

# Year-end report

# Q4 2016

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## OCTOBER-DECEMBER 2016

- Net sales SEK 10,355m (10,434).
- Operating income SEK -1,012m (-284).
- Adjusted operating income SEK 242m (501).
- Items affecting comparability, net, SEK -1,254m (-785).
- Net income for the period SEK -1,375m (-337).
- Earnings per share SEK -0.69 (-0.17).
- Cash flow from operating activities SEK 1,424m (900).

## JANUARY-DECEMBER 2016

- Net sales SEK 38,478m (39,351).
  - Operating income SEK -1,083m (564).
  - Adjusted operating income SEK 500 (927).
  - Items affecting comparability, net, SEK -1,583m (-363).
  - Net income for the period SEK -1,583m (278).
  - Earnings per share SEK -0.79 (0.14).
  - Cash flow from operating activities SEK 1,321m (1,585).
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**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](http://www.postnord.com)

## FINANCIAL OVERVIEW AND KEY RATIOS<sup>1)</sup>

SEKm, unless otherwise specified	Oct-dec	Oct-dec	Excl. <sup>2)</sup>		Jan-dec	Jan-dec	Excl. <sup>2)</sup>	
	2016	2015	Δ	Δ	2016	2015	Δ	Δ
<b>INCOME ITEMS</b>								
Net sales	10,355	10,434	-1%	-2%	38,478	39,351	-2%	-3%
Operating income (EBIT)	-1,012	-284			-1,083	564		
Operating margin (EBIT)	-9.8%	-2.7%			-2.8%	1.4%		
Adjusted operating income (EBIT)	242	501			500	927		
Adjusted operating margin (EBIT)	2.3%	4.8%			1.3%	2.4%		
Operating income (EBITDAI)	558	278			1,737	2,436		
Operating margin (EBITDAI)	5.4%	2.7%			4.5%	6.2%		
Income before tax	-1,012	-304			-1,108	451		
Net income	-1,375	-337			-1,583	278		
<b>CASH FLOWS</b>								
Cash flows from operating activities	1,424	900			1,321	1,585		
<b>FINANCIAL POSITION</b>								
Financial preparedness	4,927	3,894			4,927	3,894		
Net debt	354	-171			354	-171		
<b>KEY RATIOS</b>								
Earnings per share, SEK	-0.69	-0.17			-0.79	0.14		
Net debt/EBITDAI, times	0.2	-0.1			0.2	-0.1		
Net debt ratio	5%	-2%			5%	-2%		
Return on capital employed (ROCE)	-12.1%	5.4%			-12.1%	5.4%		
Average number of employees	32,405	34,752			33,278	35,256		

<sup>1)</sup> See page 19 for definitions.

<sup>2)</sup> Change excluding acquisitions/divestments and currency.

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

## CEO COMMENTS

### NEW PRODUCTION MODEL TO BE INTRODUCED IN DENMARK. CLOSER GROUP-WIDE FOCUS ON THE CUSTOMER EXPERIENCE DELIVERING RESULTS.

PostNord's results continue to be impacted by sharply declining mail volumes, above all in Denmark. The rapid pace of digitization has led to a dramatic downward trend in volume and income in the Danish business. A decision has been taken to introduce a new financially sustainable production model for the future.

In Denmark, where the Danish government's digitization agenda has made the country into probably the most highly-digitized country in the world, the scale of volume losses in the mail business is continuing to grow. Over 2016, the volume of priority mail fell very sharply and since 2000 has declined by approx. 90 %. Denmark's new Postal Services Act, passed in 2016, has now put regulatory conditions in place that will enable the Danish business to adapt more effectively to the volumes to be handled. PostNord has therefore decided on additional measures, in the form of a new production model to be introduced. The transformation of PostNord Denmark will take several years to implement in full and is expected to lead to major restructuring costs and losses during the period of adjustment. These costs are for the most part associated with the special agreements entered into with the personnel at Posten Danmark's corporatization. An impairment loss was applied to goodwill in the fourth quarter with regard to the Danish business and to certain assets relating to the mail business in Denmark.

Delivery of market-leading quality is a high-priority area and during the quarter the level of quality for our main products improved, compared to the same time last year. In addition, the PostNord Group has further sharpened its focus on the customer experience. In part, through implementation of the *PostNord Lyssnar* (PostNord's Listening) program in the Swedish organization. The result has been enhanced understanding of how our customer's customer, the recipient, experiences all contacts with PostNord, and a number of quality-enhancing measures have been taken. Our survey results also indicate an improvement. *PostNord Lyssnar* is also being introduced in the Group's other primary markets in the first quarter of 2017.

PostNord's like-for-like net sales declined by 2% in the fourth quarter, mainly as a result of another major decrease of 10% overall in the Group's mail volumes 7% in Sweden and 23% in Denmark. To a certain degree, this is being offset by continuingly strong growth in e-commerce. Volumes of B2C parcels increased by around 18%. Like-for-like net sales for the full year fell by 3%.

Adjusted operating income totaled SEK 242m (501) for the quarter and SEK 500m (927) for the full year. The decline mostly arose through the impact of the sharply falling mail volumes in Denmark that could not be offset through sufficient adjustment on the cost side. Of full-year income for 2016, Business area e-Commerce & Logistics accounted for approximately 75%. Items affecting comparability, SEK -1,583m (-363) net, for the full year consisted for the most part of impairment losses applied to goodwill and certain tangible assets in Denmark, and the sale of PostNord Strålfors' non-Nordic operations.

The downturn in mail business is common to all national postal corporations. The outcome is that business models must be reviewed from the bottom up in order to adjust to the trend we are seeing in Denmark, where letters are gradually becoming a niche product. This trend means that systems of postal regulation will have to be adapted. In Sweden, the decline in mail volumes is accelerating and new government digitization initiatives in communications between government agencies and private individuals and businesses are being rolled out. We are looking forward with confidence to the new postal services bill that the government has announced for May this year. The bill is expected to create better conditions for continuing to deliver a good postal service throughout Sweden under reasonable financial conditions.

We also need to adjust if we are to generate good profitability in our growing and very strategically important logistics business. This will be especially important in the consumer-led segment, which is being driven primarily by the rapid growth in e-commerce. PostNord has long held a strong position as an expert in e-commerce logistics and is a leading supplier in the industry. Our offering is now being expanded on the basis of an even more clearly defined consumer perspective.

The robust measures implemented in 2015 to realign our operations in Sweden and Denmark created certain quality problems. During the summer and autumn 2016, our quality in Sweden in particular came under scrutiny by the government, the media and our owners. In the second half of 2016, we stepped up our quality, which now maintains a generally satisfactory level, even if areas for improvement remain.

With the right priorities, solid experience, greater receptiveness and an ever-increasingly competitive business, we are well equipped to deal with the current paradigm shift that postal corporations worldwide are encountering. Through our decision to build a sustainable production model for the future, PostNord will take the next important steps in its evolution into the leading logistics company for private individuals and businesses in the Nordic region.

*Håkan Ericsson*  
*President and Group CEO*

## IMPORTANT EVENTS IN OCTOBER–DECEMBER

### Tim Jørnsen new Head of Business area eCommerce & Logistics

Tim Jørnsen was appointed as Head of PostNord's Business area eCommerce & Logistics and member of PostNord's Group Management, the Group Executive Team. Since July, Tim Jørnsen has been serving as acting head of the business area and former Head of Product Management in the business area. Tim Jørnsen took up his role on January 1, 2017.

### Andreas Falkenmark will be leaving PostNord's Group Management

Andreas Falkenmark will be leaving PostNord, his role as Head of Business area Communication Services and member of PostNord's Group Management, the Group Executive Team, no later than in August 2017.

### PostNord Listens

In the autumn, the Group launched its *PostNord Listens* program, which further focuses on the experience of our customer's customer, the recipient. The objective is to improve the end customer's experience, by actively listening, acting and delivering. Fully implemented, the program will measure all primary interfaces with recipients, such as deliveries via service partners, home deliveries of parcels, mail deliveries, contacts with Customer Service and complaints handling. *PostNord Listens* is based on measuring, analyzing and – very quickly – making the necessary improvements. In an initial stage, it was implemented in Sweden in autumn 2016. Denmark and Norway are to have *PostNord Listens* fully implemented in the first quarter of 2017 and Finland in the third quarter.

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

### Decision on new production model in Denmark

A new production model in Denmark will be implemented over the next few years. As a result, PostNord will be first in the world to create a financially sustainable production model that is fully based on coordinating utilization of infrastructure and transportation networks for the rapidly expanding logistics business with the shrinking mail business. Building on the logistics network will lay the foundations for efficient and scalable distribution of letters and ensure a competitive logistics offering for the future. The new production model is expected to result in a substantial reduction in the number of employees over several years. At the same time, it will enable large parts of the infrastructure for the mail business to be closed down.

### Charlotte Svensson new Head of Business areas Communication Services

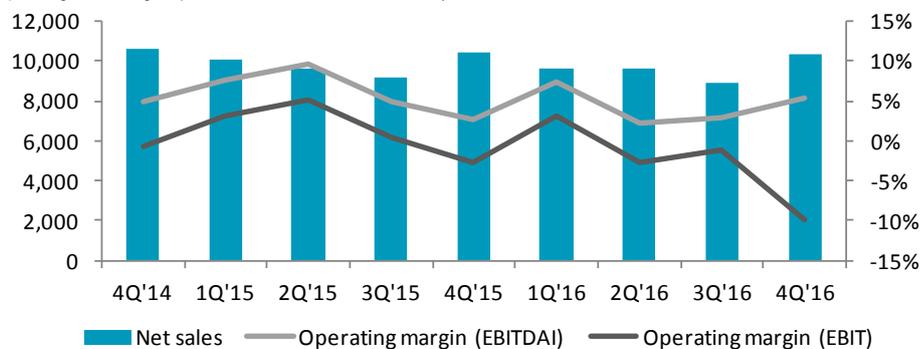
Charlotte Svensson will succeed Andreas Falkenmark as Head of Business area Communication Services and member of PostNord's Group Management, the Group Executive Team. Charlotte Svensson joins PostNord from the Bonnier Group, where she is in charge of market, reader revenue and digital business development in the Bonnier News business area. She also acts as the group's Chief Technical Officer. Charlotte Svensson graduated from the Universities of Karlstad and Gothenburg and the Chalmers University of Technology. She previously worked at Intrum Justitia, ID and Spray and also has a background in consulting, as CEO of InvoiceIT. Charlotte Svensson will take up her appointment no later than in August 2017.

## GROUP SALES AND EARNINGS

External net sales <sup>1)</sup> SEKm	Oct-dec	Oct-dec	Excl. <sup>2)</sup>		Jan-dec	Jan-dec	Excl. <sup>2)</sup>	
	2016	2015	Δ	Δ	2016	2015	Δ	Δ
Business area Communication Services	5,507	5,859	-6%	-6%	20,881	22,194	-6%	-5%
Business area eCommerce & Logistics	4,848	4,575	6%	2%	17,597	17,157	3%	1%
<b>Group total</b>	<b>10,355</b>	<b>10,434</b>			<b>38,478</b>	<b>39,351</b>		

<sup>1)</sup> Numbers are restated in accordance with the new organization.

<sup>2)</sup> Change excluding acquisitions/divestments and currency.



PostNord's net sales decreased by 2%, excluding acquisitions, disposals and exchange rate effects. As a result of continued digitization, mail volumes declined by 10% overall, 23% in Denmark and 7% in Sweden. The Group's parcel volumes increased by 11%. Growth in e-commerce continues, with e-commerce-related B2C parcel volumes increasing by 18%, including a service reclassification that contributed 3 percentage points during the quarter.

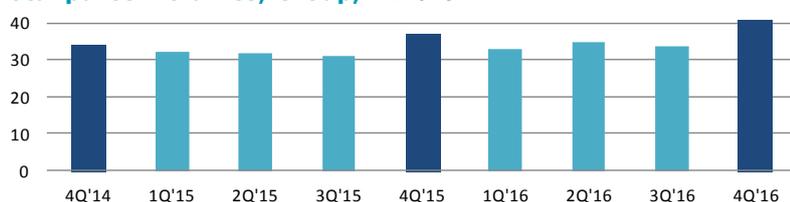
Items affecting comparability, SEKm	Oct-dec 2016	Oct-dec 2015	Jan-dec 2016	Jan-dec 2015
<b>Operating income (EBIT)</b>	<b>-1,012</b>	<b>-284</b>	<b>-1,083</b>	<b>564</b>
Impairment losses on intangible assets and property, plant and equipment	-1,186	-146	-1,186	-146
Provisions/reversals of restructuring measures	-62	-589	-62	-589
Capital gain on sale of property	-	-	-	500
Impairment losses etc. on disposals businesses outside the Nordic region	-3	-	-275	-
Other	-4	-50	-60	-128
<b>Adjusted operating income (EBIT)</b>	<b>242</b>	<b>501</b>	<b>500</b>	<b>927</b>

The Group's net operating income for the period totaled SEK -1,012m (-284) and SEK -1,083m (564) for the full year. Income for the period was charged with an impairment loss of SEK 796m on goodwill related to the Danish organization and an impairment loss of SEK 389m on property, plant and equipment related to the Danish mail business. Earlier in the year, income was charged with impairment losses etc. in connection with the sale of Strålfors' non-Nordic operations. In all, income takes into account items affecting comparability of SEK -1,255m (-785) net for the quarter and SEK -1 583m (-363) net for the full year, of which SEK -1,441m (-357) has no effect on cash flow. In the previous year, items affecting comparability pertained mainly to provisions for restructuring costs, and a capital gain on the sale of a property.

Adjusted operating income for the Group totaled SEK 242n (501) for the quarter and SEK 500m (927) for the full year. The negative change was for the most part the result of the continued strong growth in digitization in Denmark.

Net financial items totaled SEK 0m (-20) for the period and SEK -25m (-113) for the full year. Net income for the period totaled SEK 1,375m (-337) for the quarter and SEK -1,583m (278) for the full year. Tax amounted to SEK -363m (-33) for the period and SEK -475m (-173) for the full year.

### Total parcel volumes, Group, millions



## FINANCIAL POSITION AND CASH FLOW

The Group's equity increased to SEK 7,651m from SEK 7,070m on September 30, 2016. The increase consisted for the most part of revaluation of pension commitments in the amount of SEK 1,966m after tax, as a result of a higher discount rate arising from higher interest rates in the Swedish housing bond market. The positive revaluation was negatively impacted by the loss of SEK -1,375m for the period. In 2016, equity decreased by SEK 1,499m, mainly due to the loss for the year.

The Group's net debt decreased by SEK 2,429m during the quarter to SEK 354m, as a result of the above-mentioned decrease in the pension liability and a positive cash flow. Over the period, the cash flow was positively affected by a credit of SEK 909m (0) from Postens Pensionsstiftelse (the Posten Pension Fund). The interest-bearing liability consists of a long-term portion of SEK 1,716m (1,730) and a current portion of SEK 2,029m (2,133). On September 20, 2017, SEK 2,000m of the Group's bonds loans falls due for payment and to secure its financial preparedness, the Group has a bridging facility of SEK 1,000m that matures in 2018.

The debt ratio (net debt/equity) on December 31, 2016 was 5% (-2), which was somewhat below the Group's target of 10-50%.

### Net debt

SEKm	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015
Interest-bearing debt	3,745	3,863	3,854	3,849	3,840
Pensions and disability pension plans	-1,201	158	-620	-1,051	-1,867
Long- and short-term investments	-613	-613	-560	-254	-250
Cash and cash equivalents	-1,577	-625	-1,654	-1,905	-1,894
<b>Net debt</b>	<b>354</b>	<b>2,783</b>	<b>1,020</b>	<b>639</b>	<b>-171</b>

Return on capital employed (ROCE) was -12.1% (-5.4), as a result of the negative income for the period. Excluding items affecting comparability, the return on capital employed was 5.5% (7.8).

The Group's financial preparedness totaled SEK 4,927m (3,894) on December 31, 2016, comprising cash and cash equivalents of SEK 1,577m (1,894), short-term investments of SEK 350m (-) and an unutilized credit facility of SEK 3,000m (2,000), of which SEK 1,000m matures in 2018 and SEK 2,000m in 2019.

Cash flow from operating activities totaled SEK 1,424m (900). Cash flow was positively affected by a credit of SEK 909m (0) from Postens Pensionsstiftelse, and negatively affected by lower income and use of provisions set aside in earlier periods. Accumulated cash flow from operating activities amounted to SEK 1,321m (1,585), where the income in the preceding year benefited from a payroll tax refund of SEK 300m.

Cash flow from investing activities totaled SEK -356m (-435). Accumulated cash flow from investing activities amounted to SEK -1,550m (-646). The investments were for the most part in the integrated production model and the vehicle fleet. In addition, SEK 350m of cash and cash equivalents were invested in commercial paper as a result of deposit charges imposed by the banks. Last year, a property in Copenhagen was sold for a cash consideration of SEK 495m.

Cash flow from financing activities totaled SEK -118m (-10).

## COUNTRIES

PostNord Sweden SEKm	Oct-dec	Oct-dec	Excl. <sup>2)</sup>		Jan-dec	Jan-dec	Excl. <sup>2)</sup>	
	2016	2015	Δ	Δ	2016	2015	Δ	Δ
Net sales	6,283	6,173	2%	2%	23,025	23,080	0%	0%
of which Communication Services (external) <sup>1)</sup>	3,296	3,275	1%	1%	12,076	12,448	-3%	-3%
of which eCommerce & Logistics (external) <sup>1)</sup>	2,733	2,578	6%	6%	9,869	9,559	3%	3%
Operating income (EBIT)	502	182			824	750		
Operating margin, %	8.0%	2.9%			3.5%	3.2%		
Adjusted operating income (EBIT)	510	260			847	847		
Adjusted operating margin, %	8.1%	4.2%			3.7%	3.7%		

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

<sup>1)</sup> Figures for comparison have been adjusted in line with the new business area organization.

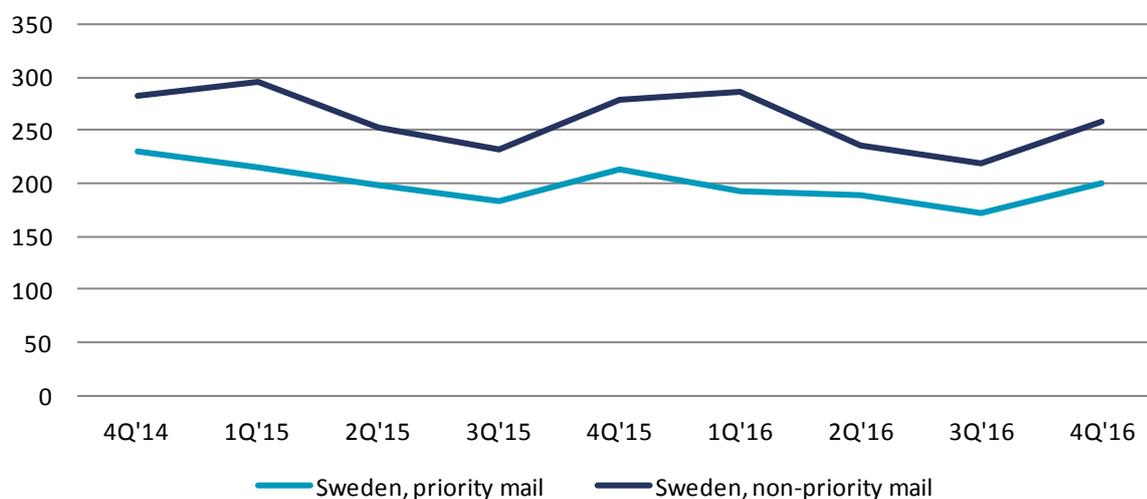
<sup>2)</sup> Change excluding acquisitions/divestment within operational activities and exchange rates.

Net sales for PostNord Sweden increased by 2% during the quarter. Mail volumes fell by 7%. Sales for eCommerce & Logistics increased by 6% mainly through continued growth in e-commerce, where *Black Friday* and *Cyber Monday* set record-highs in B2C volumes. Over the full year, sales were unchanged. A decrease in mail revenues was offset through higher revenues from logistics services, above all parcel distribution.

Net operating income totaled SEK 502m (182) for the quarter SEK 824m (750) on an accumulated basis. Adjusted operating income totaled SEK 847m (847) on an accumulated basis. The strong growth in the quarter arose largely through the volume increase in e-commerce related services and over the full year to cost adjustments that were sufficient to meet the decline in mail income.

### Mail volumes, Sweden

millions



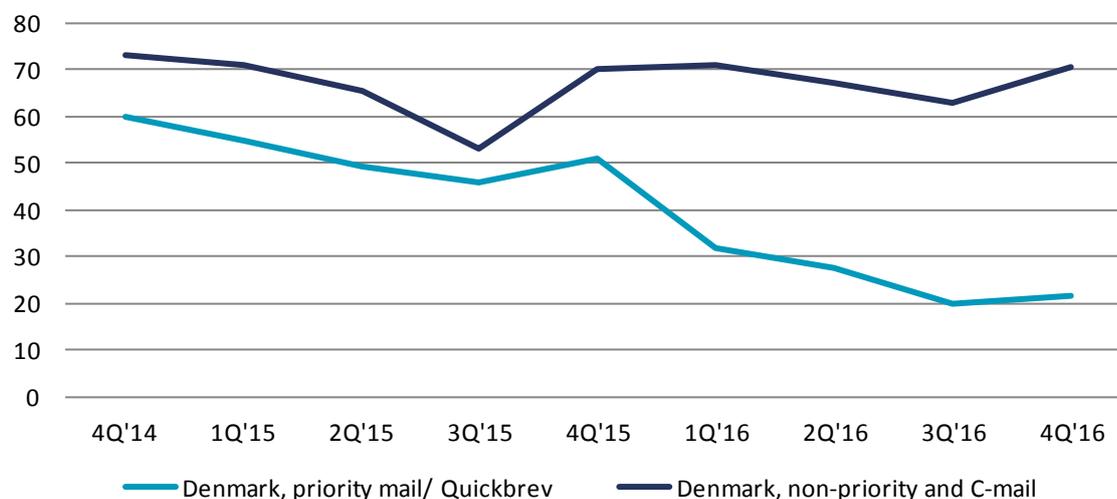
PostNord Denmark SEKm	Oct-dec	Oct-dec	Excl. <sup>2)</sup>		Jan-dec	Jan-dec	Excl. <sup>2)</sup>	
	2016	2015	Δ	Δ	2016	2015	Δ	Δ
Net sales	2,544	2,695	-6%	-11%	9,571	9,987	-4%	-6%
of which Communication Services (external) <sup>1)</sup>	1,399	1,619	-14%	-18%	5,410	6,109	-11%	-13%
of which eCommerce & Logistics (external) <sup>1)</sup>	1,079	939	15%	6%	3,733	3,400	10%	6%
Operating income (EBIT)	-1,397	-390			-1,910	-287		
Operating margin, %	-54.9%	-14.5%			-20.0%	-2.9%		
Adjusted operating income (EBIT)	-144	27			-625	-371		
Adjusted operating margin, %	-5.7%	1.0%			-6.5%	-3.7%		

PostNord Denmark's net sales decreased by 6% during the quarter. Excluding a minor logistics acquisition and exchange rate effects, sales decreased by 11%. In Communication Services, income declined by 18%, with mail volumes decreasing by 23% through the effects of the rapid process of digitization. Net sales for eCommerce & Logistics in Denmark increased by 6% as a result of higher B2C parcel volumes and positive growth in heavy logistics. PostNord Denmark's net sales for the full year fell by 6%.

Net operating income totaled SEK -1,397m (-390) for the quarter and SEK -1,910m (-287) on an accumulated basis. The outcome was affected by impairment losses totaling SEK 1,186m on goodwill and property, plant and equipment related to the mail business. Total items affecting comparability amounted to SEK -1,284m (84) on an accumulated basis. Adjusted operating income totaled SEK -144m (27) and SEK -625m (-371) on an accumulated basis. Income was hard hit by lower mail revenue that could not be met through sufficient adjustments to costs related to the mail business. A new and financially sustainable production model will be implemented in Denmark over the next few years.

### Mail volumes, Denmark

millions



PostNord Norway SEKm	Oct-dec	Oct-dec	Excl. <sup>2)</sup>		Jan-dec	Jan-dec	Excl. <sup>2)</sup>	
	2016	2015	Δ	Δ	2016	2015	Δ	Δ
Net sales	1,000	1,009	-1%	-8%	3,789	4,112	-8%	-6%
of which Communication Services (external) <sup>1)</sup>	10	13	-23%	-27%	36	47	-23%	-22%
of which eCommerce & Logistics (external) <sup>1)</sup>	853	881	-3%	-11%	3,298	3,660	-10%	-9%
Operating income (EBIT)	-11	-9			-36	-34		
Operating margin, %	-1.1%	-0.9%			-0.9%	-0.8%		
Adjusted operating income (EBIT)	-6	0			-31	-25		
Adjusted operating margin, %	-0.6%	0.0%			-0.8%	-0.6%		

Excluding exchange rate effects, PostNord Norway's net sales decreased by 8%, through subdued demand resulting from weak growth in the Norwegian economy, pressure on prices in the logistics market and termination of unprofitable customer agreements in the thermo market. However, the trend of demand in the fourth quarter was positive compared with the previous quarter.

As a result of substantial cost cutbacks, income was maintained despite the decline in revenue. Income during the quarter was affected by a provision of SEK 22m for restructuring of the business. Adjusted operating income totaled SEK -6m (0) and SEK -31m (-25) on an accumulated basis.

PostNord Finland SEKm	Oct-dec	Oct-dec	Excl. <sup>2)</sup>		Jan-dec	Jan-dec	Excl. <sup>2)</sup>	
	2016	2015	Δ	Δ	2016	2015	Δ	Δ
Net sales	266	243	9%	5%	984	787	25%	5%
of which Communication Services (external) <sup>1)</sup>	5	4	25%	12%	16	15	7%	7%
of which eCommerce & Logistics (external) <sup>1)</sup>	183	177	3%	-1%	698	538	30%	1%
Operating income (EBIT)	-1	-5			-15	-1		
Operating margin, %	0.0%	-2.0%			-1.5%	-0.1%		
Adjusted operating income (EBIT)	-1	-5			-15	-1		
Adjusted operating margin, %	0.0%	-2.0%			-1.5%	-0.1%		

Net sales for PostNord Finland increased by 9% in the quarter. Excluding acquisitions and exchange rate effects, net sales increased by 5%, both in the quarter and over the full year, as a result of increased parcel volumes. The increase of 25% in net sales for the full year received a positive contribution from the acquisition of Uudenmaan Pikakuljetus Oy (UPK) in autumn 2015.

Operating income totaled SEK -1m (-5) for the quarter and SEK -15m (-1) on an accumulated basis. Income for the year was lower than last year as a result of costs incurred through the integration of UPK. These costs arose primarily in the first half of 2016.

PostNord Strålfors SEKm	Oct-dec	Oct-dec	Excl. <sup>2)</sup>		Jan-dec	Jan-dec	Excl. <sup>2)</sup>	
	2016	2015	Δ	Δ	2016	2015	Δ	Δ
Net sales	516	588	-12%	5%	2,240	2,335	-4%	4%
of which Communication Services (external) <sup>1)</sup>	480	562	-15%	3%	2,124	2,251	-6%	2%
Operating income (EBIT)	26	-93			-151	-36		
Operating margin, %	5.0%	-15.8%			-6.7%	-1.5%		
Adjusted operating income (EBIT)	29	29			124	86		
Adjusted operating margin, %	5.6%	4.9%			5.5%	3.7%		

Net sales for PostNord Strålfors declined by 12% in the quarter, as a result of the divestment of Strålfors' non-Nordic operations in September 2016. Excluding disposals and exchange rate effects, sales increased 5%. The increase relates mainly to new customer agreements in Finland and Norway, but also to a rise in digital communication offerings, which are compensating for a general decline in demand for physical communication and graphical products.

Strålfors was charged with items affecting comparability totaling SEK 275m. These related to impairment losses etc. arising from the sales of its non-Nordic operations. Adjusted operating income totaled SEK 29m (29) for the quarter and SEK 124m (86) on an accumulated basis. The improvement is attributable to higher income and cost-saving programs implemented.

Direct Link SEKm	Oct-dec	Oct-dec	Excl. <sup>2)</sup>		Jan-dec	Jan-dec	Excl. <sup>2)</sup>	
	2016	2015	Δ	Δ	2016	2015	Δ	Δ
Net sales	269	324	-17%	-18%	989	1,055	-6%	-4%
<i>of which Communication Services (external)</i> <sup>1)</sup>	269	324	-17%	-18%	989	1,055	-6%	-4%
Operating income (EBIT)	11	31			27	78		
Operating margin, %	4.1%	9.3%			2.7%	7.3%		
Adjusted operating income (EBIT)	11	31			27	78		
Adjusted operating margin, %	4.1%	9.3%			2.7%	7.3%		

During the quarter, sales by Direct Link decreased by 18% in the quarter, due to lower volumes in APAC (Asia-Pacific), and by 4% for the full year, excluding changes in exchange rates. The primary factor was a delivery incident in connection with volumes via Denmark, but increased competition also played a part.

Operating income totaled SEK 11m (31) for the quarter and SEK 27m (78) on an accumulated basis. The decline was attributable in the main to lower sales changes in the product mix.

## SUSTAINABILITY

The average number of employees totaled 33,278 (35,256), a reduction of 1,978. The number of employees has been reduced in all units to align the business with lower mail volumes and to hone competitiveness. Sick leave was calculated at 6.0% (5.8). The figure is still high and in order to address the problem, in which long-term sick leave shows highest growth, initiatives are being focused on both rehabilitation and preventive measures. During the quarter, the proportion of women at management levels 1-3 rose from 36.3% to 36.9%.

Carbon dioxide emissions were 3% lower in 2016 than in the preceding year, at 364,608 tonnes. The reduction was achieved above all in the Swedish organization by increasing the proportion of biofuels used in transportation and optimizing transport systems. Since 2009, the Group's emissions have fallen by around 25%. In December, PostNord hosted a Nordic conference on biofuel and heavy transportation.

Mail service quality improved in 2016 compared with 2015, maintaining a level clearly above the minimum required by the Postal Services Act, which is no less than 85% overnight. The outcome for 2016 was 91.5% (90.3). Through the new agreement signed with the Danish Ministry of Transport and Building, PostNord Denmark's delivery duty for priority mail ceased and since July 1, letters are delivered via the standard *Brevet* service subject to a requirement of delivery within five days. In the July-December 2016 period, the quality for the standard *Brevet* service was 93.0%. Quality in parcel delivery across the Group as a whole was 96.2% (96.8), with the level of quality in Finland being lower than in the other countries.

At the end of the fourth quarter, the proportion of the Group's total purchases from suppliers signed up to the Code of Conduct for Suppliers was around 60%, including procurement of services from service partners. As far as PostNord's total domestic services are concerned, 99% are performed by PostNord or by suppliers signed up to Swedish collective bargaining agreements.

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## ANNUAL GENERAL MEETING 2017

The AGM will take place on April 27, 2017 at PostNord's headquarters located at Terminalvägen 24 in Solna, Sweden. Information about the AGM will be published on the website [www.postnord.com](http://www.postnord.com).

## DIVIDEND PROPOSAL

In view of the Company's results and continued restructuring requirements, the Board of Directors proposes that no dividend be paid in respect of the 2016 financial year.

Solna, February 10, 2017  
PostNord AB (publ), CIN 556771-2640

Håkan Ericsson  
*President and Group CEO*

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## FINANCIAL CALENDAR

Annual and Sustainability Report 2016	March 17, 2017
Annual General Meeting 2016	April 27, 2017
Interim report January-March 2017	April 28, 2017
Interim report January-June 2017	July 20, 2017
Interim report January-September 2017	October 27, 2017

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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 February 10, 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.

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## FINANCIAL STATEMENTS

### Consolidated income statement

SEKm	Note	Oct-dec 2016	Oct-dec 2015 <sup>1)</sup>	Jan-dec 2016	Jan-dec 2015 <sup>1)</sup>
	1				
Net sales		10,355	10,434	38,478	39,351
Other income		63	72	263	765
<b>Income</b>	2	<b>10,418</b>	<b>10,506</b>	<b>38,741</b>	<b>40,116</b>
Personnel expenses		-4,578	-5,029	-17,261	-18,222
Transport expenses		-2,748	-2,649	-10,150	-10,051
Other expenses		-2,534	-2,550	-9,593	-9,407
Depreciation, amortization and impairments		-1,570	-562	-2,820	-1,872
<b>Expenses</b>		<b>-11,430</b>	<b>-10,790</b>	<b>-39,824</b>	<b>-39,552</b>
<b>OPERATING INCOME</b>		<b>-1,012</b>	<b>-284</b>	<b>-1,083</b>	<b>564</b>
Financial income		33	6	49	21
Financial expenses		-33	-26	-74	-134
<b>Net financial items</b>		<b>0</b>	<b>-20</b>	<b>-25</b>	<b>-113</b>
<b>INCOME BEFORE TAX</b>		<b>-1,012</b>	<b>-304</b>	<b>-1,108</b>	<b>451</b>
Tax		-363	-33	-475	-173
<b>NET INCOME</b>		<b>-1,375</b>	<b>-337</b>	<b>-1,583</b>	<b>278</b>
<b>Attributable to</b>					
Parent company shareholders		-1,375	-337	-1,585	276
Non-controlling interests		0	0	2	2
Earnings per share, SEK		-0.69	-0.17	-0.79	0.14

1) Costs of provisions have been reallocated between personnel expenses and other operating expenses

### Consolidated statement of comprehensive income

SEKm	Oct-dec 2016	Oct-dec 2015	Jan-dec 2016	Jan-dec 2015
<b>NET INCOME</b>	<b>-1,375</b>	<b>-337</b>	<b>-1,583</b>	<b>278</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that cannot be transferred to net income</b>				
Revaluation of pension liabilities	2,520	875	-399	1,388
Change in deferred tax	-554	-192	88	-166
<b>Total</b>	<b>1,966</b>	<b>683</b>	<b>-311</b>	<b>1,222</b>
<b>Items that have been or may be transferred to net income</b>				
Cash flow hedges after tax	0	2	6	4
Translation differences	-10	-146	343	-342
- Realized and reclassified to income statement	0		48	
<b>Total</b>	<b>-10</b>	<b>-144</b>	<b>397</b>	<b>-338</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>1,956</b>	<b>539</b>	<b>86</b>	<b>884</b>
<b>COMPREHENSIVE INCOME</b>	<b>581</b>	<b>202</b>	<b>-1,497</b>	<b>1,162</b>
<b>Attributable to</b>				
Parent company shareholders	581	202	-1,499	1,160
Non-controlling interests	0	0	2	2

## Consolidated statement of financial position

MSEK	Note	31 dec 2016	30 sep 2016	30 jun 2016	31 mar 2016	31 dec 2015
<b>ASSETS</b>	1					
Goodwill		2,600	3,412	3,337	3,275	3,236
Other intangible assets		854	837	873	901	955
Property, plant and equipment		7,994	8,520	8,489	8,540	8,664
Participations in associated companies and joint ventures		69	70	65	62	71
Financial investments	4	262	262	259	254	250
Other non-current receivables		1,301	672	839	1,125	1,945
Deferred tax assets		122	860	720	780	484
<b>Total non-current assets</b>		<b>13,202</b>	<b>14,633</b>	<b>14,582</b>	<b>14,937</b>	<b>15,605</b>
Inventories		101	122	133	166	150
Tax assets		712	766	734	579	527
Trade receivables	4	4,627	4,304	4,189	4,368	4,524
Prepaid expenses and accrued income		1,128	1,410	1,423	1,395	1,251
Other receivables		561	624	682	470	563
Short-term investments	4	351	351	301	-	-
Cash and cash equivalents	4	1,577	625	1,654	1,905	1,894
Assets held for sale		176	145	172	213	209
<b>Total current assets</b>		<b>9,233</b>	<b>8,347</b>	<b>9,288</b>	<b>9,096</b>	<b>9,118</b>
<b>TOTAL ASSETS</b>		<b>22,435</b>	<b>22,980</b>	<b>23,870</b>	<b>24,033</b>	<b>24,723</b>
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
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		-1,633	-1,623	-1,856	-1,964	-2,030
Retained earnings		-2,673	-3,264	-2,268	-1,433	-777
<b>Total equity attributable to parent company shareholders</b>		<b>7,648</b>	<b>7,067</b>	<b>7,830</b>	<b>8,557</b>	<b>9,147</b>
<b>Non-controlling interests</b>		<b>3</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>3</b>
<b>TOTAL EQUITY</b>		<b>7,651</b>	<b>7,070</b>	<b>7,832</b>	<b>8,561</b>	<b>9,150</b>
<b>LIABILITIES</b>						
Non-current interest-bearing liabilities	4	1,716	1,730	3,720	3,711	3,705
Other non-current liabilities		49	52	53	55	40
Pensions		-	737	135	-	-
Other provisions		1,389	1,672	1,709	1,726	1,712
Deferred tax liabilities		831	627	807	981	861
<b>Total non-current liabilities</b>		<b>3,985</b>	<b>4,818</b>	<b>6,424</b>	<b>6,473</b>	<b>6,318</b>
Current interest-bearing liabilities	4	2,029	2,133	134	138	134
Trade payables		2,434	2,023	2,226	1,955	2,294
Tax liabilities		82	79	60	51	47
Other current liabilities		1,630	1,876	1,694	1,738	1,727
Accrued expenses and prepaid income		4,027	4,479	4,937	4,660	4,404
Other provisions		597	502	563	457	649
<b>Total current liabilities</b>		<b>10,799</b>	<b>11,092</b>	<b>9,614</b>	<b>8,999</b>	<b>9,255</b>
<b>TOTAL LIABILITIES</b>		<b>14,784</b>	<b>15,910</b>	<b>16,038</b>	<b>15,472</b>	<b>15,573</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,435</b>	<b>22,980</b>	<b>23,870</b>	<b>24,033</b>	<b>24,723</b>

## Consolidated statement of cash flows

SEKm	Note	Oct-dec 2016	Oct-dec 2015	Jan-dec 2016	Jan-dec 2015
<b>OPERATING ACTIVITIES</b>					
Income before tax		-1,012	-304	-1,108	451
Adjustments for non-cash items <sup>1)</sup>		2,552	777	2,920	469
Taxes		3	-45	-37	-79
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,543</b>	<b>428</b>	<b>1,775</b>	<b>841</b>
Cash flow from changes in working capital					
Increase(-)/decrease(+) in inventories		21	8	21	28
Increase(-)/decrease(+) in other operating receivables		136	162	-228	76
Increase(+)/decrease(-) in other operating liabilities		-306	338	-236	629
Other changes in working capital		30	-36	-11	11
<b>Changes in working capital</b>		<b>-119</b>	<b>472</b>	<b>-454</b>	<b>744</b>
<b>Cash flow from operating activities</b>		<b>1,424</b>	<b>900</b>	<b>1,321</b>	<b>1,585</b>
<b>INVESTING ACTIVITIES</b>					
Acquisition of property, plant and equipment		-396	-385	-1,001	-1,027
Sale of property, plant and equipment		33	2	51	525
Acquisition of other intangible fixed assets		-49	-49	-181	-82
Acquisition of operations, effect on cash and cash equivalents	3	-	-3	-14	-81
Sale of operations, effect on cash and cash equivalents	3	55	-	-45	-
Acquisition of financial assets		-	-	-362	-
Sale of financial assets		1	-	2	19
<b>Cash flow from investing activities</b>		<b>-356</b>	<b>-435</b>	<b>-1,550</b>	<b>-646</b>
<b>FINANCING ACTIVITIES</b>					
Amortized debts		-100	-	-100	-843
Dividend paid		-	-	-2	-3
Increase(+)/decrease(-) in other interest-bearing liabilities		-18	-10	4	-36
<b>Cash flow from financing activities</b>		<b>-118</b>	<b>-10</b>	<b>-98</b>	<b>-882</b>
<b>CASH FLOW FOR THE PERIOD</b>					
Cash and cash equivalents, opening balance		625	1,443	1,894	1,843
Translation difference in cash and cash equivalents		2	-4	10	-6
<b>Cash and cash equivalents, closing balance</b>		<b>1,577</b>	<b>1,894</b>	<b>1,577</b>	<b>1,894</b>

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

## Consolidated statement of changes in equity

SEKm	Equity attributable to the parent company's shareholders						Non-controlling interests	Total equity
	Capital stock <sup>1)</sup>	Contributed equity	Translation differences	Hedging reserve	Retained earnings			
<b>Opening balance 1 Jan 2015</b>	2,000	9,954	-1,680	-12	-2,275	4	7,991	
<b>Other comprehensive income for the period</b>								
Net income for the period					276	2	278	
Other comprehensive income for the period			-342	4	1,222		884	
<b>Total other comprehensive income for the period</b>			<b>-342</b>	<b>4</b>	<b>1,498</b>	<b>2</b>	<b>1,162</b>	
Dividend						-3	-3	
<b>Closing balance 31 Dec 2015</b>	<b>2,000</b>	<b>9,954</b>	<b>-2,022</b>	<b>-8</b>	<b>-777</b>	<b>3</b>	<b>9,150</b>	

SEKm	Equity attributable to the parent company's shareholders						Non-controlling interests	Total equity
	Capital stock <sup>1)</sup>	Contributed equity	Translation differences	Hedging reserve	Retained earnings			
<b>Opening balance 1 Jan 2016</b>	2,000	9,954	-2,022	-8	-777	3	9,150	
<b>Other comprehensive income for the period</b>								
Net income for the period	-	-	-	-	-1,585	2	-1,583	
Other comprehensive income for the period	-	-	391	6	-311	-	86	
<b>Total other comprehensive income for</b>	<b>-</b>	<b>-</b>	<b>391</b>	<b>6</b>	<b>-1,896</b>	<b>2</b>	<b>-1,497</b>	
Dividend	-	-	-	-	-	-2	-2	
<b>Closing balance 31 Dec 2016</b>	<b>2,000</b>	<b>9,954</b>	<b>-1,631</b>	<b>-2</b>	<b>-2,673</b>	<b>3</b>	<b>7,651</b>	

<sup>1)</sup> 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

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	Oct-dec 2016	Oct-dec 2015	Jan-dec 2016	Jan-dec 2015
	1				
Other income		5	7	16	26
<b>Income</b>		<b>5</b>	<b>7</b>	<b>16</b>	<b>26</b>
Personnel expenses		-8	-8	-29	-33
Other expenses		-3	-3	-6	-6
<b>Operating expenses</b>		<b>-11</b>	<b>-11</b>	<b>-35</b>	<b>-39</b>
<b>OPERATING INCOME</b>		<b>-6</b>	<b>-4</b>	<b>-19</b>	<b>-13</b>
Interest income and similar income items		1	48	2	49
Interest expense and similar expense items		-10	-33	-109	-77
<b>Financial items</b>		<b>-9</b>	<b>15</b>	<b>-107</b>	<b>-28</b>
<b>Income after financial items</b>		<b>-15</b>		<b>-126</b>	<b>-41</b>
Balance sheet appropriations		129	34	129	34
<b>Income before tax</b>		<b>114</b>	<b>45</b>	<b>3</b>	<b>-7</b>
Tax					
<b>NET INCOME</b>		<b>114</b>	<b>45</b>	<b>3</b>	<b>-7</b>

### Statement of comprehensive income

SEKm	Oct-dec 2016	Oct-dec 2015	Jan-dec 2016	Jan-dec 2015
Net income	114	45	3	-7
Other comprehensive income for the period				
<b>COMPREHENSIVE INCOME</b>	<b>114</b>	<b>45</b>	<b>3</b>	<b>-7</b>

### Balance sheet

SEKm	Not	31 dec 2016	30 sep 2016	30 jun 2016	31 mar 2016	31 dec 2015
	1					
<b>ASSETS</b>						
Financial assets		11,695	11,693	11,692	11,692	11,689
<b>Total non-current assets</b>		<b>11,695</b>	<b>11,693</b>	<b>11,692</b>	<b>11,692</b>	<b>11,689</b>
Current receivables		8,236	8,177	8,220	8,237	8,247
<b>Total current assets</b>		<b>8,236</b>	<b>8,177</b>	<b>8,220</b>	<b>8,237</b>	<b>8,247</b>
<b>TOTAL ASSETS</b>		<b>19,931</b>	<b>19,870</b>	<b>19,912</b>	<b>19,929</b>	<b>19,936</b>
<b>EQUITY AND LIABILITIES</b>						
Equity		15,768	15,653	15,691	15,734	15,764
Non-current liabilities		2,103	2,106	4,082	4,059	4,046
Current liabilities		2,060	2,111	139	136	126
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,931</b>	<b>19,870</b>	<b>19,912</b>	<b>19,929</b>	<b>19,936</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 1 Accounting principles and risks

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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. The same accounting principles and methods of calculation were used in this interim report as in the Group and Parent Company 2015 Annual and Sustainability Report. The changes in IFRS as of 2016 have not had any material impact on the consolidated financial statements.

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. For more information see Note 5, page 19.

#### 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. However, the high pace of digitization has affected, and will continue to affect, the Danish mail business to a greater extent than anticipated in earlier estimations.

### Note 2 Segments

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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 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 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* 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	Q3 2016	Q4 2016
<b>PostNord Sweden</b>								
Net sales	5,818	5,665	5,424	6,173	5,720	5,703	5,320	6,283
<i>of which internal</i>	242	250	261	319	293	273	261	255
Operating income (EBIT)	228	173	167	182	198	76	47	502
Operating margin, %	3.9%	3.1%	3.1%	2.9%	3.6%	1.3%	0.9%	8.0%
Items affecting comparability	-	-	19	78	-	15	0	8 <sup>1)</sup>
Adjusted operating income (EBIT)	228	173	186	260	198	91	47	510
Adjusted operating margin, %	3.9%	3.1%	3.4%	4.2%	3.6%	1.6%	0.9%	8.1%
<b>PostNord Denmark</b>								
Net sales	2,567	2,402	2,323	2,695	2,431	2,376	2,220	2,544
<i>of which internal</i>	124	115	102	137	129	121	112	67
Operating income (EBIT)	-47	298	-148	-390	-51	-253	-209	-1,397
Operating margin, %	-1.8%	12.4%	-6.4%	-14.5%	-2.1%	-10.6%	-9.4%	-54.9%
Items affecting comparability	-	-500	-1	417	-	31	-	1253
Adjusted operating income (EBIT)	-47	-202	-149	27	-51	-222	-209	-144
Adjusted operating margin, %	-1.8%	-8.4%	-6.4%	1.0%	-2.1%	-9.3%	-9.4%	-5.7%
<b>PostNord Norway</b>								
Net sales	1,077	1,056	970	1,009	911	959	919	1,000
<i>of which internal</i>	94	97	99	115	97	108	113	137
Operating income (EBIT)	11	-5	-31	-9	-1	-4	-21	-11
Operating margin, %	1.0%	-0.5%	-3.2%	-0.9%	-0.1%	-0.4%	-2.3%	-1.1%
Items affecting comparability	-	-	-	9	-	-	-	5 <sup>1)</sup>
Adjusted operating income (EBIT)	11	-5	-31	0	-1	-4	-21	-6
Adjusted operating margin, %	1.0%	-0.5%	-3.2%	0.0%	-0.1%	-0.4%	-2.3%	-0.6%
<b>PostNord Finland</b>								
Net sales	175	171	198	243	231	246	241	266
<i>of which internal</i>	58	55	59	62	59	65	68	78
Operating income (EBIT)	1	-1	4	-5	-12	-3	0	-1
Operating margin, %	0.6%	-0.6%	2.0%	-2.0%	-5.2%	-1.2%	0.0%	0.0%
Items affecting comparability	-	-	-	-	-	-	-	-
Adjusted operating income (EBIT)	1	-1	4	-5	-12	-3	0	-1
Adjusted operating margin, %	0.6%	-0.6%	2.0%	-2.0%	-5.2%	-1.2%	0.0%	0.0%
<b>PostNord Strålfors</b>								
Net sales	641	584	522	588	617	604	503	516
<i>of which internal</i>	21	21	16	26	28	30	22	36
Operating income (EBIT)	26	8	23	-93	34	-189	-21	26
Operating margin, %	4.1%	1.4%	4.4%	-15.8%	5.5%	-31.3%	-4.2%	5.0%
Items affecting comparability	-	-	-	122	-	223	49	3
Adjusted operating income (EBIT)	26	8	23	29	34	34	28	29
Adjusted operating margin, %	4.1%	1.4%	4.4%	4.9%	5.5%	5.6%	5.6%	5.6%
<b>Direct Link</b>								
Net sales	232	247	252	324	283	228	209	269
<i>of which internal</i>	0	0	0	0	1	-1	0	0
Operating income (EBIT)	13	16	18	31	15	1	0	11
Operating margin, %	5.4%	6.5%	7.1%	9.3%	5.5%	0.4%	0.0%	4.1%
Items affecting comparability	-	-	-	-	-	-	-	-
Adjusted operating income (EBIT)	13	16	18	31	15	1	0	11
Adjusted operating margin, %	5.4%	6.5%	7.1%	9.3%	5.5%	0.4%	0.0%	4.1%
<b>Other</b>								
Net sales	62	79	67	63	51	71	59	51
<i>of which internal</i>	0	1	0	2	0	1	1	0
Operating income (EBIT)	80	14	0	0	117	102	103	-142
Items affecting comparability	-	30	30	159	-	-	11	-14 <sup>1)</sup>
Adjusted operating income (EBIT)	80	44	30	159	117	102	114	-156
<b>Elimineringar</b>								
<b>Eliminations</b>	-539	-538	-537	-663	-606	-597	-576	-574
Net sales	-539	-538	-537	-663	-606	-597	-576	-574
<i>of which internal</i>	-	-	-	-	-	-	-	-
<b>Group total</b>								
Net sales	10,033	9,666	9,218	10,434	9,638	9,590	8,895	10,355
Group operating income (EBIT)	312	503	33	-284	300	-270	-101	-1,012
Items affecting comparability	-	-470	48	785	-	269	60	1,254
Adjusted operating income (EBIT)	312	33	81	501	300	-1	-41	242
Group net financial items	-22	-48	-23	-20	-12	-12	-1	0
Group income before tax	290	455	10	-304	288	-282	-102	-1,012

<sup>1)</sup> Operational transfer of provision/reversal of restructuring measures

## Note 3 Acquisitions and divestments

Effect of acquisitions and divestments on assets and liabilities, SEKm	Jan-dec 2016			Jan-dec 2015		
	Acquisitions	Divestments	Total	Acquisitions	Divestments	Total
Goodwill	14	-	14	58	-	58
Intangible assets	2	-	2	13	-	13
Property, plant and equipment	-	-54	-54	62	-	62
Other non-current assets	-	-	-	3	-	3
<b>Total non-current assets</b>	<b>16</b>	<b>-54</b>	<b>-38</b>	<b>136</b>	<b>-</b>	<b>136</b>
Current assets	-	-185	-185	71	-	71
<b>TOTAL ASSETS</b>	<b>16</b>	<b>-239</b>	<b>-223</b>	<b>207</b>	<b>-</b>	<b>207</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>85</b>	<b>85</b>	<b>-118</b>	<b>-</b>	<b>-118</b>
<b>NET ASSETS</b>	<b>16</b>	<b>-154</b>	<b>-138</b>	<b>89</b>	<b>-</b>	<b>89</b>
Purchase consideration paid/received	-16	56	40	-89	-	-89
Less: Seller's bond	2	-	2	-	-	-
Cash and cash equivalents (acquired/divested)	-	-101	-101	8	-	8
<b>Net effect on cash and cash equivalents</b>	<b>-14</b>	<b>-45</b>	<b>-59</b>	<b>-81</b>	<b>-</b>	<b>-81</b>

During the second quarter, the assets and liabilities of G.P. Spedition were acquired. Of the purchase price of SEK 16m, SEK 14m has been paid and the remainder will be settled on completion of all conditions in the agreement.

During the third quarter Strålfors has divested its subsidiaries in Great Britain, Poland and France.

In the fourth quarter PostNord divested its subsidiary Fastighets AB Skogskojan 1.

## Note 4 Financial instruments

31 december 2016							
Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets reported at fair value via income <sup>1)</sup>	Loan and trade receivables measured at amortized cost	Financial liabilities at fair value via income <sup>1)</sup>	Financial liabilities measured at amortized cost	Carrying amount	Fair value	
							value of financial assets and liabilities, SEKm
Financial investments	262	-	-	-	262	262	
Derivatives	13	-	-	-	13	13	
Trade receivables	-	4,627	-	-	4,627	4,627	
Terminal fees <sup>2) 3)</sup>	-	423	-	-	423	423	
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	-	-	-	-381	-381	-381	
<b>Total financial assets and liabilities, by category, SEKm</b>	<b>275</b>	<b>6,978</b>	<b>-177</b>	<b>-8,021</b>	<b>-945</b>	<b>-990</b>	
31 december 2015							
Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets reported at fair value via income <sup>1)</sup>	Loan and trade receivables measured at amortized cost	Financial liabilities at fair value via income <sup>1)</sup>	Financial liabilities measured at amortized cost	Carrying amount	Fair value	
							value of financial assets and liabilities, SEKm
Financial investments	250	-	-	-	250	250	
Derivatives	1	-	-	-	1	1	
Trade receivables	-	4,524	-	-	4,524	4,524	
Terminal fees <sup>2) 3)</sup>	-	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	
<b>Total financial assets and liabilities, by category, SEKm</b>	<b>251</b>	<b>6,879</b>	<b>-183</b>	<b>-8,029</b>	<b>-1,082</b>	<b>-1,143</b>	

<sup>1)</sup> 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.

<sup>2)</sup> "Terminal fees" refers to receivables and liabilities that the international postal organizations of the world have from and to each other in connection with handling of international mailings in the country of destination under international agreements.

<sup>3)</sup> 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.

### 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:

<b>Adjusted operating income</b>	Total income less total costs, excluding items affecting comparability.
<b>Adjusted operating margin</b>	Adjusted operating income as % of net sales. Previously adjusted operating income as % of total income (net sales and other income).
<b>Capital employed</b>	Non-interest-bearing assets less non-interest-bearing liabilities.
<b>EBITDAI</b>	Earnings before interest, taxes, depreciations and amortizations/impairments.
<b>Financial preparedness</b>	Cash and cash equivalents and unutilized committed credit line.
<b>Items affecting comparability</b>	<p>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.</p> <p>Running restructuring costs are not regarded as items affecting comparability.</p>
<b>Net debt</b>	Interest-bearing debt (including pension provisions) less cash and cash equivalents, financial receivables and current interest-bearing receivables.

### Reconciliation with financial statements

SEKm	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015
Interest-bearing debt, current	2,029	2,133	134	138	134
Interest-bearing debt, non-current	1,716	1,730	3,720	3,711	3,705
Pensions <sup>1)</sup>	0	737	135	-	-
Financial investments	-262	-262	-259	-254	-250
Non-current receivables <sup>2)</sup>	-1,201	-579	-755	-1,051	-1,867
Short-term investments	-351	-351	-301	-	-
Cash and cash equivalents	-1,577	-625	-1,654	-1,905	-1,894
Net debt	354	2,783	1020	639	-171

<sup>1)</sup> 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.

<sup>2)</sup> 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

<b>Net debt/EBITDAI</b>	Net debt divided by EBITDAI (rolling 12-months).
<b>Net debt ratio</b>	Net debt divided by equity.
<b>Operating margin</b>	Operating income as a percentage of net sales.
<b>Return on capital employed (ROCE)</b>	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:

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

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