

PostNord increases loan facilities

PostNord has taken out a new Term Loan Facility for SEK 1bn, which is provided by Nordea (Facility Agent) and Svenska Handelsbanken (Documentation Agent). The loan facility matures in September 2019. PostNord has also extended an existing Term Loan Facility of SEK 1bn with Danske Bank (Facility Agent), Nordea and Svenska Handelsbanken. The loan facility's new maturity is in September 2019. The loan facilities will be used to refinance MTN bonds maturing in September 2017.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Thomas Backteman to take over as Chief Communications Officer at PostNord

Thomas Backteman is to succeed Per Mossberg as PostNord's Chief Communications Officer when the latter takes retirement as planned. Thomas Backteman is today a partner at communications consultancy Hallvarsson & Halvarsson and previously served as Head of Communications at Swedbank and Studsvik. Backteman will take up his appointment in autumn 2017.

GROUP SALES AND EARNINGS

External net sales SEKm	Apr-Jun 2017	Apr-Jun 2016	Δ	Δ ²⁾	Jan-Jun 2017	Jan-Jun 2016	Δ	Δ ²⁾	Jan-Dec 2016
Business area Communication Services ¹⁾	4,352	4,986	-13%	-12%	9,004	10,161	-11%	-10%	19,891
Business area eCommerce & Logistics ¹⁾	4,731	4,604	3%	1%	9,427	9,067	4%	2%	18,587
Group total	9,083	9,590			18,431	19,228			38,478

¹⁾ The Direct Link segment has been transferred to Business area eCommerce & Logistics from Communication Services. Figures presented for comparison have been restated.

²⁾ Change excluding acquisitions/divestments and currency.

PostNord's net sales decreased by 6%, excluding acquisitions, disposals and exchange rate effects. As a result of continued digitization, mail volumes declined by 10% overall, 23% in Denmark and 8% in Sweden. Calendar-adjusted, the decreases were 19% and 3%, respectively. Over the half-year mail volumes decreased by 9% overall of which 7% in Sweden and 20% in Denmark. The Group's parcel volumes increased by 6%. Growth in e-commerce continues, with e-commerce related B2C parcel volumes rising 12%.

Items affecting comparability, SEKm	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Operating income (EBIT)	-291	-270	-197	30	-1,083
Impairment losses on intangible assets and property, plant and equipment	-	-	-	-	-1,186
Provisions/reversals of restructuring measures	-287	-	-386	-	-62
Impairment losses etc. on disposals businesses outside the Nordic region	-	-223	-	-223	-275
Other	-	-46	-	-46	-60
Adjusted operating income (EBIT)	-4	-1	188	299	500

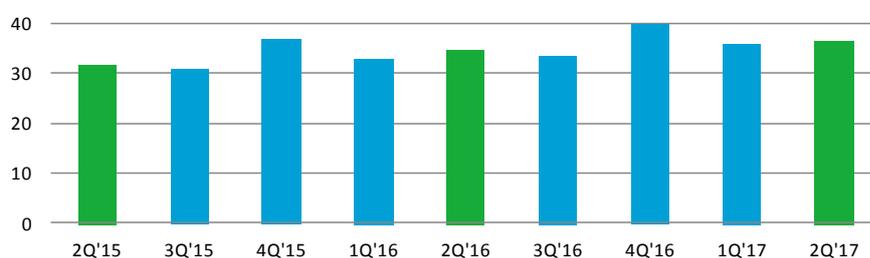
Net operating income, EBIT, for the Group totaled SEK -291m (-270) for the quarter and SEK -197m (30) for the first six months of the year. Operating income for the period was charged with items affecting comparability amounting to SEK -287m (-269). Items affecting comparability for the first six months of the year totaled SEK -386m (-269). The items affecting comparability during 2017 were attributable in entirety to provisions for personnel reductions in Denmark for employees with special employment conditions in connection with the transition to the new production model. Since formalization of the transformation plan is in progress, full provision for introduction of the new production model in Denmark or the continuation of efficiency improvements in administration was not recognized during the quarter.

Adjusted operating income for the Group totaled SEK -4m (-1) for the quarter and SEK 188m (299) for the first six months of the year. Growth in eCommerce & Logistics and continued cost adjustments compensated for lower sales of products adversely affected by digitization.

Net financial items totaled SEK -2m (-12) for the quarter and SEK 16m (-24) for the first six months of the year. Tax amounted to SEK -43m (0) for the period and SEK -107m (-69) for the first six months. The relatively high tax liability arises because deferred tax has not been recognized regarding Denmark's deficit, since it is estimated that the tax loss carry-forward cannot be utilized within a reasonable period. Income for the period totaled SEK -336m (-282) for the quarter and SEK -320m (-63) for the first six months of the year.

Total parcel volumes, Group

millions



FINANCIAL POSITION AND CASH FLOW

The Group's equity decreased to SEK 7,307m from SEK 7,879m on March 31, 2017. The decrease is attributable to the negative income for the period, revaluation of pension commitments in the amount of SEK -164m after tax, and negative translation differences.

The Group's net debt increased by SEK 720m during the quarter to SEK 32m. This resulted from the above-mentioned increase in the pension commitment and an underlying negative operating cash flow, excluding a retroactive credit of SEK 980m, from Postens Pensionsstiftelse (the Posten Pension Fund) for pension payments relating to 2016. The interest-bearing liability consists of a long-term portion of SEK 1,720m (3,720) and a current portion of SEK 2,309m (134).

The debt ratio (net debt/equity) was 0.4% (13), which was below the Group's target of 10-50%.

Net debt

SEKm	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Interest-bearing debt	4,029	3,743	3,745	3,863	3,854
Pensions and disability pension plans	-88	-1,520	-1,201	158	-620
Long- and short-term investments	-823	-765	-613	-613	-560
Cash and cash equivalents	-3,086	-2,146	-1,577	-625	-1,654
Net debt	32	-688	354	2,783	1,020

Return on capital employed (ROCE), rolling 12-months, was -15.9% (-2.3). Excluding items affecting comparability, the return on capital employed was -1.2% (9.6).

The Group's financial preparedness totaled SEK 7,627m (3,955) on June 30, 2017, comprising cash and cash equivalents of SEK 3,086m (1,654), short-term investments of SEK 541m (301) and an unutilized credit facility of SEK 4,000m (2,000), of which SEK 2,000m matures in 2019 and SEK 2,000m in 2020. Part of the financial preparedness is intended to be used to repay maturing loans totaling SEK 2,000m in Q3 2017.

Cash flow for the period totaled SEK 944m (-255) for the quarter, and SEK 1,512m (-245) for the six-month period. Cash flow from operating activities amounted to SEK 922m (364) in the quarter and to SEK 1,912m (553) for the half-year. In the first half-year, the cash flow received positive contributions from a retroactive credit of SEK 980m relating to pension pensions for 2016, and a refund of SEK 404m relating to preliminary payroll tax. Working capital showed a change of SEK -221m (334) during the quarter, mainly as a result of higher receivables from foreign postal operators; and over the half-year working capital showed a change of SEK 424m (301).

Investments during the period totaled SEK 207m (316). The investments focused mainly on the integrated production model and IT development. A net SEK 40m (300) of cash and cash equivalents were invested in commercial paper, to cover deposit charges imposed by the banks.

Cash flow from financing activities totaled SEK 286m (3). During the quarter, SEK 300m was issued within the commercial paper program.

COUNTRIES

PostNord Sweden SEKm	Apr-Jun 2017	Apr-Jun 2016	Δ	Δ ¹⁾	Jan-Jun 2017	Jan-Jun 2016	Δ	Δ ¹⁾	Jan-Dec 2016
Net sales	5,558	5,703	-3%	-2%	11,173	11,423	-2%	-2%	23,025
of which Communication Services (external)	2,777	2,968	-6%	-6%	5,698	6,042	-6%	-6%	12,076
of which eCommerce & Logistics (external)	2,548	2,463	3%	4%	5,001	4,816	4%	4%	9,869
Operating income (EBIT)	114	76			233	274			824
Operating margin, %	2.1%	1.3%			2.1%	2.4%			3.5%
Adjusted operating income (EBIT)	114	91			233	289			847
Adjusted operating margin, %	2.1%	1.6%			2.1%	2.5%			3.7%

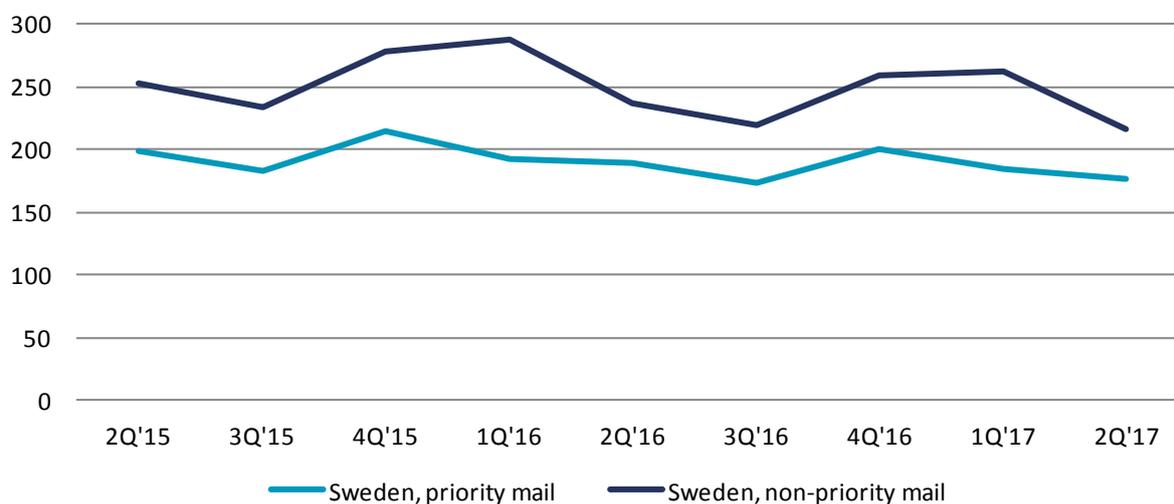
¹⁾ Change excluding acquisitions/divestment within operational activities and exchange rates.

Net sales for PostNord Sweden decreased by 3% during the quarter. Communication Services reported a 6% decrease in sales via continued digitization, resulting in a 8% decline in mail volumes at PostNord Sweden. Adjusted to reflect the number of weekdays, mail volumes were down 3% during the quarter, compared with the preceding year. Sales for eCommerce & Logistics increased by 4% mainly through continued growth in e-commerce leading to higher B2C volumes, but also via growth in pallets and mixed cargo groupage. Total sales over the first half-year decreased by 2%, while mail volumes fell by 7%.

Reported operating income totaled SEK 114m (76) for the quarter and SEK 233m (274) for the half-year. The improvement in earnings over the quarter arose mainly through growth in e-commerce and other logistics, together with further cost adjustments that offset lower sales in mail-related activities. The trend clearly reveals the need for early introduction of new postal legislation in Sweden in order to ensure a good postal service throughout Sweden on reasonable financial conditions.

Mail volumes, Sweden

millions



PostNord Denmark SEKm	Apr-Jun		Apr-Jun		Jan-Jun		Jan-Jun		Jan-Dec 2016
	2017	2016	Δ	Δ ¹⁾	2017	2016	Δ	Δ ¹⁾	
Net sales	2,115	2,376	-11%	-13%	4,343	4,807	-10%	-11%	9,571
of which Communication Services (external)	1,014	1,362	-26%	-27%	2,155	2,811	-23%	-24%	5,410
of which eCommerce & Logistics (external)	991	893	11%	6%	1,966	1,746	13%	7%	3,733
Operating income (EBIT)	-530	-253			-748	-304			-1,910
Operating margin, %	-25.1%	-10.6%			-17.2%	-6.3%			-20.0%
Adjusted operating income (EBIT)	-241	-222			-362	-273			-625
Adjusted operating margin, %	-11.4%	-9.3%			-8.3%	-5.7%			-6.5%

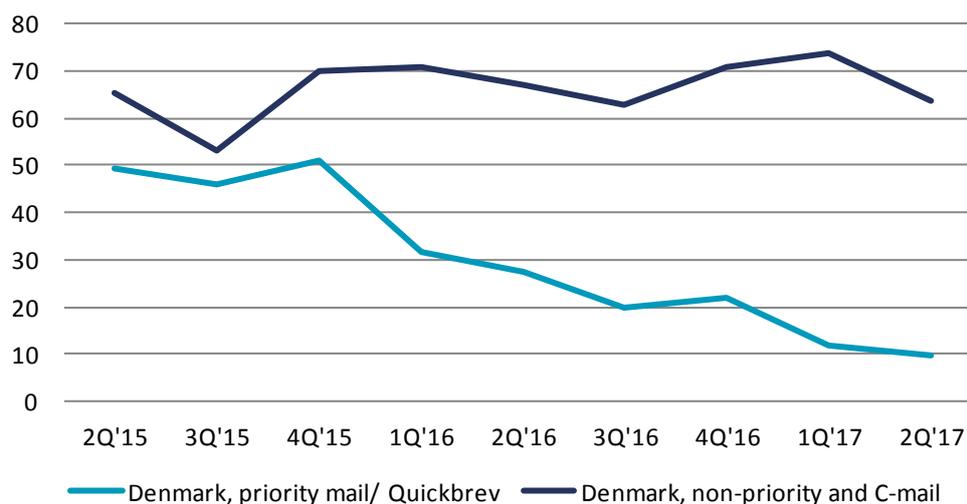
¹⁾ Change excluding acquisitions/divestment within operational activities and exchange rates.

PostNord Denmark's net sales decreased by 11% during the quarter. Excluding a minor logistics acquisition and exchange rate effects, sales decreased by 13%. In Communication Services, like-for-like sales decreased by 27%, with PostNord Denmark's mail volumes falling by 23% via the rapid process of digitization. Calendar-adjusted, mail volumes decreased by 19% from the preceding year. Like-for-like net sales for eCommerce & Logistics in Denmark increased by 6% mainly as a result of strong growth in pallets and mixed cargo groupage and an increase in parcel volumes. Like-for-like sales in the first six months of the year decreased by 11%.

Reported operating income totaled SEK -530m (-253) for the quarter and SEK -748m (-304) for the half-year, including provisions of SEK -386m (-269) for personnel reductions for employees with special employment conditions. Adjusted for these items affecting comparability, adjusted operating income was SEK -241m (-222) for the quarter and SEK -362m (-273) for the half-year. Income is still affected by the rapid digitization in Denmark, which could not be offset through increased logistics sales and cost adjustments in the mail business. The process of installing a financially stable production model to create the conditions for profitability at PostNord Denmark within a few years continues.

Mail volumes, Denmark

millions



PostNord Norway SEKm	Apr-Jun 2017	Apr-Jun 2016	Δ	Δ¹⁾	Jan-Jun 2017	Jan-Jun 2016	Δ	Δ¹⁾	Jan-Dec 2016
Net sales	931	959	-3%	-7%	1,892	1,870	1%	-5%	3,789
of which <i>Communication Services (external)</i>	11	8	38%	31%	23	16	44%	38%	36
of which <i>eCommerce & Logistics (external)</i>	769	843	-9%	-13%	1,592	1,649	-3%	-10%	3,298
Operating income (EBIT)	-7	-4			10	-5			-36
Operating margin, %	-0.8%	-0.4%			0.5%	-0.3%			-0.9%
Adjusted operating income (EBIT)	-7	-4			10	-5			-31
Adjusted operating margin, %	-0.8%	-0.4%			0.5%	-0.3%			-0.8%

¹⁾ Change excluding acquisitions/divestment within operational activities and exchange rates.

Excluding exchange rate effects, PostNord Norway's net sales decreased by 7%, through continued pressure on prices in the logistics market, the calendar effect of the timing of Easter from year to year and termination of unprofitable customer agreements in the thermo business. Like-for-like sales in the first half-year decreased by 5%.

Operating income for the quarter totaled SEK -7m (-4). Via robust cost adjustments and a continued transition to a greater proportion of hired resources for flexibility in meeting volume fluctuations, earnings for the first half-year improved to SEK 10m (-5).

PostNord Finland SEKm	Apr-Jun 2017	Apr-Jun 2016	Δ	Δ¹⁾	Jan-Jun 2017	Jan-Jun 2016	Δ	Δ¹⁾	Jan-Dec 2016
Net sales	250	246	2%	-3%	501	477	5%	2%	984
of which <i>Communication Services (external)</i>	3	4	-27%	-30%	7	8	-13%	-15%	16
of which <i>eCommerce & Logistics (external)</i>	171	177	-3%	-7%	345	345	0%	-3%	698
Operating income (EBIT)	-1	-3			0	-15			-15
Operating margin, %	-0.4%	-1.2%			0.0%	-3.1%			-1.5%
Adjusted operating income (EBIT)	-1	-3			0	-15			-15
Adjusted operating margin, %	-0.4%	-1.2%			0.0%	-3.1%			-1.5%

¹⁾ Change excluding acquisitions/divestment within operational activities and exchange rates.

Net sales for PostNord Finland increased by 2% in the quarter. Excluding exchange rate effects, net sales decreased by 3%, as a result of lower parcel sales, above all for InNight and negative impact from the dates of Easter. On the other hand, the parcels business performs well. Total sales for the half-year increased, mainly as a result of higher parcel volumes.

Operating income totaled SEK -1m (-3) for the quarter and SEK 0m (-15) for the first six months. The improvement was attributable to increased sales, tight control of costs and the fact that income for the preceding year was affected by integration costs for the UPK acquisition.

PostNord Strålfors SEKm	Apr-Jun 2017	Apr-Jun 2016	Δ	Δ¹⁾	Jan-Jun 2017	Jan-Jun 2016	Δ	Δ¹⁾	Jan-Dec 2016
Net sales	518	604	-14%	-8%	1,075	1,221	-12%	-5%	2,240
of which <i>Communication Services (external)</i>	482	575	-16%	-6%	1,007	1,163	-13%	-3%	2,124
Operating income (EBIT)	40	-189			94	-155			-151
Operating margin, %	7.7%	-31.3%			8.7%	-12.7%			-6.7%
Adjusted operating income (EBIT)	40	34			94	68			124
Adjusted operating margin, %	7.7%	5.6%			8.7%	5.6%			5.5%

¹⁾ Change excluding acquisitions/divestment within operational activities and exchange rates.

Net sales for PostNord Strålfors decreased by 14%. Like-for-like sales decreased by 8%. The main factors were continued digitization, which reduced the demand for physical communication. At the same time, demand for digital services rose sharply.

Operating income totaled SEK 40m (-189) for the quarter and SEK 94m (-155) for the first six months. Income in the preceding year was charged with costs of SEK 223m in connection with disposal of business outside the Nordic region. Despite lower sales, adjusted operating income for the quarter and half-year improved through tight control of costs, efficiency improvements and digital growth. During the quarter, work started on relocation of production operations from Denmark to the Swedish production facility in Ljungby.

Direct Link SEKm	Apr-Jun		Δ		Jan-Jun		Δ		Jan-Dec 2016
	2017	2016		¹⁾	2017	2016		¹⁾	
Net sales	252	228	11%	3%	522	511	2%	-3%	989
<i>of which eCommerce & Logistics (external) ²⁾</i>	252	228	11%	3%	522	511	2%	-3%	989
Operating income (EBIT)	4	1			11	16			27
Operating margin, %	1.6%	0.4%			2.1%	3.1%			2.7%
Adjusted operating income (EBIT)	4	1			11	16			27
Adjusted operating margin, %	1.6%	0.4%			2.1%	3.1%			2.7%

¹⁾ Change excluding acquisitions/divestment within operational activities and exchange rates.

²⁾ The Direct Link segment has been transferred to Business area eCommerce & Logistics from Communication Services. Figures presented for comparison have been restated.

During the quarter, sales for Direct Link increased by 11%. Like-for-like sales increased by 3%. The increase arose mainly through higher income from customers in Asia.

Operating income totaled SEK 4m (1) for the quarter and SEK 11m (16) for the first six months. The improvement in income in the second quarter was attributable mainly to increased sales.

SUSTAINABILITY

The average number of employees totaled 31,085 (33,405), a reduction of 2,320. The number of employees has been reduced in all units to align the business with lower income from products adversely affected by digitization, and to boost competitiveness. Sick leave was calculated at 6.0% (5.9). The figure is still high and in order to address the problem, in which long-term sick leave has fallen but short-term sick leave has risen, initiatives are being focused on both rehabilitation and preventive measures. During the quarter, the proportion of women at management levels 1-3 increased to 37% and at management levels 4-6 31%.

Carbon dioxide emissions fell by 7% in the first six months of the year, compared with the corresponding period last year, to 173,791 tonnes. All country units reported lower emissions, mainly thanks to the use of biofuel, which had particularly major impact in Sweden. In addition, optimization of transportation and the termination of Saturday deliveries in Denmark also lowered emissions. During the second quarter, a new environmental calculator was launched at postnord.dk and postnord.se which aids customers in calculating their emissions.

Delivery quality (rolling 12-months) for priority mail in Sweden was measured at 91.0%. Inland mail shipments are highly dependent on rail services operating satisfactorily. In June, around 700,000 mail items were delayed as a result of several prolonged service stoppages. In Denmark, delivery quality for Brevet (rolling 12-months) was 94.2%. The monthly outcome for June rose to 97.1%, the highest since the service was introduced. The actions taken to achieve further improvements in both Sweden and Denmark are still delivering results and this work continues with top priority. In parcels, weighted quality was measured at 96.1%.

At the end of the second quarter, the proportion of total Group purchases from suppliers signed up to the Code of Conduct for Suppliers was around 66%, including procurement of services from service partners. The focus in 2017 is on measuring supplier compliance with the Code of Conduct via self-assessment and by increasing the number of on-site audits.

Solna, July 20, 2017
PostNord AB (publ), CIN 556771-2640

The Board of Directors and the President and Chief Executive Officer hereby declare that the half-year report provides a true and fair view of the Group's and the Parent Company's operations, position and results, and also describes the material risks and uncertainties faced by the Parent Company and companies making up the Group.

Jens Moberg
Chairman

Mats Abrahamsson
Director

Måns Carlson
Director

Gunnel Duveblad
Director

Christian Ellegaard
Director

Jesper Lok
Director

Peder Lundquist
Director

Anitra Steen
Director

Lars Chemnitz
Employee representative

Johan Lindholm
Employee representative

Ulf Sjödin
Employee representative

Håkan Ericsson
President and Group CEO

This report has not been reviewed by the 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 8.30 a.m. CET on July 20, 2017.

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.

FINANCIAL CALENDAR

Interim report January September 2017

October 27, 2017

Year-end report 2017

February 9, 2018

CONTACT DETAILS

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FINANCIAL STATEMENTS

Consolidated income statement

SEKm	Note	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
	1					
Net sales		9,083	9,590	18,431	19,228	38,478
Other income		62	76	132	130	263
Income	2	9,145	9,666	18,563	19,358	38,741
Personnel expenses		-4,512	-4,427	-8,749	-8,792	-17,261
Transport expenses		-2,514	-2,574	-5,066	-4,919	-10,150
Other expenses		-2,068	-2,452	-4,279	-4,730	-9,593
Depreciation, amortization and impairments		-342	-483	-666	-887	-2,820
Expenses		-9,436	-9,936	-18,760	-19,328	-39,824
OPERATING INCOME		-291	-270	-197	30	-1,083
Financial income		14	3	17	8	49
Financial expenses		-16	-15	-33	-32	-74
Net financial items		-2	-12	-16	-24	-25
INCOME BEFORE TAX		-293	-282	-213	6	-1,108
Tax		-43	0	-107	-69	-475
NET INCOME		-336	-282	-320	-63	-1,583
Attributable to						
Parent company shareholders		-337	-282	-322	-64	-1,585
Non-controlling interests		1	0	2	1	2
Earnings per share, SEK		-0.17	-0.14	-0.16	-0.03	-0.79

Consolidated statement of comprehensive income

SEKm	Apr-jun 2017	Apr-jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
NET INCOME	-336	-282	-320	-63	-1,583
OTHER COMPREHENSIVE INCOME					
Items that cannot be transferred to net income					
Revaluation of pension liabilities	-210	-710	105	-1,830	-399
Change in deferred tax	46	157	-23	403	88
Total	-164	-553	82	-1,427	-311
Items that have been or may be transferred to net income					
Cash flow hedges after tax	1	2	2	3	6
Translation differences	-71	106	-106	171	343
- Realized and reclassified to income statement	-	-	-	-	48
Total	-70	108	-104	174	397
TOTAL OTHER COMPREHENSIVE INCOME	-234	-445	-22	-1,253	86
COMPREHENSIVE INCOME	-570	-727	-342	-1,316	-1,497
Attributable to					
Parent company shareholders	-571	-727	-344	-1,317	-1,499
Non-controlling interests	1	0	2	1	2

Consolidated statement of financial position

SEKm	Note	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
	1					
ASSETS						
Goodwill		2,562	2,588	2,600	3,412	3,337
Other intangible assets		850	867	854	837	873
Property, plant and equipment		7,708	7,921	7,994	8,520	8,489
Participations in associated companies and joint ventures		74	70	69	70	65
Financial investments	4	282	263	262	262	259
Non-current receivables		898	1,615	1,301	672	839
Deferred tax assets		117	92	122	860	720
Total non-current assets		12,491	13,416	13,202	14,633	14,582
Inventories		90	99	101	122	133
Tax assets		298	140	712	766	734
Trade receivables	4	4,273	4,465	4,627	4,304	4,189
Prepaid expenses and accrued income ¹⁾		1,454	1,247	1,096	1,287	1,302
Other receivables ¹⁾		274	176	218	189	202
Short-term investments	4	541	502	351	351	301
Cash and cash equivalents	4	3,086	2,146	1,577	625	1,654
Assets held for sale		173	136	176	145	172
Total current assets ¹⁾		10,189	8,911	8,858	7,789	8,687
TOTAL ASSETS ¹⁾		22,680	22,327	22,060	22,422	23,269
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		-1,737	-1,667	-1,633	-1,623	-1,856
Retained earnings		-2,913	-2,412	-2,673	-3,264	-2,268
Total equity attributable to parent company shareholders		7,304	7,875	7,648	7,067	7,830
Non-controlling interests		3	4	3	3	2
TOTAL EQUITY		7,307	7,879	7,651	7,070	7,832
LIABILITIES						
Non-current interest-bearing liabilities	4	1,720	1,713	1,716	1,730	3,720
Other non-current liabilities		46	48	49	52	53
Pensions		710	-	-	737	135
Other provisions		1,181	1,390	1,389	1,672	1,709
Deferred tax liabilities		592	888	831	627	807
Total non-current liabilities		4,249	4,039	3,985	4,818	6,424
Current interest-bearing liabilities	4	2,309	2,030	2,029	2,133	134
Trade payables		2,304	2,295	2,434	2,023	2,226
Tax liabilities		260	77	82	79	60
Other current liabilities ¹⁾		1,592	1,643	1,598	1,753	1,573
Accrued expenses and prepaid income ¹⁾		3,673	3,786	3,684	4,044	4,457
Other provisions		986	578	597	502	563
Total current liabilities ¹⁾		11,124	10,409	10,424	10,534	9,013
TOTAL LIABILITIES ¹⁾		15,373	14,448	14,409	15,352	15,437
TOTAL EQUITY AND LIABILITIES ¹⁾		22,680	22,327	22,060	22,422	23,269

¹⁾ To provide a more accurate view of receivables and liabilities regarding terminal fees, a change has been made in net accounting. Figures presented for comparison have been restated. For further information, see Note 1 on page 15.

Consolidated statement of cash flows

SEKm	Note	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
OPERATING ACTIVITIES						
Income before tax		-293	-282	-213	6	-1,108
Adjustments for non-cash items		1,508	339 ¹⁾	1,811	272 ¹⁾	2,920 ¹⁾
Taxes		-72	-27	-110	-26	-37
Cash flow from operating activities before changes in working capital		1,143	30	1,488	252	1,775
Cash flow from changes in working capital						
Increase(-)/decrease(+) in inventories		9	-2	10	-18	21
Increase(-)/decrease(+) in other operating receivables ²⁾		-38	-3	595	10	-296
Increase(+)/decrease(-) in other operating liabilities ²⁾		-170	371	-161	371	-168
Other changes in working capital		-22	-32	-20	-62	-11
Changes in working capital		-221	334	424	301	-454
Cash flow from operating activities		922	364	1,912	553	1,321
INVESTING ACTIVITIES						
Acquisition of property, plant and equipment		-140	-248	-333	-407	-1,001
Sale of property, plant and equipment		7	3	10	11	51
Acquisition of other intangible fixed assets		-67	-68	-145	-110	-181
Acquisition of operations, effect on cash and cash equivalents	3	-	-	-	-	-14
Sale of operations, effect on cash and cash equivalents	3	-	-	-	-	-45
Acquisition of financial assets		-164	-310	-417	-310	-612
Sale of financial assets		100	1	200	6	252
Cash flow from investing activities		-264	-622	-685	-810	-1,550
FINANCING ACTIVITIES						
Amortized debts		-	-	-	-	-100
New loans		300	-	300	-	-
Dividend paid		-2	-2	-2	-2	-2
Increase(+)/decrease(-) in other interest-bearing liabilities		-12	5	-13	14	4
Cash flow from financing activities		286	3	285	12	-98
CASH FLOW FOR THE PERIOD						
Cash and cash equivalents, opening balance		2,146	1,905	1,577	1,894	1,894
Translation difference in cash and cash equivalents		-4	4	-3	5	10
Cash and cash equivalents, closing balance		3,086	1,654	3,086	1,654	1,577

¹⁾ In previous periods, premiums paid to Postens Försäkringsförening have been recognized under "Financing activities".

²⁾ To provide a more accurate view of receivables and liabilities regarding terminal fees, a change has been made in net accounting. Figures presented for comparison have been restated. For further information, see Note 1 on page 15.

Consolidated statement of changes in equity

Equity attributable to the parent company's shareholders							
SEKm	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings	Non-controlling interests	Total equity
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 the period	-	-	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

Equity attributable to the parent company's shareholders							
SEKm	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance 1 Jul 2016	2,000	9,954	-1,851	-5	-2,268	2	7,832
Other comprehensive income for the period							
Net income for the period	-	-	-	-	-1,521	2	-1,519
Other comprehensive income for the period	-	-	220	3	1,116	-	1,339
Total other comprehensive income for the period	-	-	220	3	-405	2	-180
Dividend	-	-	-	-	-	-2	-2
Closing balance 31 Dec 2016	2,000	9,954	-1,631	-2	-2,673	3	7,651

Equity attributable to the parent company's shareholders							
SEKm	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance 1 Jan 2017	2,000	9,954	-1,631	-2	-2,673	3	7,651
Other comprehensive income for the period							
Net income for the period	-	-	-	-	-322	2	-320
Other comprehensive income for the period	-	-	-106	2	82	-	-22
Total other comprehensive income for the period	-	-	-106	2	-240	2	-342
Dividend	-	-	-	-	-	-2	-
Closing balance 30 Jun 2017	2,000	9,954	-1,737	0	-2,913	3	7,307

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

PARENT COMPANY FINANCIAL REPORTS IN BRIEF

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 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
	1					
Other income		4	4	8	8	16
Income		4	4	8	8	16
Personnel expenses		-8	-8	-16	-14	-29
Other expenses		-2	-2	-4	-3	-6
Operating expenses		-10	-10	-20	-17	-35
OPERATING INCOME		-6	-6	-12	-9	-19
Interest income and similar income items		0	0	0	0	2
Interest expense and similar expense items		-34	-37	-44	-64	-109
Financial items		-34	-37	-44	-64	-107
Income after financial items		-40	-43	-56	-73	-126
Balance sheet appropriations		-	-	-	-	129
Income before tax		-40	-43	-56	-73	3
Tax		-3	-	-3	-	-
NET INCOME		-43	-43	-59	-73	3

Statement of comprehensive income

SEKm	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net income	-43	-43	-59	-73	3
Other comprehensive income for the period	-	-	-	-	-
COMPREHENSIVE INCOME	-43	-43	-59	-73	3

Balance sheet

SEKm	Note	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
	1					
ASSETS						
Financial assets		11,697	11,696	11,695	11,693	11,692
Total non-current assets		11,697	11,696	11,695	11,693	11,692
Current receivables		8,002	8,207	8,236	8,177	8,220
Total current assets		8,002	8,207	8,236	8,177	8,220
TOTAL ASSETS		19,699	19,903	19,931	19,870	19,912
EQUITY AND LIABILITIES						
Equity		15,761	15,762	15,768	15,653	15,691
Non-current liabilities		1,597	2,102	2,103	2,106	4,082
Current liabilities		2,341	2,039	2,060	2,111	139
TOTAL EQUITY AND LIABILITIES		19,699	19,903	19,931	19,870	19,912

NOTES TO FINANCIAL STATEMENTS

Note 1 Accounting principles and risks

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and approved by the EU, applying to financial years beginning on January 1, 2017. In addition, supplementary rules in the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, have also been applied. The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and supplementary rules in the Swedish Annual Accounts Act. Other disclosures in accordance with IAS 34.16A are presented both in the financial statements and other parts of the interim report.

A change has been made to the Group's accounting policies with regard to the net/gross recognition of terminal fees in the statement of financial position. The procedure of advance payments for terminal fees is used to prevent excessively large receivables and liabilities arising between the countries. In earlier years, accrued receivables and accrued liabilities for terminal fees have been recognized net but advance payments have not been included in this net accounting process. To provide a more accurate picture, the procedure has been changed and advance payments for terminal fees are now also recognized net per country. Previous periods have been recalculated accordingly. The effect on total assets is a reduction of SEK 300-600m over the next four quarters.

Otherwise, the same accounting policies and calculation methods have been used in the interim report as in the 2016 annual report for the Group and Parent Company. The new or revised IFRSs that entered into force in 2017 have not had any material impact on the consolidated financial statements.

Risks

The Parent Company and the Group are exposed to strategic, operational and financial risks. Please refer to PostNord's 2016 Annual and Sustainability Report (page 24 and Note 2 on page 48), for a description of risks, uncertainties, risk management and significant assessments and estimates.

Note 2 Segments

The Group's segmental reporting is based mainly on the geographical domicile of the companies. The PostNord Strålfors and Direct Link segments are coordinated on the basis of the nature of the businesses. Market pricing applies to internal dealings between the Group's segments. There is no scope for external procurement if the service is available internally. In PostNord's operational structure, though not in its legal structure, cost allocation of corporate shared service functions is at cost price.

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 Norwegian 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 and eliminations 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.

Net sales per segment	Q1	Q2	Q3	Q4	Q1	Q2
SEKm	2016	2016	2016	2016	2017	2017
PostNord Sweden	5,720	5,703	5,320	6,283	5,615	5,558
-of which internal	293	273	261	261	241	233
PostNord Denmark	2,431	2,376	2,220	2,544	2,227	2,115
-of which internal	129	121	112	67	112	110
PostNord Norway	911	959	919	1,000	961	931
-of which internal	97	108	113	137	126	151
PostNord Finland	231	246	241	266	251	250
-of which internal	59	65	68	78	73	76
PostNord Strålfors	617	604	503	516	557	518
-of which internal	28	30	22	36	32	36
Direct Link	283	228	209	269	270	252
-of which internal	1	-1	0	0	0	0
Other and eliminations	-555	-526	-517	-523	-533	-541
Total Group	9,638	9,590	8,895	10,355	9,348	9,083

Operating income per segment	Q1	Q2	Q3	Q4	Q1	Q2
SEKm if not otherwise stated	2016	2016	2016	2016	2017	2017
PostNord Sweden	198	76	47	502	119	114
-as % of net sales, EBIT	3.5	1.3	0.9	8.0	2.1	2.1
PostNord Denmark	-51	-253	-209	-1,397	-218	-529
-as % of net sales, EBIT	-2.1	-10.6	-9.4	-54.9	-9.8	-25.0
PostNord Norway	-1	-4	-21	-11	16	-7
-as % of net sales, EBIT	-0.1	-0.4	-2.3	-1.1	1.7	-0.8
PostNord Finland	-12	-3	0	-1	1	-1
-as % of net sales, EBIT	-5.2	-1.2	0.0	-0.4	0.4	-0.4
PostNord Strålfors	34	-189	-21	26	53	40
-as % of net sales, EBIT	5.5	-31.3	-4.2	5.0	9.5	7.7
Direct Link	15	1	0	11	7	4
-as % of net sales, EBIT	5.3	0.4	0.0	4.1	2.6	1.6
Other	117	102	103	-142	116	88
Operating income	300	-270	-101	-1,012	94	-291
-as % of net sales, EBIT	3.1	-2.8	-1.1	-9.8	1.0	-3.2

Adjusted operating income per segment	Q1	Q2	Q3	Q4	Q1	Q2
SEKm if not otherwise stated	2016	2016	2016	2016	2017	2017
PostNord Sweden	198	91	47	510	119	114
-as % of net sales, Adjusted EBIT	3.5	1.6	0.9	8.1	2.1	2.1
PostNord Denmark	-51	-222	-209	-144	-121	-241
-as % of net sales, Adjusted EBIT	-2.1	-9.3	-9.4	-5.7	-5.4	-11.4
PostNord Norway	-1	-4	-21	-6	16	-7
-as % of net sales, Adjusted EBIT	-0.1	-0.4	-2.3	-0.6	1.7	-0.8
PostNord Finland	-12	-3	0	-1	1	-1
-as % of net sales, Adjusted EBIT	-5.2	-1.2	0.0	-0.4	0.4	-0.4
PostNord Strålfors	34	34	28	29	53	40
-as % of net sales, Adjusted EBIT	5.5	5.6	5.6	5.6	9.5	7.7
Direct Link	15	1	0	11	7	4
-as % of net sales, Adjusted EBIT	5.3	0.4	0.0	4.1	2.6	1.6
Other	117	102	114	-156	116	87
Adjusted operating income	300	-1	-41	242	191	-4
-as % of net sales, Adjusted EBIT	3.1	0.0	-0.5	2.3	2.0	0.0

Note 3 Acquisitions and divestments

Since no acquisitions or divestments took place during the period covered by the interim report, full IFRS 3 accounting is not presented in this interim report. See the 2016 Annual Report for reporting of acquisitions and divestments made during 2016.

Note 4 Financial instruments

June 30, 2017

Carrying amount and fair value of financial assets and liabilities, SEKm	value of financial assets	Financial assets	Loan and trade receivables	Financial liabilities	Financial liabilities	Carrying amount	Fair value
		reported at fair value via income ¹⁾	measured at amortized cost	at fair value via income ¹⁾	measured at amortized cost		
Financial investments		282	-	-	-	282	282
Derivatives		1	-	-	-	1	1
Trade receivables		-	4,273	-	-	4,273	4,273
Terminal fees ^{2) 3) 4)}		-	569	-	-	569	569
Short-term investments		-	541	-	-	541	541
Cash and cash equivalents		-	3,086	-	-	3,086	3,086
Long-term interest-bearing liabilities		-	-	-174	-1,546	-1,720	-1,729
Current interest-bearing liabilities		-	-	-	-2,309	-2,309	-2,317
Trade payables		-	-	-	-2,304	-2,304	-2,304
Other current liabilities		-	-	-	-1,592	-1,592	-1,592
Derivatives		-	-	-13	-	-13	-13
Terminal fees		-	-	-	-199	-199	-199
Total financial assets and liabilities, by category		283	8,469	-187	-7,950	615	598

December 31, 2016

Carrying amount and fair value of financial assets and liabilities, SEKm	value of financial assets	Financial assets	Loan and trade receivables	Financial liabilities	Financial liabilities	Carrying amount	Fair value
		reported at fair value via income ¹⁾	measured at amortized cost	at fair value via income ¹⁾	measured at amortized cost		
Financial investments		262	-	-	-	262	262
Derivatives		13	-	-	-	13	13
Trade receivables		-	4,627	-	-	4,627	4,627
Terminal fees ^{2) 3) 4)}		-	391	-	-	391	391
Short-term investments		-	351	-	-	351	351
Cash and cash equivalents		-	1,577	-	-	1,577	1,577
Long-term interest-bearing liabilities		-	-	-170	-1,546	-1,716	-1,731
Current interest-bearing liabilities		-	-	-	-2,029	-2,029	-2,059
Trade payables		-	-	-	-2,434	-2,434	-2,434
Other current liabilities		-	-	-	-1,631	-1,631	-1,631
Derivatives		-	-	-7	-	-7	-7
Terminal fees		-	-	-	-349	-349	-349
Total financial assets and liabilities, by category		275	6,946	-177	-7,989	-945	-990

June 30, 2016

Carrying amount and fair value of financial assets and liabilities, SEKm	value of financial assets	Financial assets	Loan and trade receivables	Financial liabilities	Financial liabilities	Carrying amount	Fair value
		reported at fair value via income ¹⁾	measured at amortized cost	at fair value via income ¹⁾	measured at amortized cost		
Financial investments		259	-	-	-	259	259
Derivatives		5	-	-	-	5	5
Trade receivables		-	4,189	-	-	4,189	4,189
Terminal fees ^{2) 3) 4)}		-	475	-	-	475	475
Current 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		-	-	-	-112	-112	-112
Total financial assets and liabilities, by category		264	6,619	-169	-7,718	-1,004	-1,065

¹⁾ Financial assets and liabilities measured at fair value via income using the Fair value option. Derivatives are classified as held for trading and are recognised at fair value unless used for hedge accounting.

²⁾ Terminal fees are payment for production services performed in the receiving country, for mail posted in another country, under international agreements between countries.

³⁾ The periods for settlement of terminal fees have been considerably shortened over recent years and have therefore been transferred from Financial assets reported at fair value via the Income Statement to Loan and trade accounts receivable measured at amortized cost.

⁴⁾ To provide a more accurate view of receivables and liabilities regarding terminal fees, a change has been made in net accounting. Figures presented for comparison have been restated.

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 27 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 affecting comparability are substantial, nonrecurring or directly attributable to operating activities. Examples of items affecting comparability include capital gains on the sale of assets, impairment of assets and provision for personnel redundancies employed under special employment conditions in Denmark. Ongoing restructuring costs are not regarded as items affecting comparability.
Net debt	Interest-bearing debt, pension provisions, less cash and cash equivalents, financial investments, financial receivables, that according to IAS 19 are included in non-current receivables and short-term investments.

Reconciliation with financial statements

SEKm	Jun 30, 2017	Mar 31, 2017	Dec, 31 2016	Sep 30, 2016	Jun 30, 2016
Interest-bearing debt, current	2,309	2,030	2,029	2,133	134
Interest-bearing debt, non-current	1,720	1,713	1,716	1,730	3,720
Pensions ¹⁾	710	-	-	737	135
Financial investments	-282	-263	-262	-262	-259
Non-current receivables ²⁾	-798	-1,520	-1,201	-579	-755
Short-term investments	-541	-502	-351	-351	-301
Cash and cash equivalents	-3,086	-2,146	-1,577	-625	-1,654
Net debt	32	-688	354	2,783	1,020

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

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SEKm, unless otherwise specified	2015	2015	2015	2015	2016	2016	2016	2016	2017	2017
PostNord Group										
Net sales	10,033	9,666	9,218	10,434	9,638	9,590	8,895	10,355	9,348	9,083
Other income	69	559	61	72	54	76	70	63	70	62
Expenses	-9,796	-9,722	-9,244	-10,790	-9,393	-9,936	-9,065	-11,430	-9,324	-9,436
<i>of which, personnel expenses</i>	-4,528	-4,589	-4,075	-5,029	-4,365	-4,427	-3,891	-4,578	-4,237	-4,512
<i>of which, transport expenses</i>	-2,473	-2,456	-2,473	-2,649	-2,345	-2,574	-2,483	-2,748	-2,552	-2,514
<i>of which, other expenses</i>	-2,344	-2,246	-2,268	-2,550	-2,278	-2,452	-2,328	-2,534	-2,211	-2,068
<i>impairments</i>	-451	-431	-428	-562	-405	-483	-363	-1,570	-324	-342
Operating income (EBITDAI)	763	934	461	278	705	213	262	558	418	51
Operating margin (EBITDAI)	7.6%	9.7%	5.0%	2.7%	7.3%	2.2%	2.9%	5.4%	4.5%	0.6%
Operating income (EBIT)	312	503	33	-284	300	-270	-101	-1,012	94	-291
Operating margin (EBIT)	3.1%	5.2%	0.4%	-2.7%	3.1%	-2.8%	-1.1%	-9.8%	1.0%	-3.2%
Cash flows from operating activities	1,119	-148	-286	900	189	364	-656	1,424	990	922
Net debt	3,113	743	1,308	-171	639	1,020	2,783	354	-688	32
Return on capital employed	4.7%	9.4%	7.0%	5.4%	5.6%	-2.3%	-3.8%	-12.1%	-15.0%	-15.9%
Average number of employees (FTE)	34,970	35,398	35,904	34,752	33,445	33,365	33,897	32,405	30,960	31,210
Number of staffing (basic) at end of period ¹⁾	36,178	35,729	35,609	34,819	34,684	33,884	32,766	32,657	32,358	31,910
<i>Volumes, millions of mails produced:</i>										
Sweden, priority mail	215	199	183	214	193	190	173	201	185	176
Sweden, non-priority mail	296	253	233	279	287	237	219	259	263	217
Denmark, priority mail/Quickbrev	55	49	46	51	32	27	20	22	12	10
Denmark, non-priority and business mail	71	65	53	70	71	67	63	71	74	64
<i>Volumes, millions of parcels produced (net):</i> (Eliminated for volumes between countries)										
Parcels, group total	32	32	31	37	33	35	34	40	36	37

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