

Preparing for the future mail and logistics market



PostNord is the leading supplier of logistics and communication solutions to, from, and within the Nordic region. We ensure the provision of universal postal service to households and businesses in Sweden and Denmark. With our expertise and strong distribution network, we develop solutions for the communication, e-commerce, distribution, and logistics of tomorrow in the Nordic region.

About the Annual and Sustainability Report

The Board of Directors and the President & Group CEO of PostNord AB (publ.), corporate identity number 556771-2640, hereby present their Annual and Sustainability Report for the 2019 financial year.

The Annual and Sustainability Report encompasses the whole PostNord Group unless otherwise specified.

The Board of Directors' report, which has been audited as described in pages 73-76 of the Auditor's Report, comprises pages 6-33.

The statutory Sustainability Report comprises descriptions of PostNord's external environment, business model, strategy, and employees on pages 6-15, risk management on page 23, and in-depth information on sustainability on pages 77-87. PostNord's Sustainability

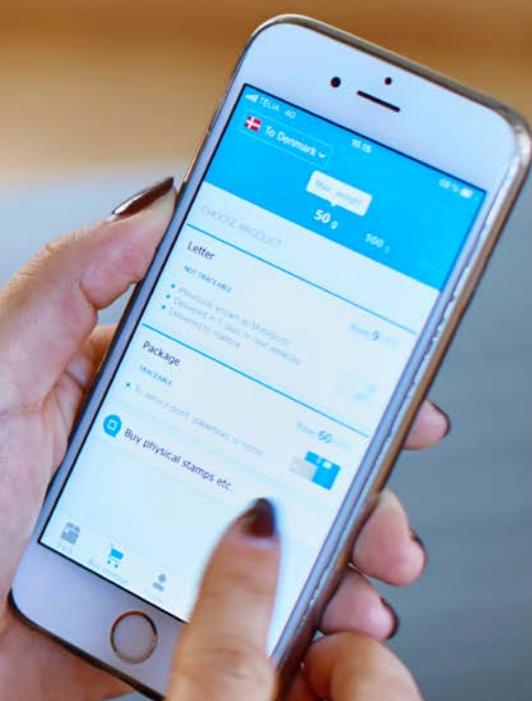
Report has been produced in accordance with the GRI Standards (Core level). Information on sustainability is provided mainly on pages 6-15, 23, and 77-87. Full information on the scope of the Sustainability Report is given in the GRI Index on pages 86-87. The auditor's statement on the statutory Sustainability Report is on page 88.

This Annual and Sustainability Report also constitutes PostNord's Communication on Progress towards the UN Global Compact.

This Annual and Sustainability Report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish interim report and the English translation, the former shall take precedence.



There have been 3.5 million downloads of the PostNord app.



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PostNord in brief 2019

A clear focus on our business and ongoing transformation have increased profitability. We have established a strategy aimed at assuring ourselves of a leading position in a world where communication and consumption patterns are changing. Our core business is parcels and letters and we are taking assertive action to help us become a leading logistics partner in e-commerce.

38.3

Sales (SEK billion)

541

Adjusted operating income
(adjusted EBIT) (SEK million)

>8,000

Distribution points/partner outlets, and
Collect-in-store outlets in the Nordic region

-36%

Reduction in carbon dioxide emissions
since 2009

95.9%

Weighted parcel delivery quality

28,627

Employees (FTE)

179

Parcels (millions)

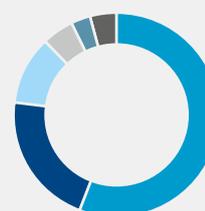
2.9

Letters and other mail items (billions)

Group

	2019	2018
Net sales (SEKm)	38,278	37,669
Operating profit (SEKm)	184	-855
Adjusted operating income (SEKm)	541	129
Net income for the period (SEKm)	-239	-1,067
Cash flow from operating activities (SEKm)	2,132	2,083
Return on capital employed (%)	3.6	-12.4
Adjusted return on operating capital (%)	7.2	1.9
Net debt (SEKm)	9,454	1,614
Net debt ratio (net debt/equity) (%)	259	31
Net debt excl. pensions and lease liabilities (SEKm)	276	2
Net debt ratio excl. pensions and lease liabilities (%)	8	0
Financial preparedness (SEKm)	5,398	5,189
Employees (FTE)	28,627	29,962

Net sales by segment 2019 (percent)



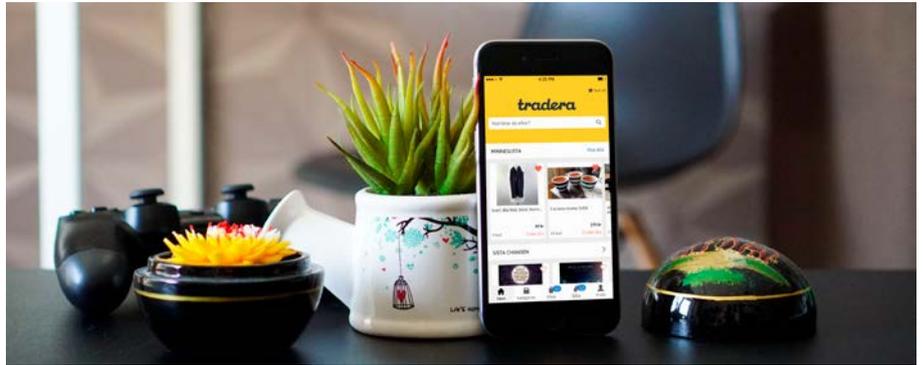
■ Sweden, 57%
 ■ Strålfors, 5%
 ■ Denmark, 21%
 ■ Finland, 2%
 ■ Norway, 10%
 ■ Other business activities, 5%

A selection of our activity in 2019



Decision made to extend the Langhus terminal in Oslo and contract signed for a new logistics center at Gothenburg Landvetter Airport.

From the turn of the year, the TPL terminal in Malmö will be running partly on electricity from solar cells.



Partnership gives sellers on Tradera easy access to PostNord's online shipping solutions.

Agreement signed for distribution of MittMedia's 18 newspapers in Northern Sweden.

Partnership established with KidsBrandStore to replace approximately 12.5 million physical returns labels with digital alternatives.

At the end of the year, PostNord was offering easy collection from parcel boxes in over 1,000 locations.



PostNord has just under 2,000 electrically-powered small delivery vehicles and just over 2,300 electric bicycles.



In a normal month in 2019, 70 percent of Swedes made online purchases. The strongest growth is in online pharmacies.



A new record for parcels was set on the night of December 3. More than a million e-commerce shipments went through our terminals.

Our vision

PostNord delivers world-class communication and logistics solutions to satisfied customers.

Our mission

PostNord connects people and businesses - reliably, efficiently and on time.

Values

Present

To be present means we are available and accessible. Whenever, wherever. It also means that we listen and understand what's going on right now - in society, in the lunch room and in the distribution chain. It's about always being there.

Sustainable

We are committed to transforming our industry in a sustainable direction. We will always care about the employees who are shaping our company and respect the environment and society around us.

Reliable

We have been around for almost 400 years and will be around for many more to come. Throughout the years, we have made it possible for people, society, and companies to communicate and do business. We take our mission seriously. You can trust that we keep our promises, regardless of whether it is about delivering on time or caring for each other.

Measures taken improve results

In 2019, a clearer focus on our core business, ongoing transformation to accommodate changes in the world around us, and a focus on quality and customers gave us improved profitability, greater customer satisfaction, and a stronger brand. We also worked through our strategy and set clear targets for our transformation. E-commerce is growing, and, through continued investment in consumer-driven logistics, we are growing with it. During the year, addressing the continued impact on our mail business has dominated the agenda in this area.

Our target-oriented work to improve our finances and trust in PostNord has continued as a top priority. The work has paid off. Our financial results have greatly improved, our brand image is enhanced, and customer satisfaction has increased. By focusing, maintaining a high level of delivery quality, being responsive to customer needs, and delivering innovative customer and consumer-led services, we continue to improve our business and our activity. During the year, delivery quality in the logistics segment has been good while quality in the mail segment has been stable and in line with legal requirements, both in Sweden and in Denmark. During the year, we also took major strides in our work on sustainability, introducing several initiatives aiming to reduce the climate impact of growth in e-commerce.

PostNord has great experience with adapting to changing needs in the world around it. But the pressure on our business to streamline and change in order to address digitization has increased markedly in recent years. We have made major changes during the year. In April I took up the role of Acting President and Group CEO, and in November I became permanent President and Group CEO. In the months in between, we took on a new strategy focusing more on our core business – e-commerce logistics and mail – and established a more efficient organization with the country organizations being given greater responsibility. Together, these give us the conditions we need to increase the pace of our transformation.

Strengthened results for our Nordic business in 2019

The transformation towards a clearer focus on e-commerce and a financially sustainable mail business is having a positive impact and producing greater profitability. Adjusted operating income for 2019 is an improvement on 2018. Denmark is one of the countries where mail has seen the sharpest decline and in 2019 we completed the transformation to a completely new model for letter delivery in order to adapt to the lower volumes. In Sweden, systematic efficiency measures within the mail side of the business have contributed to the positive performance. We have also made use of the opportunities for structural change brought about by regulatory changes in Denmark and Sweden. In Nordic parcels and logistics, we continue to experience good growth contributing to financial progress in all markets.

Improved quality and increased trust

Our target-oriented work to improve trust in PostNord has continued as a top priority. The work has paid off and both our brand image and levels of customer satisfaction have improved. Systematic work on quality has helped towards this positive trend, and has included enabling direct feedback on customer satisfaction with individual deliveries, direct contact with recipients whose experience of delivery is unsatisfactory, and high-quality service throughout the peak season from Black Friday Week to Christmas. During the year, delivery quality in the logistics segment has been good while quality in the mail segment has been stable and in line with legal requirements, both in Sweden and in Denmark.

Sustainability in focus

PostNord is working systematically to improve sustainability, and sustainability considerations are an integral part of our development processes. Our target has been to reduce the group's overall carbon dioxide emissions by 40 percent by the end of 2020, relative to the levels in 2009, and we are now at 36 percent. During 2019, we initiated discussions on achieving the Nordic Swan Ecolabel for our e-commerce transportation and started a dialog with e-retailers and the sector in order to jointly identify solutions and routes to more efficient packaging that uses less air. We also looked at how returns logistics can reduce environmental impact and introduced reusable packaging for mail and parcels. In addition, new types of vehicle are being trialed and put into service in order to cut down on carbon dioxide emissions. Our transport suppliers are important for our deliveries and everyone contributing to our business must have good labor conditions. We actively monitor the requirements of PostNord's Code of Conduct for Suppliers and aim for our transportation to be socially and environmentally sustainable.

Confirmation that we are on the right path with our sustainability work came when, in April, we were mentioned in the Sustainable Brand Index as the most sustainable logistics brand in the industry in the biggest brand survey in Europe focusing on sustainability.

Transformation proceeding at high speed

In order to address the external changes in the mail and parcels market, we continued to work at speed on transforming our business. During

the year, we continued our efforts to strengthen our range of products and services for our Nordic customers and our local presence in e-commerce. Meanwhile, we continue to adapt our mail business to the falling volumes in both Denmark and Sweden. During the fall, a more focused strategy was agreed, prioritizing our core business – parcels and mail – in order to secure a leading position in a world in which patterns of communication and consumption are changing. In the new organizational structure that was launched at the halfway point of the year, we reduced group-wide functions by almost 25 percent. At the same time, scope for action in the customer-oriented country organizations increased. All this helps to improve profitability, speed up decision-making processes, and prepare us well for the future.

Consumer-driven logistics

Our strategy to provide for the needs of consumers and the growth of our customers has been a success, and we are now the biggest deliverer of e-commerce parcels in the Nordic region with a strong share of the market. The fast-growing e-commerce segment is characterized by a high demand from recipients for convenience, flexibility, and straightforward delivery. We are therefore developing our offer in order to meet the expectations of customers and consumers in the individual markets with an array of delivery solutions.

During the year, we successfully established hundreds of digital parcel lockers ('Nærbokse') in Denmark in partnership with SwipBox. The lockers, mostly located close to customers' homes, are used with the PostNord app to provide a totally new infrastructure for simple, convenient delivery. Another simplification we introduced is track-and-trace for our popular Varubrev service in Sweden. The recipient now gets a delivery notification via the PostNord app as soon as the Varubrev item has been put into their mailbox. We also maintain dialog with e-commerce customers so that we can adapt our offers and make more efficient use of our terminals and vehicles 24/7. The benefits are increased capacity, reduced environmental impact, and more delivery options. In Norway, our home delivery service grew by more than 55 percent during the year, and we also decided to increase capacity at our parcel sorting terminal outside Oslo. We are also continuing to grow in Finland, and increased our capacity at the sorting terminal in Turku.

E-commerce is driving continued growth in our logistics business, but this is a competitive market with many new players who are spotting opportunities for new business models. This means it is important that we invest in our business in a considered way to ensure profitable growth. In the course of the year, we invested approximately SEK 1.4 billion in increased capacity in the form of parcel terminals, sorting machines, vehicles, and digital development.

Secure a financially sustainable mail business

With almost 400 years of experience, we are accustomed to adapting our business to the world around us. In recent years, PostNord has introduced major changes to address the decline in letters. As we expect mail volumes to continue to fall, a constructive dialog with politicians about the mail service of the future remains very important to us. Since the turn of the millennium, mail volumes in Denmark have fallen by over 80 percent and in Sweden by over 50 percent. We have addressed these huge challenges by proactively implementing new ways of working, reducing the size of our workforce, and working to secure revenue through measures such as increasing the postage. At the same time we have maintained a high level of quality, which is proof of our ability to transform our organization in a controlled way. Here too, regulatory changes have been important in enabling us to make the necessary adjustments to our business as the need for physical communication in the world around us changes.

In Denmark, we have developed and introduced a new mail distribution model, which has meant a significant reduction in staffing and consolidation of the entire infrastructure. Our focus now is on improving the customer experience. An essential factor in this transformation was the sum of almost SEK 1.5 billion that we received from the Danish state in 2018 to compensate for managing the costs of contract termination in Denmark before the group was established. Looking forward in Denmark, there is an immediate need for a new universal postal service agreement as the previous one lapsed at the turn of the year. As a new agreement was not put in place before the old one ceased to be valid in December 2019, the current agreement was extended for six months. In connection with this, PostNord Denmark received compen-



sation of just over DKK 100 million for mail deliveries in the first part of 2020.

The option to introduce two-day delivery and raise the postage has been welcomed by our Swedish operation. We are currently undertaking tests in preparation for alternate-day deliveries while also pressing for the option of three-day delivery. A regulatory change of this sort would be very significant financially and would also have a positive impact in terms of sustainability as it would save 9,000 tons of carbon dioxide every year.

Meanwhile, by far the majority of letters would still be delivered within two days. We very much welcome the recently announced review of postal legislation, and expect it to include clarification from decision-makers as to the nature of the postal service required and what it may cost. In Sweden, there are currently no plans to provide compensation for the universal postal services, but the issue needs to be looked at in the coming postal legislation review.

Strålfors - the digitization partner for its customers

During the year, Strålfors, which celebrated its centenary in 2019 and has an attractive offer in omnichannel communication, continued to consolidate its digital position in all markets and to optimize production through the use of synergies in the Nordic production network as physical volume declines. This has meant that the business is continuing to deliver a good performance and is able to fund its own transformation.

A Nordic Group with a strong belief in the future

PostNord's future lies in the parcels business where the Nordic region is our market. At the same time, we are keen to ensure that everyone in Sweden and Denmark enjoys a good postal service. We therefore continue to focus on building and providing the best logistics and communications services in the Nordic region from the perspective of customers, recipients, and our employees.

In many ways, 2019 has been a year of transition, with a new strategy, new leadership, and a new organizational structure, and we have developed a good platform to develop from. In line with our strategy, we are investing in our core business and working systematically to build a stronger brand in the eyes of the wider online-shopping public. Meanwhile, we are maintaining our constructive dialogue with politicians about the postal service of the future.

I would like to thank our customers and partners for the past year. Last but not least, I would like to extend a big thank-you to all our employees who, day in and day out, work to deliver our promise to our customers while in the midst of our intensive process of transformation. We are a modern company with an exciting future! We enter this new decade with a great deal of confidence in the future and we continue to prepare ourselves!

Annemarie Gardshol
Group CEO and President

A vital part of the economy and the community

PostNord is a leader in communication and logistics to, from, and within the Nordic region. Our remit includes delivering mail and shipments to all private customers and businesses in Sweden and Denmark. PostNord facilitates business, retail, and communication on a daily basis.

PostNord – a Nordic Group that unites and connects town and country

We are continuously investing in our comprehensive distribution network for mail and parcels that connects businesses, authorities, and private customers in the Nordic region. This makes us a vital part of the community and economy in the Nordic region. PostNord enables its customers to do business by sending and receiving letters and goods. We do this every day, irrespective of where our customers happen to be or the distance between sender and recipient. Our network keeps the Nordic region together, even the sparsely-populated areas, and is an important part of the growing global e-commerce market as consumers buy from traders all across the world.

PostNord's core business consists of mail, e-commerce, and logistics. The different areas are characterized by different drivers and there are differences in both competition and the market in each case. Our mail business includes the obligation to provide a universal postal service to all private customers and businesses in Sweden and Denmark and is governed by both national and international legislation. In the e-commerce and logistics markets, PostNord is in a strong position in the Nordic region.

In April 2009, the Swedish and Danish governments announced their decision to merge Post Danmark A/S and Posten AB. The merger happened at the same time as the demand for delivery services was falling sharply due to the economic situation and the already rapid rate of digitization. As a result, in the ten-year period since the Group was established, there has been substantial transformation of our mail business

due to changing market conditions, and synergies have been achieved mainly in administration, IT, and purchasing.

In 2009, we had around 50,000 employees; in 2019, the figure was around 29,000.

Mail

Our mail business is affected by the fall in volume and the structure of the universal postal service

A POSTAL SERVICE FOR THE WHOLE COMMUNITY
PostNord is proud that it has the important remit of providing a universal postal service to all private customers and businesses in Sweden and Denmark, but as the volume of letters declines we are increasingly in need of a different approach. Our long history is proof that we are accustomed to adapting our business to meet the changing needs of the world around us, but, since the turn of the millennium, the speed of digitization and social development has increased. Over the years, PostNord has addressed the constantly falling mail volumes by adjusting and transforming its business on an ongoing basis, but our ability to keep pace with developments is dependent not just on internal factors but also on regulatory issues. We make use of the opportunities that regulatory changes provide, but for some time we have been expressing our concern that the universal postal service in Sweden and Denmark cannot be funded without more extensive regulatory changes.

Even if many services have been digitized, there is still the need to maintain a nationwide postal service to ensure uniform levels of service provision in terms of both national and

international transportation. Adjustments to our business have been made necessary by the regulatory changes made to the universal postal service including DKK 1,533 million that Denmark received in compensation from the Danish owner for employees with 'special terms and conditions of employment'. PostNord also received a shareholder contribution of SEK 667 million.

With the exception of a financial contribution made in 2018 as compensation for handling the cost of contract termination in Denmark before the Group was established, PostNord has not been dependent on funding. But if we are to continue to provide universal postal services across the whole of Sweden and Denmark, the issue of compensation needs to be on the agenda. As a result of digitization, several European countries have been offering state compensation for several years.

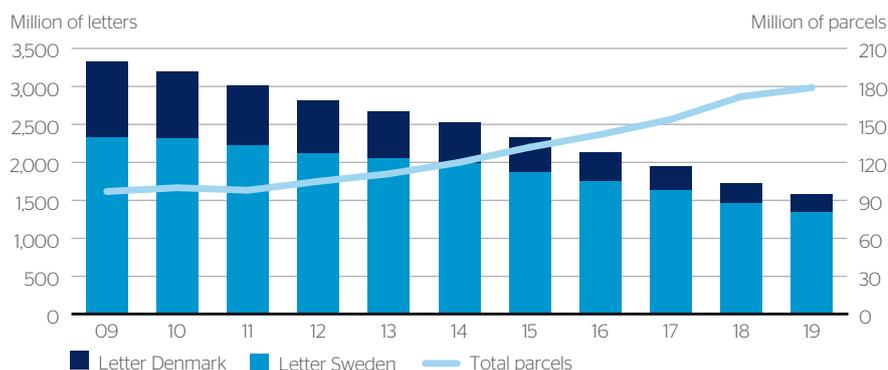
A NEW REALITY REQUIRES NEW CONDITIONS

PostNord differs from all other operators in the postal markets in Sweden and Denmark because it has the important remit of providing a universal postal service to all private customers and businesses in both countries. Digitization benefits the climate and creates new opportunities, but many people are still dependent on being able to send and receive physical mail items. In sparsely populated areas, we are generally the only postal operator. PostNord is a company that everyone in Sweden and Denmark knows and has a relationship to. Our mail business is part of the history of both countries. As a result, the general public has high expectations of PostNord's availability and service. We feel it is important that the universal postal service is still the same for all recipients in the future, wherever they live in the country.

DRIVERS

Patterns of communication continue to change and there is increasing digitization, which brings with it both opportunities and challenges. Fewer and fewer letters are being sent in all PostNord's markets and mail volumes are continuing to fall in both Sweden and Denmark, mainly because they are being replaced by digital communication. Since 2000, the number of letters sent has more than halved. This means circumstances have changed and service levels need to change if we are to be able to run a financially sustainable mail business.

PostNord Group performance of mail and parcels



In Denmark, mail volumes have fallen by more than 80 percent since the turn of the millennium. The Danish government's move to digital communication between the public sector and its citizens has affected the basis on which our business operates. In response, so as to ensure we can maintain our business in the long term in current market conditions, PostNord has for several years been transforming and making savings in order to manage the financial challenges brought about by digitization and a drastic reduction in mail volumes. A major transformation in recent years has seen the introduction of a new mail delivery model. The new production model has improved efficiency, with parts of the infrastructure for the mail service being phased out. This has improved our financial situation and, although we are now delivering standard letters once a week, customer satisfaction has increased.

SIGNIFICANT REGULATORY CHANGES IN DENMARK SINCE 2009:

2011

- The postal market in Denmark was de-monopolized, and PostNord lost its sole right to handle letters under 50 grams. PostNord subsequently operates in competitive markets.
- Requirement for everyone to have a letter box at the boundary of their property by the end of 2011.

2013

- Compulsory move to digital communication between the public sector and businesses agreed.

2014

- Changes in the legislation for the service network makes it possible for PostNord to have fewer own post offices and to have more post offices with partners.
- Non-priority letters must be delivered within four days (previously three days) and delivery of priority mail to recipients on Mondays can be priced individually.
- The price of non-priority domestic letters up to 50 grams for transportation in a single consignment must be approved by the Danish Transport, Building and Housing Agency. For other mail items, PostNord Danmark is able to set its own prices.
- Compulsory move to digital communication between the public sector and citizens agreed.



2017

- A letter covered by the universal postal obligation must be delivered within five working days.
- Requirement for Saturday deliveries ends. However, PostNord continues to distribute parcels to delivery locations/post offices on Saturdays.
- No requirement for delivery on weekdays that fall between weekends and public holidays.

2018

- A new distribution model is introduced. Mail covered by the universal postal obligation must be delivered within five working days, but with a distribution frequency which means PostNord visits each household once a week. However, PostNord delivers parcels and Quickbreve items every working day.

2020

- Previous agreements on the universal postal service extended temporarily until June. PostNord to be compensated so that some of its costs are covered.

In Sweden, mail volumes have fallen by more than 50 percent since the turn of the millennium. As a result of dialog with the government about the conditions in which it is operating, PostNord, as the designated provider of the universal postal service, has been allowed to compensate for increased costs by increasing the postage more than before. However, more extensive changes need to be made to the system of postal regulation in Sweden to ensure that the universal service can cover its own

costs. We are therefore maintaining a constructive dialog with politicians about the mail service of the future. Alongside this, work is progressing on a future delivery model with a sparser delivery frequency in the Swedish market. There is more information about this challenge on page 10.

SIGNIFICANT REGULATORY CHANGES IN SWEDEN SINCE 2009:

2010

- New Postal Services Act aiming to improve competition enters in force.

2016

- VAT exemption for certain postal services included in the universal postal service means that stamps no longer attract VAT.

2018

- PostNord instructed by the Swedish Customs Agency to prepare VAT returns and ensure that VAT is paid from the first krona on mail items with commercial contents from countries outside the EU Customs Union.
- Change in the Postal Ordinance relating to postal delivery. New requirement is for letters to be delivered in two days with a quality level of 95 percent.

2019

- Change in the Postal Ordinance relating to a new price ceiling enable PostNord to increase the price of stamped letters as mail volumes fall.

COMPETITION AND MARKET DEVELOPMENT

PostNord is the only provider of a universal postal service in Denmark and Sweden. However, there is stiff competition in the market, in particular in densely-populated areas. If PostNord is to be able to deliver this universal service, meet the requirement of the market for communications services adapted to climate change, and deliver returns to its owners, the right conditions need to be in place. Laws and rules allowing greater flexibility and that reflect the new market conditions with falling mail volumes are particularly important.

We note that certain competitors have reduced their delivery areas and their service levels in direct response to the difficulty of generating profit in current market conditions. In many sparsely populated areas, we are the only business operating a postal service – clearly evidence of the difficulty of achieving profitability outside urban communities – and the cost of sending a postcard from any place in Denmark or Sweden to the other end of that country is still the same as sending it within one neighborhood.

POSITION

PostNord is continuing to adapt its mail business and operations as mail volumes decline. Alongside this, we are developing new services and discussing the structure and funding of the universal postal service with our owners.

E-commerce

Consumer-driven e-commerce logistics

DRIVERS

E-commerce is driving growth in our logistics activity and our aim is to continue to grow our parcels business. We have had a consistent and clear expansion strategy since the group was established ten years ago. Over the years, PostNord has gained an increasingly strong position as an expert and partner in this segment. In order to become a leading player in the ever-growing e-commerce sector, we are working systematically to identify new solutions, making use of the efficiency gains in production in our mail and parcel operations that make day-to-day life easier for customers and recipients, and investing in infrastructure and development.

E-commerce represents around ten percent of total retail in Sweden ¹⁾ and by 2025 it is forecast to have increased to between a fifth and a third ²⁾ of the total. The growth is due to new e-commerce operators, price, product range,



service availability, and convenience.

E-commerce is now an accepted part of our everyday lives, and e-retailers also generally have well-developed technical infrastructure, which means it is simple and convenient to purchase goods online and consumers have become used to shopping in that way.

COMPETITION AND MARKET DEVELOPMENT

The e-commerce market is competitive, with many new players spotting opportunities for new business models, and as our day-to-day lives become increasingly digitized, consumers' purchasing habits are changing quickly. The increasing influence of the consumer is a clear trend. E-retailers have to keep pace with a market that is changing in line with the rising expectations of consumers. Consumers now want to have control over when, where, and how their goods are delivered and at what cost. The ability to keep pace with developments and respond to consumers' and customers' expectations in terms of flexibility and convenience is thus crucial. When convenient delivery becomes a competitive advantage for e-retailers, there is an increased demand on PostNord and other players to adapt to the prevailing situation. Investors and players in related sectors have created innovative solutions and attempted to get themselves established in the market, increasing competition as a result. Convenient and flexible home delivery with real-time tracking of parcels is becoming an increasingly common method of delivery.

PostNord is developing its market offer and investing in the segment. In e-commerce, delivery is an important part of the purchase experience. During the year, PostNord made further developments to the PostNord app and improved capacity in its terminal network in order to manage the increased volume of

parcels, and is now offering the PostNord Pallet service for pallets of up to 1,000 kg. PostNord also invested in new distribution vehicles and more partner outlets, mainly in Denmark and Sweden, for increased service availability. We also maintained dialog with e-commerce customers to adapt our offers so that terminals and vehicles can be used more efficiently 24/7. The benefits are increased capacity, reduced environmental impact, and more delivery options.

Another strong trend is omnichannel concepts, where retailers offer the same purchase experience irrespective of the sales channel (e.g. cell phone, computer, or physical store). In particular, stores are investing heavily in Click and Collect, which means that goods can be collected from their own premises, and PostNord is well positioned as a provider of simple, smart, technical solutions for the stores.

POSITION

PostNord has unique coverage – we reach all households in Sweden, Denmark, Norway, and Finland. In total, PostNord has over 8,000 distribution points/partner outlets across the Nordic region. We have also developed a network of parcel boxes in Denmark. We deliver online purchases in a number of different ways so that consumers can have their item delivered in the way they wish. By offering common products and services and the most extensive distribution network in the Nordic region, we bring e-retailers and consumers closer together. This means that we play an important role in enabling people to live and work across the region. This, together with our solid expertise, means that many leading e-retailers in the Nordic countries are choosing us as their partner.

Logistics

Increased demand for total solutions

DRIVERS

The logistics market involves a wide range of B2B services, including parcels, pallets, and groupage cargo. The major drivers in the market are global growth and increasing international trade. Europe is the Nordic region's most important trading partner, while trade between the Nordic countries represents a significant proportion of all trade in the region. This means that the demand for total, cross-border solutions for the Nordic region is growing. Demand for more advanced services is increasing steadily, with significant requirements in respect of deliv-

¹⁾ PostNord & Svensk Digital Handel and HUI Research: E-barometer full year report 2018

²⁾ Svensk Handel "Det stora detaljhandelskiftet 2018" ("The great retail shift 2018")



ery, flexibility, and communication. PostNord's market-leading offer in full coverage third-party logistics in the Nordic region is in demand in several different sectors.

With the enormous surge in e-commerce, some parcels that were previously delivered from warehouses to shops (B2B) are now being delivered direct to the customer's home or to distribution points. As a result, PostNord believes that the group's nationwide infrastructure is becoming increasingly important.

COMPETITION AND MARKET DEVELOPMENT

The logistics market is characterized by stiff competition and downward pressure on prices. Previously, competition in the Nordic market was mainly limited to traditional global and national logistics players, such as DHL, DB Schenker, Bring, GLS, and Posti, and smaller, local providers in various logistics segments. The competitive landscape is now being redesigned with the emergence of new alliances and partnerships. New players are getting established and expanding in consumer-related areas such as market places, payment solutions, and niche logistics and courier services. These business models may be based on products or services for part or the whole of the delivery chain but also on selling and using information shared between senders, carriers, and recipients.

POSITION

Our comprehensive distribution network, our own vehicle fleet in the Nordic region, and international collaboration make us a market leader in Nordic logistics. We benefit from economies of scale as we are able to handle several types of mail items together. We are further strengthening our position, due in no small way to e-commerce-related logistics and new investment in networks and information platforms.

Transition to fossil-free transport

PostNord's gradual transition to fossil-free transport is hugely significant. One impetus for our work on this is the Swedish government's objective for Swedish vehicle fleets to be independent of fossil fuels by 2030. Streamlining and optimizing our logistics is a key element of our activity in this area. PostNord's route to becoming fossil-free involves electrification and biofuels. Electric bicycles and small electric vehicles have long been a feature of PostNord's vehicle fleet. Twenty eight percent of all our vehicles are electrically-powered, while biofuels comprise 24 percent of all fuel used. PostNord has just under 2,000 electrically-powered small delivery vehicles and just over 2,300 electric bicycles. Sustainable transport is also provided by other vehicles.

In the long term, electrically-powered transport will win out as it is quiet, energy-efficient, has low emissions, and costs little to run and maintain. Rail freight is one element in PostNord's electrified transportation service. Currently, for example, around 63 percent of letters by volume are transported between terminals in Sweden by rail, and in Norway over 50 percent of our transportation is by rail.

We are working as much as we can to increase the percentage of renewable fuels we use. For a number of years we have been focusing on HVO, a synthetic diesel fuel made from renewable raw materials. We are also assessing other options so that we can further increase the percentage of renewable fuel we use.

Changing mail volumes

Sweden

All letters 2019, since 2018	-8%
All letters since 2000	-56%
Priority letters since 2000	-66%

Denmark

All letters 2019, since 2018	-10%
All letters since 2000	-84%
Priority letters/Quickbreve, since 2000	-98%

Change in parcel volume

Group

Parcels 2019, since 2018	4.1%
Parcels since 2009	84.5%

E-commerce in the Nordic region

E-commerce consumers per month in millions (aged 18-79)

	2019	2018
Sweden	3.9	3.7
Denmark	2.0	2.0
Norway	2.0	2.0
Finland	1.5	1.5

The figures have been adjusted for internet penetration and method (online questionnaire).

Exciting future – new challenges

Over our almost 400 year existence, our business model has focused on conveying messages and goods from and to businesses, institutions, and private customers. In the last ten years, our model has had strong competition due to increasing digitization. At the same time, digitization has created a new market in which PostNord has become the spider in the web, and we envision many exciting opportunities for growth in e-commerce and logistics.

Current challenges

Over time, the Swedish and Danish postal authorities have moved from being government agencies to operating as businesses, from monopolies to competing with other organizations, and from being mainly local operators to regional players. We are currently faced with several major challenges that can be attributed to external factors and the rising expectations of both our customers and society as a whole.

DIGITIZATION AND CAPACITY

Digitization presents us with two directly opposing market trends: far fewer letters are being sent while parcel volumes are increasing. Between 2000 and 2019, mail volume in Sweden declined by 56 percent and in Denmark by 84 percent. We are addressing the challenge of digitization and capacity by transforming our business and investing in infrastructure and capacity to accommodate the increasing e-commerce sector. Find out more on page 14.

BRAND CONFIDENCE

It is essential to everything we do that employees, customers, and recipients trust our company and our brand. Our aim is to be even more responsive to people's needs and expectations, to ensure that everything we do is of high quality, and to develop new, relevant products, services and solutions. We are well aware that trust is based as much on what we actually do as on how we are perceived. Nothing is taken for granted, and we work tirelessly to gain the trust of employees, customers, and recipients at every point of contact. We will address the challenge of brand confidence by listening, answering questions, communicating better, implementing quality improvement programs, and developing innovative services.

THE UNIVERSAL POSTAL SERVICE MUST BE ADAPTED TO MEET THE DEMANDS OF PRIVATE CUSTOMERS AND BUSINESSES

It is an honor to have the important remit of delivering a universal mail and shipment service to all private customers and companies in Sweden and Denmark. Our communication habits are changing more rapidly than ever, placing significant demands on mail management. Meanwhile, we are having to adhere to legislation and rules originating from an EU Directive of 1997, which is now over 20 years old and was

in place before digitization redrew the communication patterns of businesses and private customers. Modern mail management requires a modern regulatory system. Three questions are particularly urgent: How often should we collect and deliver letters? How long should delivery take? How much should it cost?

Frequency of delivery: Adjusting the frequency of delivery would not affect customers and recipients to any great degree. It would, however, reduce the short-term risk of a financially unsustainable postal service. A report from the Swedish Post and Telecom Authority (PTS)¹⁾ shows that there is relatively little requirement for physical letters to be sent and received every day, and this is supported by the findings of our own customer surveys. If we also take into account the government's aim to get Sweden fully online and the increasing use of digital mailboxes and email, it is hard to justify high-frequency mail delivery. Only five percent of survey respondents need to be able to receive physical mail on a daily basis.

Delivery time and quality requirements: Delivery times in both Sweden and Denmark are currently regulated. In Sweden, the Postal Ordinance requires 95 percent of all domestic letters to be delivered within two days. In Denmark, standard letters are delivered within five working days but Quickbreve letters are delivered the next working day.

Pricing: As mail volumes decline, the cost per letter handled increases. Last summer, the Swedish government changed the formula for the price ceiling, which enabled us to adjust the price and make allowances for the falling mail volumes. We believe this is reasonable – for most households, the postage is low. Seventy three percent of the Swedish population spend less than SEK 200 a year on postage.

Funding the universal postal service: Declining mail volumes is a challenge that PostNord has in common with other postal operators, and many states now fund their universal postal service through state subsidy. Up to 2019, PostNord has not received any state compensation for the universal postal service. As a result, the funding of activity that is not financially sustainable must be constantly tested.

PROFITABILITY THROUGH INCREASED PRODUCTIVITY AND COST REDUCTIONS

Distributing mail and parcels to virtually every household and company in the Nordic region is labor-intensive and requires significant infrastructure. The cost of delivering mail in sparsely populated areas can be several times higher than the cost of distribution in urban areas. That means we have to work harder than our competitors to make cost efficiencies, increase productivity, and, quite simply, work smarter.

In the past year, we have slimmed down our organizational structure and focused on improving our work in the areas that are important for us and where we are already in a good position.

CLIMATE

We take the threat to our climate seriously. PostNord's own and procured transport services emit approximately 300,000 tons of carbon dioxide each year. Converting PostNord's transport services and operations to renewable fuels will require major investment. We are addressing the climate challenge by optimizing PostNord's logistics system and investing in electrification and biofuels. PostNord is being presented with exciting opportunities and tough challenges. Find out more on page 78.

1,346

Millions of letters in Sweden

238

Millions of letters in Denmark

¹⁾ PTS, 2018: 'The need for physical letter services in a digitized market'.

Total solutions for communication and logistics in the Nordic region

PostNord is the complete supplier of communication and logistics in the Nordic region. We develop products and services with Nordic coverage and bring them together in solutions that are tailor-made for each customer. In so doing, we bring together and enhance our customers' market penetration, goods flows, and customer communication.

Products and services for business customers



Market penetration

PostNord helps business customers identify the right target group, whether this involves finding new end customers, or retaining and developing business with existing customers. It makes communication more efficient and increases the impact of both digital and physical channels. It also creates scope for following up the initial impact and strengthening their offerings via loyalty programs.

Some of our services:

- Target group analysis
- Physical direct mail
- Digital marketing



Flows of goods

PostNord offers complete logistics solutions for delivery requirements to, from, and within the Nordic region. The customer thus needs just one supplier for inbound deliveries and deliveries to the end recipient. Parcels are delivered straight to the recipient, to one of PostNord's distribution points in the Nordic region or to one of DPD's distribution points in Europe.

Some of our services:

- Warehousing
- Outbound logistics
- Returns management
- Third-Party Logistics (TPL)
- Tracking solutions



Customer communications

Customer communication on the recipient's terms reinforces the deal, provides peace of mind for PostNord's customers, and helps ensure end customers remain loyal. PostNord can produce and distribute all forms of business communication, in physical or digital format, or in combinations of the two formats.

Some of our services:

- Invoice mailing
- Campaign evaluation



Products and services for private customers and recipients

The main services provided by PostNord to individuals are the universal postal service in Sweden and Denmark and the parcel distribution network across the Nordic region.

Consumers have increasingly high expectations and want more control. For example, control over where their goods are to be delivered – to work, to their house, or perhaps to a locked area on their property. PostNord is constantly developing its services to meet these needs.

Some of our services:

- Simple ways to send and receive mail and parcels
- Widespread service availability – 8,000 distribution points/partner outlets
- Easy solutions using the PostNord app

A world-class business model for communication and logistics solutions

PostNord's products, services, and business are founded on solid experience and expertise in communication, e-commerce, and logistics and a unique and efficient distribution network.

Business model and assumptions

We offer communications and logistics solutions to, from, and within the Nordic region. We also guarantee the universal postal service in Sweden and Denmark. All our activity is based on our aim to make everyday life easier. Our values – present, reliable, and sustainable – guide us to the right decisions and actions. PostNord's customers are mainly e-commerce businesses, authorities, and private customers. Its business is influenced by two opposing trends. While we are facing major challenges in the mail sector, which is subject to licensing, we are uniquely positioned to continue our development of digital communications and our e-commerce and logistics business, which is currently undergoing strong growth. The growth is driven by new technical products and services and the demands of customers and consumers for simple solutions.

Structural capital

14,500 directly employed mail carriers and drivers

14,500 vehicles, of which 28 percent are electric

8,000 distribution points/ partner outlets in the Nordic region

A common brand and a harmonized offer in the Nordic region

The PostNord app

A distinct sustainability agenda

36 mail and parcel terminals in the Nordic region

Business and operations

Aim:
We make everyday easier

Offering:
PostNord meets the needs of customers in communication, e-commerce, and logistics reliably, efficiently and on time

Values:
Present, reliable, sustainable

Competitive, profitable business in logistics, e-commerce, and

Structural capital

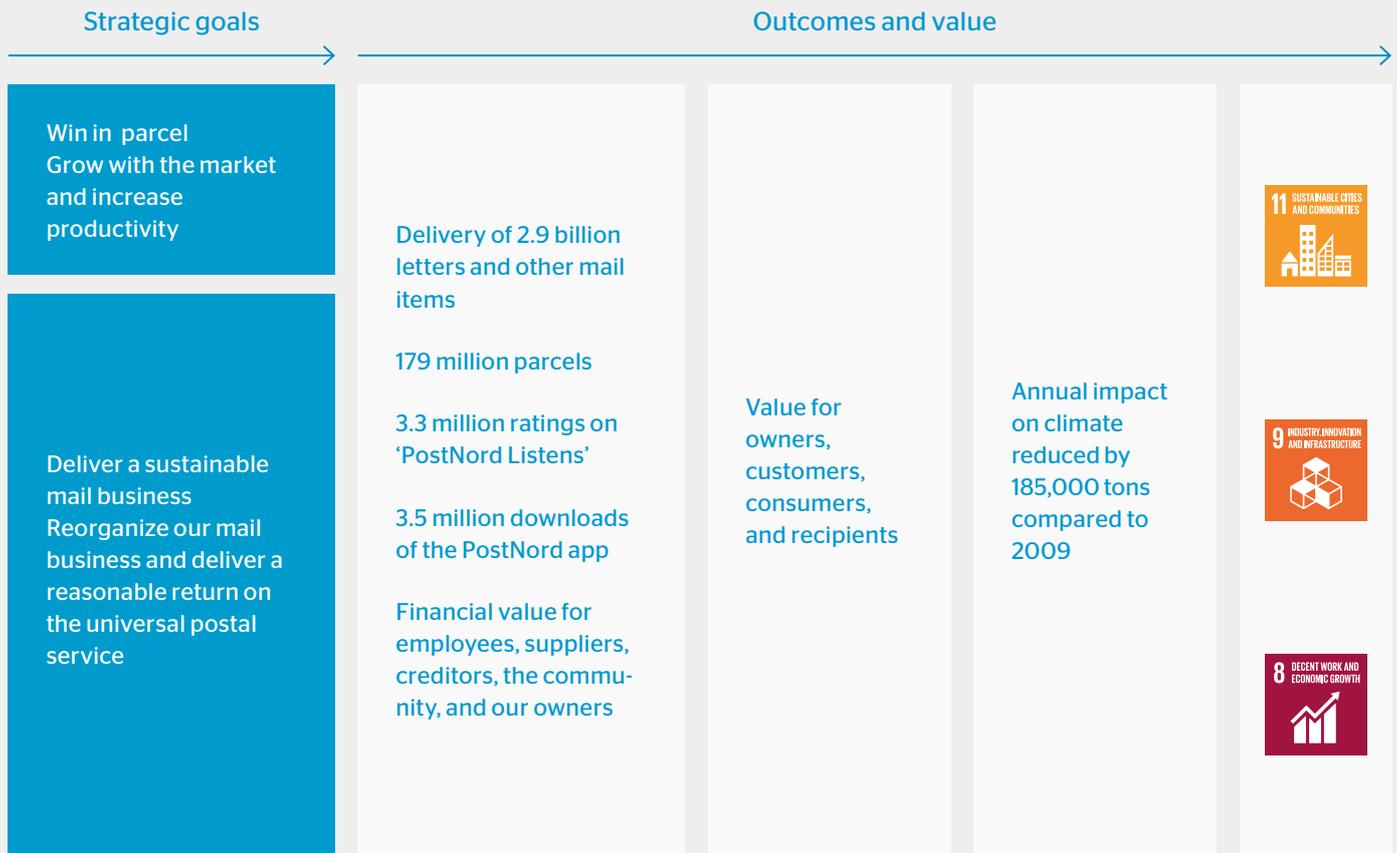
Digitization is increasing, e-commerce is growing, and consumers are making greater and greater demands.

The shape of PostNord's logistics, distribution, and associated services are determined by recipients' preferences. PostNord has a unique distribution network and structural capital – we cover the whole of the Nordic region, both urban and rural areas. PostNord's structural capital includes a large number of terminals, around 14,500 vehicles, over 8,000 distribution points/

partner outlets, and a total of approximately 29,000 employees, of whom approximately 14,500 are directly employed drivers and mail carriers.

For PostNord to be the consumer's first choice, employees need to be fully supported to do a really good job and make everyday life easier for our customers. It is our colleagues in the front line – our drivers, mail carriers, and customer service staff – who deal directly with consumers and are largely responsible for our company image. With the expansion of e-commerce,

recipients' opinions are increasingly important to how PostNord is perceived. This new reality affects almost everything PostNord does and necessitates adaptation on our part. So it is important to put the right conditions in place for our employees, whether their contact with consumers and recipients is direct or indirect. Several initiatives are underway to make employees' day-to-day working life easier, encouraging even greater commitment to PostNord and pride in the organization.



communication with responsibility for the universal postal service in Sweden and Denmark.

Business and operations

PostNord is set up to develop and provide total solutions and to benefit from economies of scale in terms of production. It is divided into country-based operational areas, i.e. Sweden, Denmark, Norway and Finland, and Strålfors.

Strategic goals

PostNord's goal is to strengthen its position and continue to be a leader in parcel distribution and e-commerce in the Nordic region, and also to operate a sustainable, demand-driven letter

delivery business that creates value for citizens, businesses and institutions.

Outcomes and value

PostNord connects businesses, authorities, and private customers. It facilitates business, trading, and communication throughout the Nordic region, in towns and cities as well as more sparsely populated areas. In 2019, PostNord delivered 2.9 billion letters and other mail items and 179 million parcels to the 27 million inhabitants and 2.5 million companies in the Nordic

region. The outcomes and values that PostNord creates are of benefit far beyond our owners and our customers and their recipients. PostNord is helping to achieve several of the UN global goals for sustainable development, in particular those relating to sustainable cities and communities, sustainable industry, innovation and infrastructure, decent work, and economic growth. The group's gradual transition to fossil-free transportation is also hugely important and has helped to reduce carbon dioxide emissions by 36 percent since 2009.

Strategy for becoming best at parcels and ensuring a sustainable communications business

The e-commerce, parcels, and communication markets are changing dramatically. That presents both challenges and opportunities. A review was carried out by the owners during the year, and a more focused strategic direction for the group was drawn up. This involves a greater focus on our core business of parcels and letters.

Changing customer needs and increased competition require higher productivity, greater cost-efficiency, and an improved brand. Coping with the enormous pressure to change arising from changing external circumstances requires a more focused strategy.

PostNord is on a journey of change so as to adapt to decreasing mail volumes and new customer needs in the area of e-commerce and parcel distribution. Changes are currently underway in all the major parts of the business, including changes to infrastructure, capacity, the range of products and services, and the workforce.

PostNord is adjusting its communications business so that it can provide mail services in accordance with need and a level of service that is reasonable given the costs, and is continuously improving its range of products and services in e-commerce and logistics with digital initiatives.

Our strategic goals, along with our aim and values, serve to guide what we do and how we do it.

Strategic goals

WIN IN PARCEL

Our customers and recipients are constantly making ever greater demands round flexibility, choice, and price. They want help to simplify their lives, the ability, for example, to shop for a huge selection of products, when and where they want, at a good price. They then want to get their goods quickly, have a choice on where these should be delivered or collected, and not have to adjust their own schedules to fit a delivery time.

PostNord currently has a leading position in e-commerce and parcels, and our aim is to strengthen this position. This includes making good use of our unique Nordic network, further developing our range of products and services, and enhancing our relationship with recipients, so that we can simplify their day-to-day lives. We aim to grow profitably and create value for our customers and for our customers' customers, the consumers. Everything we do to develop our range of products and services and our interfaces with business customers and consumers is in support of our aim to make everyday life easier for our customers and their customers.

DELIVER A SUSTAINABLE MAIL BUSINESS

PostNord will develop its leading position in communication services, in all channels. While optimizing and adapting our physical mail business, we are also introducing digital services and services that combine physical and digital communication.

Physical letters continue to be an efficient and valued distribution channel for administrative and market communication. Increasing digitalization means that mail volumes are declining at an increasing rate. This poses a challenge in terms of reinvesting in and maintaining a national mail distribution network. In the long term, we need a combination of measures: price increases, adjustment of service standards in line with recipients' needs, and public support.

Our strategic goal for our mail business is, therefore, to operate a sustainable business that is tailored to our customers and recipients of letters. It will not be long before the earlier model, in which comprehensive infrastructure is funded only by the income from postage, is not enough. It is PostNord's view that some form of public contribution will become necessary.



More extensive service requirements carry a greater need for compensation. We carry out our assignment with pride in order to create value for our customers and recipients of letters. At the same time, we are keen to ensure that the universal postal service does not impose an unreasonable financial burden.

Financial targets

Achieving the strategic goals will enhance PostNord's financial position and outcomes. PostNord's overriding financial goal is to operate a competitive and profitable business.

PROFITABILITY

Target: Return on capital employed - 10.5 percent.

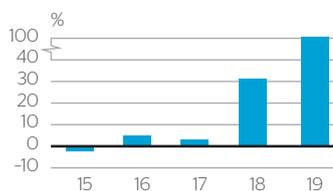
Outcome: 3.6 (-12.4) percent (incl. items affecting comparability).



CAPITAL STRUCTURE

Target: Net debt ratio - 10-50 percent.

Outcome: 102 (31) percent (incl. pensions but excl. lease liabilities).



Sustainability goals

It is our view that sustainability as an integrated part of the group strategy is essential for success in e-commerce and parcel distribution and also in operating a sustainable, demand-led mail business. The current group goals apply up to and including 2020, when they will be replaced by a clear new sustainability agenda.

CLIMATE

PostNord's main impact on the environment is climate impact. We will adapt our business so as to maintain our competitiveness in a low carbon economy. Our climate goal is in line with the UN goal of ensuring that the rise in global warming is kept well below 2 degrees, and the goal has been approved by the Science Based Targets initiative.

Target: Until 2020, our target is to reduce our emissions by 40 percent in absolute terms compared to our emissions in 2009.

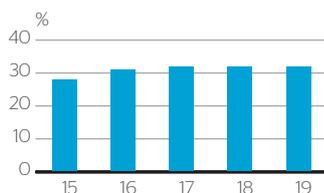
Outcome: 36 (35) percent

GENDER EQUALITY

PostNord will make use of all the potential in the labor market. We, and the sector in which we operate, have traditionally employed many more men than women. Our staff cohort currently consists of around two thirds men and our aim is to achieve an even gender distribution.

Target: At least 40 percent of PostNord's managers and leaders to be women.

Outcome: 32 (32) percent



SUPPLIERS

The goods and services purchased by PostNord fall mainly into the categories of transport, fuel, staffing, and IT. Our success is due to long-term, sustainable collaboration with our suppliers and the fact that we provide support on how to meet our requirements and that we check that our requirements are complied with. Monitoring processes involve self-assessment and local audits of selected suppliers.

Target: All significant suppliers accept and adhere to PostNord's Code of Conduct for Suppliers.

Outcome: 74 (54) percent.

Read about PostNord's actions and outcomes in respect of the climate on pages 78 and 83, gender equality on page 79, and suppliers on page 79.

Group

PostNord is under considerable pressure from falling mail volumes caused by the rapid advance of digitization. At the same time, e-commerce continues to grow strongly. PostNord is working intensively on transforming the organization to meet the changing needs of the market.

Income (SEKm) ^{1,2)}			Net debt (SEKm)	Dec. 31	
	2019	2018		2019	2018
Net sales	38,278	37,669	Interest-bearing liabilities	9,550	3,389
<i>of which, Communication Services</i>	15,680	16,797	Pensions and disability pension plans	3,500	1,612
<i>of which, eCommerce & Logistics</i>	22,598	20,873	Long and short-term investments	-198	-299
Operating income (EBIT)	184	-855	Cash and cash equivalents	-3,398	-3,088
Operating margin (EBIT) (%)	0.5	-2.3	Net debt incl. pensions and lease liabilities	9,454	1,614
Items affecting comparability, net	-357	-984	Net debt incl. pensions but excl. lease liabilities	3,776	1,614
Adjusted operating income (adjusted EBIT)	541	129	Net debt excl. pensions and lease liabilities	276	2
Adjusted operating margin (adjusted EBIT) (%)	1.4	0.3			
Income before tax	-111	-890			
Net income for the year	-239	-1,067			
Earnings per share (SEK)	-0.12	-0.53			
Cash flow from operating activities	2,132	2,083			

¹⁾ For definitions, see Note 32, page 64.
²⁾ The group applies IFRS 16 Leases as of January 1, 2019. In accordance with IFRS 16, figures for comparison have not been restated.

Net sales and earnings

PostNord's net sales increased by 0.6 percent, excluding acquisitions, disposals and exchange rate effects. As a result of continued digitization, mail volumes declined by 8 percent overall, of which 10 percent was in Denmark and 8 percent in Sweden. The group's parcel volumes increased by 4 percent. Growth in e-commerce continues, with e-commerce-related B2C volumes rising 10 percent. Sales of the group's other logistics services (third-party logistics, group-age cargo and pallets) increased by 6 percent.

Group operating income totaled SEK 184m (-855m). Earnings include total items affecting comparability of SEK -357m (-984m) and comprises impairment losses relating to non-current intangible assets and provisions for terminating staff contracts. In the previous year, items affecting comparability mainly consisted of state aid received in Denmark and provision for terminating the employment of staff in Denmark with special employment conditions.

The group's adjusted operating income was SEK 541m (129m). The improvement is due to efficiencies in our mail business and growth in e-commerce.

Net financial items totaled SEK -295m (-35m). Net financial items are affected mainly by interest expenses resulting from the adoption of IFRS 16 Leases at SEK -123m (-), interest costs for pensions at SEK -52m (26m), and inter-

est costs for the discounting of provisions at SEK -32m (-9m).

Income taxes totaled SEK -128m (-176m). The relatively high tax charge arose through non-recognition of deferred tax assets relating to the deficit in Denmark.

Net income for the year totaled SEK -239m (-1,067m).

Financial position and results

Equity totaled SEK 3,654m, compared to SEK 5,142m on December 31, 2018. The change is primarily attributable to the revaluation of pensions, the net income for the year, and a positive translation difference as a result of the Swedish krona weakening against other currencies.

The group's net debt totaled SEK 9,454m (1,614m) including the Group's pension liability and, from 2019, the lease liabilities under IFRS 16. Interest-bearing debt consists of a long-term portion of SEK 8,348m (1,770m) and a current portion of SEK 1,202m (1,619m).

The net debt ratio including pensions and leasing liabilities (net debt/equity) was 259 (31) percent.

The adjusted return on capital employed (ROCE) was 7.2 (1.9) percent.

At the end of the reporting period, the group's financial preparedness totaled SEK 5,398m (5,189m), represented by cash and cash equivalents of SEK 3,398m (3,088m), short-term

investments of SEK - m (101m), and unutilized long-term confirmed credit facilities of SEK 2,000m (2,000m).

Cash flow from operating activities totaled SEK 2,132m (2,083m). The cashflow was affected by earnings, the reporting of leasing in accordance with IFRS 16 (see also Note 12), and repayment of the group's provision for transformation in Denmark. The previous year's cash flow was affected positively by state aid of SEK - m (1,533m). Working capital showed a change of SEK 473m (-320m).

Investments in the year amounted to SEK 1,356m (1,374m) and related to vehicles, sorting equipment mainly for third-party logistics, the establishing of distribution facilities, and IT development.

Financial investments totaled SEK 24m (156m). Changes regarding acquisition of financial assets were mainly attributable to participations in associated companies. Changes in the previous year were mainly attributable to the group's liquidity management.

Parent company

The parent company undertook very limited activity in the form of intra-group service. As at December 31, 2019 it had one employee. Other operating income totaled SEK 27m (14m) Operating expenses totaled SEK 119m (30m). Expenses attributable to transformation had a negative impact on the year. Financial items totaled SEK -39m (-851m). Impairment of shares in subsidiaries totaled SEK - m (815m). Net income for the year totaled SEK 77m (-817m).

Proposed appropriation of the Company's net income

The Board of Directors proposes that unappropriated earnings of SEK 3,549,544,968 be distributed as follows:

To be carried forward	SEK 3,549,544,968
Total	SEK 3,549,544,968

Important events

- A number of changes were made to the Group Leadership Team, effective on April 9, 2019. Annemarie Gardshol took over as Acting President and Group CEO of PostNord. Annemarie Gardshol has served as Head of PostNord Sweden since February 1, 2018 and

as a member of the Group Leadership Team since 2012. She retained her role as Head of PostNord Sweden. Lena Larsson took up the position of Acting Chief Financial Officer (CFO) alongside her role as Head of Group Business Control. In connection with this, Håkan Ericsson, former President and Group CEO, and Gunilla Berg, former CFO, both resigned from PostNord.

- PostNord's new organizational structure, which places emphasis on decentralized responsibility and new group-wide functions, became effective as of July 1. The new Group Leadership Team took over on the same date. (For further details, please see the press release of May 28, 2019 at www.PostNord.com.)
- On November 1, Annemarie Gardshol took over as President and Group CEO and Peter Kjaer Jensen as new Vice President. Annemarie Gardshol continues as Head of PostNord Sweden and Peter Kjaer Jensen continues as Head of PostNord Denmark.

Major events after the reporting period

PostNord has no major events to report after the end of the reporting period.

Operations subject to licensing and notification

PostNord runs operations subject to licensing and notification in accordance with national legislation, in Sweden and Denmark. Strålfors' graphic production facilities are subject to licensing, PostNord TPL has logistics facilities that are subject to licensing or notification, and in Sweden a number of vehicle washing facilities are subject to notification.

Statutory sustainability report

PostNord has prepared a statutory sustainability report that is separate from the Board of Directors' Report. The scope of the sustainability report is set out on the inside cover.



PostNord Sweden

In Sweden PostNord offers a comprehensive range of distribution solutions in communication, e-commerce, and logistics. PostNord Sweden is also responsible for maintaining the universal postal service and serves e-commerce consumers throughout the country through its nationwide network of partner outlets and generous opening hours. PostNord Sweden delivered a strong performance in 2019.

Market

Mail volumes are continuing to decline as a result of digitization. Meanwhile, e-commerce is experiencing strong growth and PostNord is the market leader in the Swedish parcels market.

Strategic priorities

During the year, we continued to transform PostNord Sweden so as to adapt the business to the demands of the growing parcel market and to declining mail volumes, while maintaining high levels of quality and service. Work on improving the customer experience brought results in the form of quality improvement. The quality of both our mail and parcels business was stable and high. Confidence in PostNord has also grown during the year. However, work in these important area is far from finished and will continue unabated.

The business during the year

PostNord continued to make efficiencies in its mail business during the year in order to address the demands of digitization. Most measures have had no effect either on customers or recipients but some action will need to be taken that affects service levels as demand changes. Over the last ten years, the number of letters posted in our letter boxes or delivered to our service facilities has more than halved. As a result, on July 1 we stopped collecting from letter boxes and sorting post on Sundays. There were also changes to the times we collected from letter boxes. Following the changes to the group's organizational structure, the structure of PostNord Sweden also changed on July 1. The new structure means PostNord Sweden has a clearer overall line of responsibility that runs



from strategy and service development all the way to sales, production, and customer experience. During the year, we have improved the Varubrev service, which enables e-retailers to send goods weighing up to two kilos direct to the recipient's mailbox. In February we brought in increased traceability, and in May we launched the option to request "Delivery to your door". The improvements have been welcomed and increasing numbers of customers are choosing to use the Varubrev service. On August 1, the new Postal Ordinance came into effect. This allows PostNord to increase the postage to compensate for falling mail volumes. As a result, on September 30 PostNord gave notice that postage would increase by SEK 2 to SEK 11 from January 1, 2020.

Finance

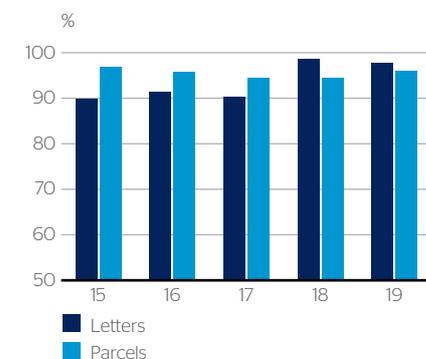
Net sales totaled SEK 23,253m (23,225m). Like-for-like sales for eCommerce & Logistics increased by 5.0 percent, mainly as a result of continued growth in e-commerce and other areas of logistics. Communication Services reported a 7.9% fall in sales mainly as a result of declining mail volumes. Operating income totaled SEK 1,092m (807m). Adjusted operating income totaled SEK 1,112m (845m). The improvement in income arose via growth in e-commerce and third-party logistics, letter customers leaving competitors to come back to us, and other efficiency initiatives that have reduced staff numbers.

Outlook

PostNord Sweden is continuing to improve and develop its e-commerce services to meet the demand from customers and facilitate growth in that sector. One area of focus for PostNord Sweden is home delivery. Meanwhile, as fewer letters are being sent, the transformation of the mail business is continuing. PostNord Sweden is addressing this by considering a new distribution model whereby recipients get standard letters every other day. No decisions have been made, and our range of products and services will not change in 2020.

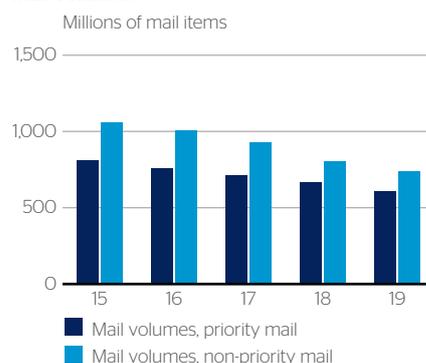
SEKm, unless otherwise indicated	2019	2018
Net sales	23,253	23,225
<i>of which, Communication Services (external)</i>	10,116	10,979
<i>of which, eCommerce & Logistics (external)</i>	11,723	11,162
<i>of which internal</i>	1,414	1,084
Operating income (EBIT)	1,092	807
Operating margin (%)	4.7	3.5
Items affecting comparability, net	-20	-38
Adjusted operating income (adjusted EBIT)	1,112	845
Adjusted operating margin (%)	4.8	3.6
Priority mail, millions	608	663
Non-priority mail, millions	738	801
Average number of employees (FTE)	19,054	19,548
Employees at end of period	18,277	19,798

Delivery quality, mail and parcels¹⁾



¹⁾ Letters 2015-2017 refers to SWEX 1st class individual and Letters 2018 and 2019 refer to SWEX Letters (0-2).

Mail volumes



PostNord Denmark

PostNord Denmark offers a comprehensive range of distribution solutions in communication, e-commerce and logistics. PostNord Denmark is responsible for maintaining the universal postal service and has a nationwide network of distribution points offering excellent service availability and generous opening hours.

Market

Mail volumes are continuing to fall in Denmark, one of the most digitized countries in the world. In light of this, the logistics market - including the growing e-commerce sector - is becoming increasingly important for PostNord Denmark.

Strategic priorities

In 2019, PostNord Denmark entered the final phase of the transformation that has marked the company in recent years. The transformation will ensure profitability and enhance competitiveness in markets where mail volumes are falling but the number of parcels, including in e-commerce, is growing.

The business during the year

During the year, PostNord Denmark brought in a new service model based on effective, centralized sorting and an optimized distribution flow. It has helped to ensure stable, high-quality delivery while the volume of letter products declines, which has enabled further cost savings to be made. During the year, PostNord Denmark has considerably increased service availability throughout the country by opening 450 new distribution points. The new distribution points were all ready to welcome customers when the busiest period of the year began on Black Friday at the end of November. Overall, PostNord Denmark has improved the service customers receive at partner outlets and distribution points. For example, you can now have the receipt emailed to you when you send a parcel from a partner outlet. During the year, PostNord Denmark has tested new forms of delivery, such as "Sameday Delivery", "Straks Levering" (Quick Delivery) via parcel boxes, and delivery via our own suppliers together with various partners. All these projects have provided PostNord with invaluable information and knowledge, which will be used to help develop future forms of delivery.

Following a successful pilot project in Kolding and Sønderborg, a new parcels infrastructure was established in 2019 with up to 10,000 parcel boxes put in place throughout the country. The new parcel boxes are called "Nærbokse". With the opening too of the new distribution points, PostNord's new parcel box deliveries will strengthen the company's status as the distributor with the most extensive network of distribu-

tion points in Denmark. The boxes were installed by Nordic Infrastructure, owned jointly by PostNord and SwipBox.

PostNord Denmark has launched a new series of stamps featuring dogs. The dogs featuring on the new stamps were the winners of a competition in which Danish dog owners could nominate their dogs by saying why they should appear on a stamp. Thousands of dog owners took part, and the production and launch of the new stamps attracted a great deal of attention.

PostNord's business in Germany, the management of import and export flows to the Nordic region via Europe, grew well during the year, mainly in the e-commerce market.

Finance

Net sales totaled SEK 8,839m, (8,559m). In Communication Services, net sales fell by 7.8 percent. In eCommerce & Logistics, net sales grew by 5.0 percent. Operating income totaled SEK -155m (-1366m). Income includes items affecting comparability of SEK -64m (-946m). Last year's figure included state aid received, provision for the termination of employment of staff with special terms and conditions, and capital gains from the sale of property. Adjusted operating income totaled SEK -91m (-421m). The improvement is due to a continued positive trend in e-commerce, higher productivity within the framework of a new production model, lower costs for administrative staff, and improvements in heavy goods and third-party logistics.

Outlook

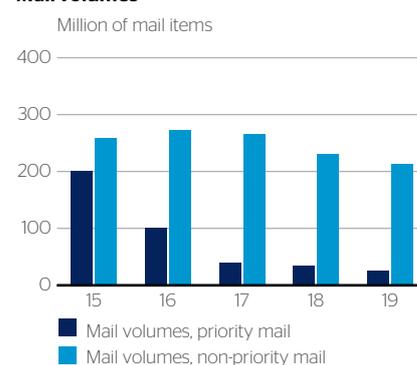
After focusing for a number of years on changing the company in Denmark and making cost savings, the focus is now on ensuring growth in logistics. PostNord Denmark now has the foundations in place, with the right production model, the right parcels infrastructure, and the right number of employees. We will be building on those foundations in the years to come. This will involve ensuring stable, high-quality delivery and focusing heavily on improving the customer experience for both the sender and the recipient.

SEKm, unless otherwise indicated	2019	2018
Net sales	8,839	8,559
<i>of which, Communication Services (external)</i>	3,439	3,618
<i>of which, eCommerce & Logistics (external)</i>	4,823	4,454
<i>of which internal</i>	577	487
Operating income (EBIT)	-155	-1,366
Operating margin (%)	-1.7	-16.0
Items affecting comparability, net	-64	-946
Adjusted operating income (adjusted EBIT)	-91	-421
Adjusted operating margin (%)	-1.0	-5.0
Priority mail, millions	25	35
Non-priority mail, millions	213	230
Average number of employees (FTE)	6,425	7,247
Employees at end of period	6,244	6,852

Delivery quality - mail and parcels

%	2019	2018	2017
Quick	95.9	94.9	93.4
Breve	95.4	95.4	95.1
Parcels	96.6	95.4	96.2

Mail volumes



PostNord Norway

PostNord Norway provides services in the areas of logistics and communications.

Market

E-commerce is growing sharply in Norway, as in PostNord's other markets. This brings major opportunities while at the same time the market features stiff competition and downward pressure on prices. PostNord is one of Norway's biggest logistics companies, with the nation's most comprehensive distribution network.

The company's position in the wholesale, construction, and groceries trades means it constantly has new opportunities for growth.

Strategic priorities

PostNord Norway has a continued focus on cost efficiency, flexibility, and quality to help it further strengthen its position on the Norwegian logistics market. Major investments in infrastructure and capacity have been made in recent years. PostNord Norway's focus on digital services has also reached an exciting phase. In 2019, the company launched Portal and PostNord Checkout for businesses. Another strategic focus has been on preparations for the launch of MyPack Home 2.0, which will further strengthen our focus on home delivery. The launch is planned for 2020.



The business during the year

PostNord Norway expanded its production capacity, notably at the sorting facilities in Alfaset and Langhus. Work began on extending the terminal at Langhus by 10,000 square meters. Service availability was improved through the introduction of 40 new service locations and 15 percent greater capacity per service location. The company also created more, and bigger, pick-up points and its own distribution point in Bergen. A new distribution point was opened in the Løren area of Oslo, extending capacity in our distribution network.

There was a continued focus on customer and consumer experience. PostNord Norway's customer service department took on more staff and now handles many more inquiries. In addition, text-based chat robots or "bots" were introduced to improve efficiency. Like other parts of the group, PostNord Norway implemented organizational changes in June. The company will also increase its focus on cross-border logistics solutions. A new environmental strategy was agreed in October.

Finance

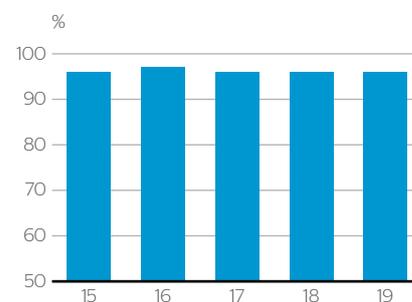
In total, net sales amounted to SEK 4,526m (4,193m), an increase of 7.4 percent excluding currency effects. Operating income totaled SEK 62m (42m). Operating income improved as a result of growth and efficiency measures in terminal and distribution management.

Outlook

To improve profitability, a number of measures have been identified to help increase productivity. As PostNord's direct contact with consumers increases, it is also important to ensure stable and high-quality delivery, the right range of products and services, and better communication.

SEKm, unless otherwise indicated	2019	2018
Net sales	4,526	4,193
<i>of which, Communication Services (external)</i>	66	54
<i>of which, eCommunication & Logistics (external)</i>	3,683	3,398
<i>of which internal</i>	777	741
Operating income (EBIT)	62	42
Operating margin (%)	1.4	1.0
Items affecting comparability, net	-13	-
Adjusted operating income (adjusted EBIT)	75	42
Adjusted operating margin (%)	1.7	1.0
Average number of employees (FTE)	1,232	1,301
Employees at end of period	1,464	1,296

Delivery quality parcels



PostNord Finland

In Finland, PostNord mainly offers logistics services to business customers and e-commerce logistics for distribution of parcels to private customers.

Market

Competition in the Finnish logistics market is intense. PostNord Finland is endeavoring to strengthen its position and expand by developing its business and offering competitive, end-to-end solutions.

Thanks to a comprehensive network of distribution points, PostNord has a strong position in the market for parcel deliveries from companies to consumers and in the steadily-growing e-commerce segment. PostNord is also developing more consumer-driven logistics services in Finland. In addition to offering parcels, pallets and groupage cargo, PostNord Finland is also among the leading players in healthcare logistics in the country.

Strategic priorities

In 2019, the focus was on quality and profitability. As part of this, PostNord Finland has implemented changes in outsourcing and has continued to put the customer at the heart of its developmental processes, in terms of both IT systems and internal procedures.



The business during the year

PostNord Finland invested in a new sorting machine at its Turku terminal and at the same time, in an important change, approximately 160 people who had previously been working for a sub-contractor were taken on as employees. The company implemented a new system for production management and pricing. It also harmonized its services and developed some partially new services.

To meet future expectations, both external and internal, a new operational model was introduced and some changes made to management.

PostNord Finland continued to develop its processes for customer experience. The work resulted in a number of measures aiming to improve perceptions of quality among customers and their recipients.

Finance

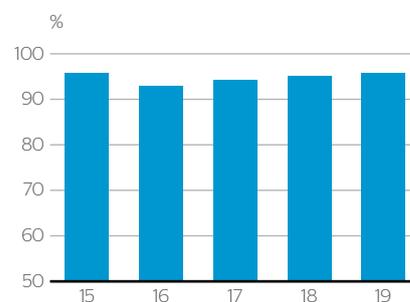
In total, net sales amounted to SEK 1,301m (1,176m), an increase of 7.1 percent excluding currency effects. Operating income totaled SEK 2m (19m). The decline in income was mainly attributable to transformation activity and lower e-commerce volumes in the fourth quarter partly related to a strike.

Outlook

PostNord is the challenger in the Finnish logistics market and our aim is to develop a strong domestic network and infrastructure for future growth. PostNord Finland will develop attractive services and make it easier for companies to become logistics customers. Alongside this, there is a focus on creating a goal-oriented culture with dedicated and skilled employees.

SEKm, unless otherwise indicated	2019	2018
Net sales	1,301	1,176
<i>of which, Communication Services (external)</i>	8	11
<i>of which, eCommunication & Logistics (external)</i>	808	767
<i>of which internal</i>	484	399
Operating income (EBIT)	2	19
Operating margin (%)	0.1	1.6
Items affecting comparability, net	-2	-
Adjusted operating income (adjusted EBIT)	4	19
Adjusted operating margin (%)	0.3	1.6
Average number of employees (FTE)	238	126
Employees at end of period	280	144

Delivery quality parcels



PostNord Strålfors

PostNord Strålfors develops and provides communications solutions that give companies with a large base of customers and suppliers entirely new opportunities to create stronger, and more personal, customer relationships. PostNord Strålfors operates in Sweden, Denmark, Norway, and Finland.

Market

The market is characterized by increasing digitization, which brings with it business opportunities. At the same time, however, the rapid pace of digitization means there is less demand for physical products. Another feature of the market is increased consolidation. PostNord Strålfors has a strong position in the Nordic customer communication market although there is tough competition in all segments and countries.

Strategic priorities

PostNord Strålfors' ongoing strategic priority is to become the digitization partner for customers developing digital customer communications systems. Alongside this, PostNord Strålfors is seeking to maintain efficient and profitable printing and scanning solutions and to manage declining physical volumes by making efficient use of the Nordic production network.

Important events 2019

PostNord Strålfors continued to strengthen its position in the digital sector through several new strategic business deals and increased income from digital services. During the year,

most PostNord A/S eBoks customers were transferred to PostNord Strålfors A/S, which resulted in strong growth in digital mailboxes at PostNord Strålfors Denmark.

There was continued investment in 3D focusing on future opportunities in the supply chain and in digital supplies. In spring, customers enjoyed a successful 'inspiration day' on this subject in Stockholm. During the year, organizational changes were made in order to establish an efficient organizational structure tailored to the needs of customers. A new delivery organization was introduced in Sweden, IT skills were enhanced, and a new business development section was established so that new solutions can be quickly brought to the market.

In 2019, Strålfors celebrated its centenary. An open house event was held for the general public in Ljungby, which included the opening of a new museum and showroom.

Finance

Net sales amounted to SEK 1,984m (2,051), a decrease of 4.4 percent, excluding exchange rate effects. The decrease was due to a continued decline in volumes of physical products,

while there was strong growth in digital services. Adjusted operating income totaled SEK 137m (168m).

Outlook

The market remains competitive, and PostNord Strålfors will strengthen its position as the digitization partner for its customers by offering the leading channel-independent platform for customer communication. The transformation needed to address digitization, falling physical volumes, and new customer behaviors continues.

SEKm, unless otherwise indicated	2019	2018
Net sales	1,984	2,051
<i>of which, Communication Services (external)</i>	1,835	1,908
<i>of which internal</i>	149	143
Operating income (EBIT)	137	168
Operating margin (%)	6.9	8.2
Average number of employees (FTE)	696	706
Employees at end of period	753	763

Other business activities

With its main focus on the Nordic region, Direct Link offers global distribution solutions to the whole world.

About other business activities

Other business activities include the Direct Link companies, Svensk Adressändring AB, and Adresspoint AB.

About Direct Link

PostNord is established outside the Nordic region via the subsidiary group Direct Link, whose primary target groups are e-commerce companies and marketplaces in need of cross-border and global delivery of goods to consumers.

Direct Link is established through local companies in Australia, China, Singapore, the UK, Germany, Poland, and the United States. Direct Link helps e-commerce businesses worldwide establish themselves in new markets, not least in the rapidly expanding Nordic market. The main focus of Direct Link's offering is the global delivery of goods, chiefly via postal

services, but the offering also includes PostNord's entire service portfolio (B2C) for the four Nordic countries, i.e. parcels to consumers (MyPack), market analysis, direct marketing, and returns management. Direct Link also offers fulfilment - logistics solutions for warehousing - in Poland, Hong Kong, and the United States.

About Svensk Adressändring and Adresspoint

Svensk Adressändring provides opportunities to notify a move or transfer, and to organize a change of address, forwarding and mail holding. They collaborate with other postal operators, the Swedish Tax Agency and Statistics Sweden.

Adresspoint sells address services. It is a sister company of Svensk Adressändring and is owned by PostNord and CityMail. Svensk Adressändring is always the source of the address.

Finance

Net sales totaled SEK1,781m, (1,326m). Operating income totaled SEK -18m (19m).

SEKm, unless otherwise indicated	2019	2018
Net sales	1,781	1,326
<i>of which, Communication Services (external)</i>	216	227
<i>of which, eCommunication & Logistics (external)</i>	1,560	1,092
<i>of which internal</i>	5	6
Operating income (EBIT)	-18	19
Operating margin (%)	-1.0	1.5
Average number of employees (FTE)	230	246
Employees at end of period	221	235

Risk and risk management

It operates in an industry characterized by major changes in several different areas. Structured preparedness is needed to best adapt and optimize the business and to take advantage of various opportunities, while at the same time managing risks and minimizing losses. The overarching objective of risk management is to ensure that the risks affecting the group's strategy and targets are identified and managed in an effective and systematic way that creates value.

Proactive, structured risk management will enable PostNord to achieve its goals. Risk management at PostNord is based on the group's Enterprise Risk Management Policy, which has been established by the Board of Directors.

The overarching objective of risk management is to ensure that the risks affecting the group's strategy and targets are identified and managed in an effective and systematic way that creates value. The group works continuously to identify, evaluate, manage, and monitor risks in the world around us and within the business. The risk management process is an important element in the group's strategic and business planning. As part of ongoing organizational monitoring, the country organizations, business areas, group functions, and subsidiaries report on identified risks and risk-control measures to group management.

PostNord's Board of Directors and Group Leadership Team bear overall responsibility for ensuring that the group's risks are managed properly. Responsibility within the country organizations, business areas, group functions, and subsidiaries lies with the relevant manager. The group's risk management function is responsible for developing and establishing group-wide procedures and methods for effective risk management, and provides support to the organization.

CHANGED MARKET CONDITIONS

PostNord is affected by changes in customer behavior, changes in demand, competitors, and the growth in digitization that is leading to lower mail volumes. Coordinated public initiatives to increase the level of digitization have already greatly impacted the Danish business, and a similar trend is also apparent in the Swedish market. E-commerce brings significant opportunities but also risks in relation to capacity limitations and changes in the offerings and positioning of competitors. PostNord manages the consequences of changes in market conditions through innovative business development and by harmonizing and developing new services and solutions, transformation and integrating production, ensuring the necessary capacity, and introducing measures for the necessary rationalization and streamlining of the business.

REGULATORY RISKS

PostNord is tasked with providing the universal postal service in Sweden and Denmark. The terms of postal regulation affect the group's competitiveness and ability to carry out the universal postal service in reasonable financial circumstances. Digitization and the declining letter market lead to increased risk given the slowness of postal legislation to adapt and the lack of opportunity for services and pricing to be adjusted flexibly. PostNord manages regulatory risks through thorough monitoring and analysis of the external environment and through dialog with the relevant government agencies. The decline requires continuous adaptation of the business and ultimately a modified business model. PostNord adapts continuously to developments in legislation on information security and data storage.

STABILITY AND DELIVERY QUALITY IN IT

Efficient production via large-scale and complex distribution environments, the development of digital services in both logistics and communications, the management of large volumes of information and data, and new, cyber-related risks mean there is a significant need for stable, secure and cost-efficient IT solutions. Improvements and investments in IT and the management of related risks are one of the PostNord group's most important priorities.

PRODUCTION QUALITY

Stable production quality is key to fulfilling our obligations and strengthening trust in PostNord. However, the rapid adjustments needed to address declining volume in the mail business and the parallel expansion in the logistics business may have an impact on production quality and our ability to transform the organization in a controlled way. PostNord has put in place several measures for managing risks related to delivery quality, including securing data quality, last mile deliveries, an improved customer experience, and improvement of customer understanding through PostNord Listens. The measures also include work on employee commitment and trust.

FINANCIAL RISKS

PostNord needs a stable cash flow and access to external financing to be able to invest in transformation programs and for the refinancing of loans. Priority activity includes business planning, the monitoring of cash flows from operating activities, and the prioritization of investments that strengthen cash flows. Interest rate risks, the group's limited currency risks, and other financial risks are managed through financial instruments in accordance with the group's financial policy. See also Note 27.

RISK FINANCING

PostNord takes a holistic approach to the management of strategic, financial and operational risks in order to maintain strong financial capability and the flexibility to manage risks that might affect cash flow.

Property, liability, and business interruption insurance policies are used to limit the negative effects of low-frequency operational risks that could have a major impact on the group's cash flow, earnings, and asset values. Group-wide insurance policies are used for risks that affect all businesses in the group. Local insurance policies are used for specific business risks and compliance with local legislation, for example for adhering to the requirements of laws or collective agreements.

In addition to insurance, the group maintains financial preparedness so as to provide options for restoration in the case of an event against which the company is uninsured and a return to the normal financing of the group's cash flow. Financial preparedness comprises cash and cash equivalents, short-term liquid investments, and unutilized committed credit lines.

SUSTAINABILITY

PostNord's risk management process includes making an inventory of, analyzing, and managing sustainability-related risks such as environmental impact, sustainability in the delivery chain, social conditions including the company's responsibility as an employer, human rights, business ethics, and corruption. Regulatory risks and risks associated with climate change are an important aspect of the changed market conditions. Read about PostNord's governance and monitoring of risks in the area of sustainability on pages 77-87.

Corporate governance for sustainable, long-term value creation

Properly functioning corporate governance is one of the requirements for creating long-term value for owners and other stakeholders. This Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance.

1. Shareholder structure

PostNord AB (publ), corporate identity number 556771-2640 ("PostNord") is a Swedish public limited company that is owned 40 percent by the Danish state and 60 percent by the Swedish state. Voting rights are shared 50/50 between the two governments. The company is the parent company of the PostNord group.

2. Control and organizational structure

The main decision-making bodies at PostNord are the Annual General Meeting (AGM), the Board of Directors, and the President and Group CEO, assisted by the Group Leadership Team. The Board has also appointed a Vice President with particular responsibility for issues relating to Nordic Strategy & Solutions and IT. The owners nominate the Chair of the Board, Vice Chair, and other Board members, propose directors' fees and nominate the AGM chair and an external auditor. The AGM is PostNord's highest decision-making body. The Board of Directors has overall responsibility for the organization and administration of the company through continuous monitoring and control of the business. The Chair of the Board oversees the work of the Board. The Audit and Remuneration Committees assist the Board in its work. PostNord's President and Group CEO is responsible for

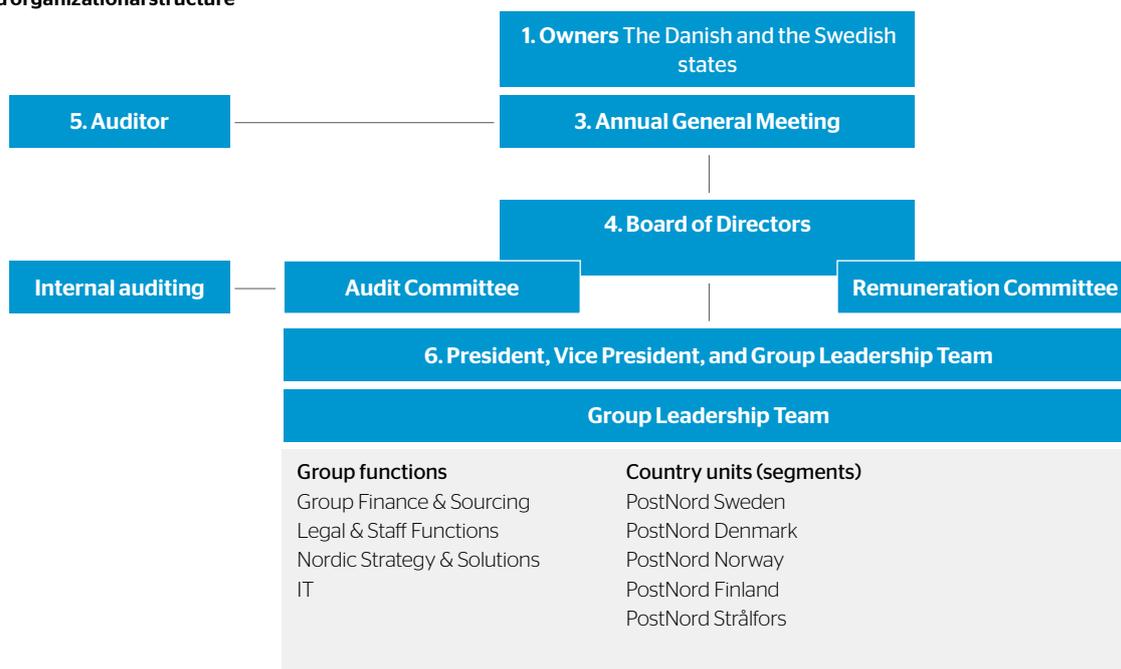
and oversees the day-to-day management of the group in accordance with the Board's guidelines and instructions. The President and Group CEO appoints the Group Leadership Team, which, in addition to the President/Group CEO, comprises the Vice President and the heads of Group Finance & Sourcing/CFO, Legal and Staff Functions, IT/CIO, Nordic Strategy & Solutions, PostNord Sweden (incl. PostNord Finland), PostNord Denmark (incl. PostNord Tyskland and Direct Link), PostNord Norway and PostNord Strålfors. The company's external auditor is elected by the AGM and examines the Annual Report and Consolidated Financial Statements and management by the Board and the CEO, producing an auditor's report. The company's external auditors review the Sustainability Report, comment on the Statutory Sustainability Report and present the auditor's report. PostNord's internal audit function evaluates the company's internal governance and control. The group's operational structure follows the legal structure. As a key principle, the organizational structure and governance are based on the operational structure. The postal permits are linked country-wise to the legal entities in Denmark and Sweden (PostNord Danmark A/S, PostNord Group AB), which means that formal responsibility for the postal

permits follows the legal structure. The relevant managers in country and group functions must ensure that the group fully meets all the legislative and regulatory requirements placed upon it.

3. Annual General Meeting

Under the provisions of the Swedish Companies Act, the AGM is the company's ultimate decision-making body. At the AGM, the Swedish Ministry of Enterprise and Innovation and the Danish Ministry of Transport vote on behalf of the Swedish and Danish states respectively. Each state nominates four Board members for the company. The AGM appoints the Board and auditor, resolves how to distribute the Company's earnings, discharges the Board and CEO from liability, and makes decisions on other matters as set out in legislation and the company's Articles Of Association. The AGM must be held no later than April 30 in accordance with the Swedish state's ownership policy. Notice of the Annual General Meeting is sent by mail to shareholders and is advertised in the daily press, through the Annual Report, and on the group website. Members of the Swedish and Danish parliaments and the general public are invited to attend and ask questions at the AGM.

2. Control and organizational structure



ANNUAL GENERAL MEETING 2019

The AGM for 2019 was held on April 24, 2019. The AGM adopted the group's and parent company's income statement and balance sheet and voted to discharge the Board of Directors and the CEO from liability for the 2018 financial year. The AGM also adopted guidelines for remuneration to senior executives and remuneration to Board members and the auditor. Sonat Burman Olsson, Måns Carlson, Christian Ellegaard, Christian Frigast, Christian Jansson, Peder Lundquist, Ulrica Messing, and Charlotte Strand were re-elected. Christian Jansson was re-elected Chairman of the Board and Christian Frigast was re-elected Vice Chairman. KPMG AB was re-elected auditor through the close of next year's AGM, with authorized public accountant Tomas Gerhardsson as senior auditor. The complete minutes of the Annual General Meeting are posted on www.PostNord.com.

ANNUAL GENERAL MEETING 2020

PostNord's 2020 AGM will take place on April 22, 2020 at PostNord's Group headquarters at Terminalvägen 24, Solna, Sweden.

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION PAYABLE TO SENIOR EXECUTIVES

For the 2020 AGM, no changes are proposed in the remuneration principles and other terms and conditions of employment for the Group Leadership Team, so the proposal remains unchanged in that respect from the guidelines agreed by the meeting in 2019 and is summarized in Note 5. However, the proposed guidelines are more detailed, as a result of changes in the Swedish Companies Act and the Swedish Code of Corporate Governance.

4. Board of Directors

The Board of Directors exercises overall responsibility for the organization and management of the company by regularly monitoring the business and ensuring that the organizational structure, management, guidelines, and internal controls are adequate. The Board adopts strategies and targets and takes decisions on major investments, acquisitions, and divestments of operations.

Composition of the Board

In line with PostNord's Articles of Association, the Board shall consist of eight members. The Board of Directors is appointed by the AGM, which has determined that the Board shall be composed of eight AGM-elected Board members and no deputies. The Board also includes three members elected by employee organizations and their three deputies. The Swedish state's ownership policy sets out the composition of the Board and prescribes that each

gender shall occupy at least 40 percent of the seats. In 2019, gender representation on PostNord's Board of Directors was 37.5 percent women and 62.5 percent men (for members elected at the general meeting).

The work of the Board**WORK PROCEDURES**

The Board establishes rules of procedure annually. These govern matters such as the Chair's duties, information to be provided to the Board of Directors, and the respective roles and responsibilities of the President and Group CEO and Board members. There is no distribution of the work of the Board between Board members, other than that undertaken by the Audit and Remuneration Committees, both of which are appointed by the Board of Directors in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance. During the major reorganization undertaken in 2019, the Board created a special committee whose task for a limited period was to review and report back progress on the new organizational structure and other transformation projects. The Chair and Vice Chair were appointed members of the special committee. The Chair of the Board is elected by the AGM, oversees the Board's work and is responsible for ensuring that such work is well-organized and carried out effectively. This includes regular monitoring of the Company's operations in dialog with the CEO and ensuring that other Board members receive the information and documentation necessary to ensure that the Board's discussions and decisions are of high quality. The Chair oversees evaluation of the Board's and the CEO's work. The Chair also represents the Company in issues of ownership. For example, the Chair must perform their duties in partnership with the Vice Chair and must discuss management and agenda matters with the Vice Chair prior to Board meetings. The Chair and Vice Chair must also act together to achieve a constructive dialog with the company's shareholders. The Vice Chair shall replace the Chair in the event of the Chair's absence.

BOARD MEETINGS AND ISSUES IN 2019

In 2019, the Board met on 17 occasions, including one statutory meeting and three per capsulam meetings. The CEO described the state of the business and the market situation at each meeting. The CFO reported on the group's economic and financial position and performance. The Board also approved the group's strategy and business plan and considered regular reports from the audit and remuneration committees and the special committee, and reports on internal control and financial activities. There

was a major focus during the year on the reorganization of the business and strategy, the appointment of the new President and Vice President, and the nature of the national delivery obligation for the Swedish and Danish businesses. The Board also focused on quality and image issues and the PostNord brand. The company's auditor delivered an account of the year's auditing activities and these issues were discussed.

Board committees**AUDIT COMMITTEE**

The Audit Committee is tasked with preparing the Board for its duties of supervising and assuring the quality of the group's financial reporting. The Committee monitors the effectiveness of the company's internal governance and control, and also systems and processes for the risk management of financial reporting. The Committee's rules of procedure are established by the Board. The Audit Committee has no decision-making power except for establishing the budget for internal auditing. The Committee also assists the owners in selecting an external auditor. The Committee shall regularly review the external auditor's reports and determine whether the auditors are performing their duties independently, objectively, and in a cost-efficient way. The Audit Committee, in consultation with the Group Leadership Team, is the instructing body for the internal audit and its monitoring of internal governance and control, and remains apprised of internal audit reports. The Committee consists of at least three Board members and meets at least four times per year. The company's external auditor must attend any meetings at which the annual accounts, annual report, and auditor's report are discussed and also when required to give an assessment of the group's financial position. The Chair of the Committee is responsible for regularly apprising the Board of the Committee's activities. In 2019, the members of the Committee were Sonat Burman Olsson (Chair), Christian Ellegaard, Måns Carlson and Peder Lundquist. The Committee met a total of six times. The topics discussed included the following:

- External auditors' reports on the end-of-period accounts and internal control.
- Review of financing proposals and financing simulations.
- Review of finance policy.
- Monitoring of the Company's financial reporting and process, and recommendations and proposals for ensuring the reliability of the financial reporting.
- Monitoring of the financial control system in respect of the efficacy of the Company's internal controls, internal auditing, and risk management.

- Auditing and monitoring of the impartiality and independence of the external auditors.
- Evaluation of external auditing.
- Proposals and recommendations for the AGM's resolution on election of auditors.

REMUNERATION COMMITTEE

The Remuneration Committee is tasked with preparing and presenting proposals to the Board regarding remuneration and other terms of employment for company management. The Remuneration Committee has no decision-making powers. The Remuneration Committee consists of at least three members. The Committee is chaired by the Chair or Vice Chair of the Board of Directors. The Committee must meet at least twice a year. The Chair of the Committee is responsible for regularly apprising the Board of the Committee's activities. In 2019, the Committee met on three occasions and the members were Christian Jansson (Chair), Christian Frigast, and Ulrica Messing. The topics discussed included the following:

- Remuneration and other provisions for senior executives.
- Pension provisions for senior executives.
- Remuneration for members of the Group Leadership Team.
- Evaluation of goal attainment and potential, together with succession planning for senior managers.
- Proposals for a new President and Vice President.

Review of the work of the Board of Directors

In accordance with the Board's Rules of Procedure, the Board of Directors is required to ensure that its work is reviewed annually in a systematic and structured process in order to develop the working methods and efficiency of both the Board and its members. Other areas to be reviewed include whether the Board is addressing the right issues, the integrity of supporting documentation, and how accurately decisions and discussions are recorded in the minutes. In 2019, the company engaged an external consultant to undertake the review. The review involved surveys for the Board and the President and Group CEO and subsequent interviews. The consultant will present the findings of the review at the Board meeting in January 2020, and these will then be discussed by the Board. The Chair of the Board will also communicate the findings to the company's owners at a meeting.

Remuneration for the members of the Board of Directors

Remuneration for Board members was determined by the 2019 AGM. Remuneration agreed for the period through the next AGM is payable as follows: elected Board members: SEK 295,000; Vice Chair of the Board: SEK 500,000; Chair of the Board: SEK 670,000. Remuneration for work on the Audit Committee is payable at SEK 55,000 to members and SEK 70,000 to the Chair. Remuneration for work on the Remuneration Committee is payable at SEK 25,000 to members and SEK 37,500 to the Chair. Board

and Committee member remuneration is not paid to members employed by the Government Offices of Sweden. Remuneration comprising the equivalent of a Swedish base amount is payable to Swedish employee representatives who take part in Board meetings and their deputies (SEK 46,500).

5. Auditors

PostNord's 2019 AGM appointed KPMG AB as the Company's auditors, with authorized public accountant Tomas Gerhardsson as senior auditor. The auditors meet with the Board at least once per year and also take part in all Audit Committee meetings. In 2019, the Board met with the auditor at one Board meeting. No member of the Group Leadership Team attended the meeting. The Board members have thus had the opportunity to ask the auditor questions. See also Note 7 on remuneration and reimbursement of expenses for auditors.

6. President, Vice President, and Group Leadership Team

The Board of Directors is responsible for appointing and dismissing the President and Group CEO. The President appoints, and is assisted by, the Group Leadership Team. The President is responsible for day-to-day management of the company in accordance with the Board's guidelines and directions. The relationship between the Board of Directors and the President is governed by the Board's rules of procedure and the instructions to the President. The President is accountable to the Board for the day-to-day running of the business and is responsible for implementing the strategy set by the Board. Alongside the Board, the Group Leadership Team is the group's decision-making body and is jointly responsible for ensuring that the group's business develops in line with the strategy established by the Board of Directors. The President oversees the work of the Group Leadership Team. The Board evaluates the President's work on an ongoing basis by monitoring the business's progress toward set targets. A formal evaluation is undertaken once per year and is discussed with the CEO.

REMUNERATION AT POSTNORD

The Board of Directors determines terms and conditions of employment and remuneration for the President and Group CEO. The Board addresses remuneration issues through the Remuneration Committee. Salaries and wages for PostNord employees shall be in line with the market. For further details on remuneration for senior executives, see Note 5 on employees, personnel expenses, and remuneration for senior executives. Guidelines on remuneration for senior executives adopted by the 2019 AGM are reproduced in their entirety at www.PostNord.com under Corporate Governance.

Board of Directors attendance 2019

Director	Board meetings	Audit Committee	Remuneration Committee
Christian Jansson	17/17		3/3
Christian Frigast	17/17		3/3
Christian Ellegaard ^{4) 5)}	17/17	3/3	1/1
Charlotte Strand ³⁾	17/17	3/3	
Sonat Burman Olsson	17/17	6/6	
Ulrica Messing	17/17		3/3
Måns Carlson	17/17	6/6	
Peder Lundquist	17/17	5/6	
Bo Fröström (A)	17/17		
Johan Lindholm (A)	14/17		
Sandra Svensk (A)	17/17		
Ulrika Nilsson (supp, A) ²⁾	4/4		
Eva Aronsson (supp, A) ²⁾	4/4		
Daniel Hansen (supp, A) ²⁾	3/4		
Per-Arne Lundberg (supp A) ¹⁾	10/10		
Lars Chemnitz (supp, A) ¹⁾	9/10		
Peter Madsen (supp, A) ^{1) 6)}	5/6		
Dzevad Ramic (supp A) ⁷⁾	4/4		

¹⁾ Elected at the AGM in April 2019

²⁾ Resigned at the AGM in April 2019

³⁾ Resigned from the Audit Committee at the AGM in April 2019

⁴⁾ Elected to the Audit Committee at the AGM in April 2019

⁵⁾ Resigned from the Remuneration Committee at the AGM in April 2019

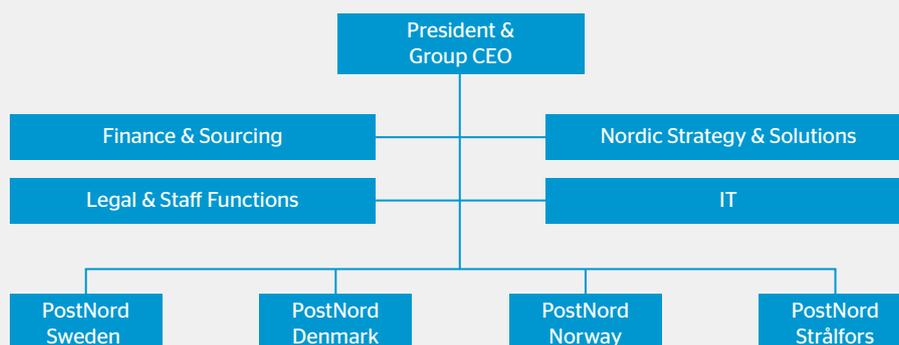
⁶⁾ Resigned at the meeting in August 2019

⁷⁾ Elected at the meeting in August 2019

A Employee representative

PostNord – organization

In April 2019, PostNord embarked upon a reorganization that meant a number of members and functions left the Group Leadership Team from July 1. As at 31 December, the organizational structure was as set out below.



Internal and external regulations

PostNord is governed by a number of internal and external regulations, including the following:

EXTERNAL REGULATIONS

- Swedish Companies Act, Swedish Annual Accounts Act, and Swedish Code of Corporate Governance.
- The Swedish state's ownership policy and guidelines for state-owned companies and the Danish state's ownership principles ("Statens Ejerskabspolitik").
- NASDAQ Stockholm's regulations for issuers.
- International Financial Reporting Standards (IFRS).

POSTAL REGULATIONS

The UPU Convention, the EU Postal Directive, and national legislation and directives in Sweden (e.g. the Swedish Postal Services Act and the Postal Ordinance) and Denmark (e.g. the Danish Postal Services Act, the Post Danmark A/S Act and the Order on Conveyance by Post and Postal Services).

INTERNAL RULES AND REGULATIONS

- The Articles of Association, the Board's rules of procedure (including Instruction to the President and Group CEO), and the Audit and Remuneration Committees' rules of procedure.
- Document hierarchy for the group's governing documents, Code of Conduct, and group policies (see also pages 81-82).
- Delegated authorities for PostNord AB.
- Operational governance PostNord.
- Framework for internal governance and control of financial reporting.
- Guidelines for determining terms and conditions of employment for senior executives.

ARTICLES OF ASSOCIATION

PostNord's Articles of Association include stipulations on where the Board of Directors has its registered office, the limits of the company's share capital, and the company's financial year. The Articles of Association do not contain any specific provisions as to appointment or discharge of Board members, or as to an amendment of the Articles of Association. Furthermore, the Articles of Association do not contain any restrictions as to how many votes each shareholder can cast at the AGM. The current Articles of Association are available on PostNord's website, www.PostNord.com

Deviations from the Swedish Code of Corporate Governance

PostNord applies the Swedish Code of Corporate Governance with the following exceptions:

- Deviation from section 2 regarding the requirement for a nominating committee. PostNord does not have a nominating committee, as Board members are nominated and appointed in accordance with the principles agreed by the owners. Nominations are made as a result of consultation between the owners. As a result, references to the nominating committee in points 1.2, 1.3, 4.6, 8.1 and 10.2 do not apply.
- Deviation from section 4.5 regarding the requirement for Board members to be independent of the owners. The purpose of the rule is to protect minority owners. However, protection for minority owners is not relevant to the governance of PostNord. PostNord has only two owners and it is therefore not relevant to account for the independence of the Board members.

Board's report on internal governance and control of financial reporting

ORGANIZATION

The Board of Directors is ultimately responsible for ensuring the company has an effective system of internal governance and control. The Board's rules of procedure define internal governance and control of financial reporting as a process through which the Board, the President and Group CEO and employees ensure beyond reasonable doubt that the financial reporting is reliable. The Audit Committee is tasked with preparing the Board for its duty of assuring the quality of the Company's financial reporting. The Committee monitors the effectiveness of the company's internal governance and control, and also systems and processes for the risk management of financial reporting. The work is undertaken via regular meetings with PostNord's management and external auditors and examination of accounting principles applied and also on adopting new accounting standards or valuation matters.

The Group's operational structure differs from its legal structure. As a key principle, the organizational structure and governance are based on the operational structure. The organizational structure of the PostNord group consists of the segments represented by the country organizations and a number of group functions.

GOVERNING DOCUMENTS

PostNord's operational governance is based on the group's set financial and non-financial goals. Details are available in a summary document, Operational Governance for the PostNord Group. This contains a description of the business and sets out the internal allocation of responsibilities. The primary governing principles are management by objectives and decentralized profit center responsibility. All units in the group comply with uniform accounting and reporting instructions. The group's delegated authority procedure and other governing documents are intended to facilitate and ensure compliance with regulations. The delegated authority procedure is mandatory and governs the decision-making authority within the group. The delegated authority procedure is based on the division of responsibilities between the Board and President/Group CEO, as adopted in

the group Board's rules of procedure. Its aim is to ensure effective internal governance and control through delegation of authority. The group Board's rules of procedure define the matters that require decisions by the Board. The President's areas of authority comprise everything not subject to decision by the Board by law or under the Board's rules of procedure (or as determined in specific Board decisions). Find out more on page 24. PostNord's principles of internal governance and control are based on the framework developed by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission.

RISK ASSESSMENT

Management and managers in group functions are responsible for identifying and managing risks within their respective areas of responsibility. This is done as part of the group's organization-wide risk management process and via regular business reviews in the group's units. Risks associated with financial reporting are identified and evaluated along with other types of risks. Financial reporting risks are also addressed by the Audit Committee and the Board, which evaluate and monitor the management of these risks on a regular basis. See also the section on Risk Management on page 23.

CONTROL ACTIVITIES

Governing documents and accounting and financial reporting processes are updated by the group's Accounting and Control function in the event of changes to legislation, accounting rules, reporting requirements etc. The year-end accounting and reporting process includes controls for accounting principles, valuation, and disclosure requirements. The control activities also include checks for compliance with decision-making and authorization rules, reconciliation, manual and programmed checks, and the division of duties and responsibilities in processes and procedures. Finance and payroll administration services are largely outsourced. Quality is ensured through the monitoring of internal control activities and reporting on compliance with agreed service levels and quality criteria. The group's Accounting and Control function is responsible for consolidated reporting and consolidated year-end accounts. This

responsibility includes analyses of the financial results of the segments (the country organizations) and group functions.

INFORMATION

The Swedish state's ownership policy sets out external reporting guidelines applicable to state-owned companies. As PostNord has issued listed bonds, the regulations governing listed companies apply. The group's governing documents for financial reporting are continuously updated and published via the group intranet and other channels. The Board and Audit Committee receive and review all quarterly reports and the group's annual report and sustainability report before publication. Information for the group's external stakeholders is disseminated through press releases and PostNord's website. The group also provides financial reports direct to the Danish and Swedish owners.

MONITORING

- PostNord's business activities are reported and evaluated on a monthly basis, measured against the business objectives of the units with profit center responsibility. PostNord's financial situation is discussed at each Board meeting.
- Self-monitoring enables early detection and management of any risks and errors. The Board's independent Audit and Control function is managed by the group Internal Audit function, which is tasked with evaluating PostNord's processes for governance, risk identification, and risk control.
- The Audit Committee receives regular reports from the group's external and internal auditors and follows these up to ensure that action is taken in response to the auditors' observations and recommendations.
- The group's companies and functions carry out an annual self-assessment of internal governance and control of financial reporting. The results are compiled into a report for the Audit Committee by the group's Accounting and Control function.
- Sections of the reports provided by the group's companies and units following self-assessment have been subject to verification through a limited review by the group's external auditors.



Board of Directors



Christian Jansson

Chair of the Board since August 2018.
Chair of the Remuneration Committee since 2018.
Born in 1949.
BSc Economics and Honorary Doctorate in economics from Lund University.
Chair of the Board at Excillum AB, Meds Apotek AB, Saga Surgical AB and 1337 Parters AB.
Previous positions include CEO of KappAhl, Ellos and Europris. Formerly Chairman of the Board of Apoteket, Min Doktor and Svensk Handel.
Own and closely related parties' holdings of PostNord's bonds: 0.



Christian Frigast

Vice Chair of the Board since August 2018.
Member of the Remuneration Committee since 2018.
Born in 1951.
Master's degree in political science (Cand. Polit.).
Partner and Chairman of Axcel Management A/S.
Previous positions include Managing Partner of Axcel Management A/S.
Chairman of the Board of Danmarks Skibskredit Holding A/, EKF - Danmarks Eksporthandel, DVCA (Danish Venture Capital Association), Bestyrelsesforeningen, and the think tank Axcelfuture, and Vice Chairman of the Board of Pandora A/S and the Axcel Advisory Board.
Own and closely related parties' holdings of PostNord's bonds: 0.



Sonat Burman Olsson

Board member since April 2018.
Member of the Audit Committee since 2018 and Chair since 2019.
Born in 1958.
MSc Economics from Paris and Executive MBA, Uppsala University. Studied strategic management at Oxford and Harvard.
Board member of NESTE Corporation, Lindab International AB, and Lantmännen.
Previous positions: Group CEO and President of COOP Sverige, Vice President and CFO of ICA Gruppen and Vice President, Global Marketing Strategies Electrolux Group. Positions have also included Chair of the board of Svensk Dagligvaruhandel and member of the boards of Svensk Handel, ICC Sweden, Third Swedish National Pension Fund, and iZettle AB.
Own and closely related parties' holdings of PostNord's bonds: 0.



Måns Carlsson

Board member since 2017.
Member of the Audit Committee since 2017.
Born in 1968.
MSc Engineering, KTH Royal Institute of Technology, MBA Insead.
Deputy Director at the Swedish Ministry of Enterprise and Innovation's Department for State-Owned Enterprises.
Member of the Board of Svensk Bilprovning AB och Infranord AB.
Previous positions: equities analyst and investment manager at Brummer & Partners, consultant at Bain & Company.
Own and closely related parties' holdings of PostNord's bonds: 0.



Christian Ellegaard

Board member since 2013.
Member of the Audit Committee April 2013-April 2018 and since 2019.
Born in 1969.
B.Sc and MBA.
Group CEO DFD A/S.
Previous positions include member of group leadership team at Berendsen Plc, Board member and Chair at Det Danske Madhus.
Board member at Det Danish Crown Pork.
Own and closely related parties' holdings of PostNord's bonds: 0.



Peder Lundquist

Board member since 2017.
Member of the Audit Committee since 2017.
Born in 1970.
MSc, Political Science.
Deputy Director-General, Ministry of Finance, Denmark.
Previous positions: Deputy Director-General, Danish Ministry of Climate, Energy and Building; Administrative Director, Corporate Affairs and Budget Office, Danish Ministry of Transport; and work on economic issues at Denmark's EU Representation Office, Brussels.
Own and closely related parties' holdings of PostNord's bonds: 0.



Ulrica Messing

Board member since April 2018.
Member of the Remuneration Committee since 2018.
Born in 1968.
Chairman of the boards of SOS Alarm Sverige AB, Astrid Lindgrens Värld and ALMI Invest Småland & Öarna AB.
Vice chairman of the board of Wallenstam, Rädda Barnen and member of the board of Länsförsäkringar Fondförvaltning.
Previous positions: member of the Riksdag and Minister at the Ministry of Industry, Employment and Communications (Minister for Communications and Regional Policy), at the Ministry of Culture (Minister of Integration and Youth) and at the Ministry of Labor (Minister of Labor Law and Equality).
Own and closely related parties' holdings of PostNord's bonds: 0.



Charlotte Strand

Board member since April 2018.
Born in 1961.
MSc Economics from Aarhus University, management studies at IMD and INSEAD.
Board member of Per Aarsleff A/S and Flügger A/S.
Previous positions: after several positions within DONG Energy, CFO for the business units Oil & Gas and Wind Power at DONG Energy (now Ørsted) from 2006-2017.
Own and closely related parties' holdings of PostNord's bonds: 0.

Employee representatives



Bo Fröström

Employee representative
Appointed by ST.
Board member since 2017.
Born in 1960.
Employed by PostNord since 1979.
Own and closely related parties' holdings of PostNord's bonds: 0.



Johan Lindholm

Employee representative
Appointed by SEKO.
Board member since 2015.
Deputy employee representative from 2012 - 2015.
Born in 1979.
Employed by Posten since 1999.
Own and closely related parties' holdings of PostNord's bonds: 0.



Sandra Svensk

Employee representative
Appointed by SEKO.
Board member since 2017.
Deputy employee representative from 2015 - 2017.
Born in 1977.
Employed by PostNord since 1995.
Own and closely related parties' holdings of PostNord's bonds: 0.

Employee representatives, deputies

Lars Chemnitz

Employee representative
Appointed by SEKO, represents 3F Post.
Board member 2010-2017. Deputy employee representative since April 2019.
Born in 1956.
Employed by PostNord since 1976.
Own and closely related parties' holdings of PostNord's bonds: 0.

Per-Arne Lundberg

Employee representative
Appointed by ST, represents SACO.
Deputy employee representative since 2019.
Born in 1956.
Employed by PostNord since 2008.
Own and closely related parties' holdings of PostNord's bonds: 0.

Dzevad Ramic

Employee representative
Appointed by SEKO, represents 3F Post.
Deputy employee representative since August 2019.
Born in 1975.
Employed by PostNord since 2000.
Own and closely related parties' holdings of PostNord's bonds: 0.

Group Leadership Team



Annemarie Gardshol

Group CEO and President CEO since November 1, 2019 and Head of PostNord Sweden since February 2018.

Member of the Group Executive Team since 2012 and of the Group Leadership Team since July 1, 2019.

Born in 1967.

Master of Science Industrial Engineering.

Previous positions: Head of e-Commerce & Corporate Clients in PostNord, Chief Strategy Officer (CSO) and executive positions at Gambro, management consultant at McKinsey & Company. Board member of SCA AB and Essity AB.

Own and closely related parties' holdings of PostNord's bonds: 0.



Peter Kjaer Jensen

Vice President of PostNord since November 1, 2019 and Head of PostNord Denmark since 2016.

Member of the Group Executive Team since 2014 and of the Group Leadership Team since July 1, 2019. Born in 1969.

MBA.

Previous positions: Head of Business area eCommerce & Logistics in PostNord. Managerial positions at Maersk Line, Maersk Logistics and Damco International A/S. Most recently as COO/CTO of Damco International.

Own and closely related parties' holdings of PostNord's bonds: 0.



Lena Larsson

Acting Chief Financial Officer (CFO) and Head of Group Business Control.

Member of the Group Executive Team since April 2019 and of the Group Leadership Team since July 1, 2019.

Born in 1966.

BSc Economics.

Previously Finance Director and Head of Group Business Control at Länsförsäkringar, and Group Controller at Bonnier Affärsinformation.

Own and closely related parties' holdings of PostNord's bonds: 0.



Ylva Ekborn

CEO of PostNord Strålfors Group since February 2018.

Member of the Group Executive Team since 2018 and of the Group Leadership Team since July 1, 2019.

Born in 1975.

BSc Economics.

Previous positions: CEO of PostNord Strålfors Sweden, leading positions at Eniro and Tradera Ebay and management consultant at McKinsey & Company.

Own and closely related parties' holdings of PostNord's bonds: 0.



Björn Ekstedt

Chief Information Officer (CIO) since 2016. Member of the Group Executive Team since 2016 and of the Group Leadership Team since July 1, 2019.

Born in 1965.

MBA, MSc in Industrial Management and Previous positions: CIO at Sandvik AB, numerous executive IT positions at Sandvik AB and Vattenfall AB, Chief Controller and Colonel in the Swedish Armed Forces and a number of senior positions in the Air Force.

Own and closely related parties' holdings of PostNord's bonds: 0.



Kristina Lilja

General Counsel since 2015 and Head of Staff Functions since July 1, 2019.

Member of the Group Executive Team since 2015 and of the Group Leadership Team since July 1, 2019.

Born in 1967.

Master of Laws.

Previous positions: VP and legal counsel at Husqvarna and positions as corporate lawyer or general counsel at Hi3G Access (3), IFS and Cybercom.

Own and closely related parties' holdings of PostNord's bonds: 0.



Robin Olsen

Head of PostNord Norway since 2014.

Member of the Group Executive Team since 2014 and of the Group Leadership Team since July 1, 2019.

Born in 1970.

Master of Engineering; Master of Management.

Previous positions: Head of PostNord Logistics in Norway and CEO of Tollpost Globe AS.

Own and closely related parties' holdings of PostNord's bonds: 0.



Jan Starrsjö

Head of Nordic Strategy & Solutions since July 1, 2019.

Member of the Group Executive Team since 2016 and of the Group Leadership Team since July 1, 2019.

Born in 1960

BSc Economics.

Previous positions: Head of Strategy & Commercial Excellence, Head of Sales at PostNord Meddelande, and other executive positions at PostNord. CEO for a venture capital firm and an IT services firm, and management consultant at McKinsey & Co.

Own and closely related parties' holdings of PostNord's bonds: 0.

Håkan Ericsson, Thomas Backteman, Gunilla Berg, Anders Holm, Tim Jørgensen and Charlotte Svensson left PostNord's Group Executive Team during 2019.

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Group

Income statement

SEKm	Note	2019	2018
	1, 2, 4		
Net sales		38,278	37,669
Other operating income		351	2,053
Operating revenue	3	38,629	39,722
Personnel expenses	5	-16,018	-18,789
Transportation expenses		-11,300	-11,224
Other expenses	6, 7	-8,537	-9,315
Depreciation and impairments	10, 11, 12	-2,591	-1,250
Operating expenses		-38,446	-40,578
OPERATING INCOME		184	-855
Financial income	8	23	39
Financial expenses	8	-318	-74
Net financial items		-295	-35
Income before tax		-111	-890
Tax	9	-128	-176
NET INCOME FOR THE PERIOD		-239	-1,067
Attributable to			
Parent Company's shareholders		-241	-1,068
Non-controlling interests		2	1
Earnings per share, SEK	20	-0.12	-0.53

Statement of comprehensive income

SEKm	2019	2018
NET INCOME	-239	-1,067
OTHER COMPREHENSIVE INCOME		
Items that cannot be transferred to net income		
Revaluation of pension liabilities	-1,716	-2,504
Change in deferred tax	367	547
Total	-1,349	-1,957
Items that have been or may be transferred to net income		
Cash flow hedging after tax	0	-2
Translation differences	102	138
Total	102	136
TOTAL OTHER COMPREHENSIVE INCOME	-1,247	-1,821
COMPREHENSIVE INCOME	-1,486	-2,888
Attributable to		
Parent Company's shareholders	-1,488	-2,889
Non-controlling interests	2	1

Statement of financial position

SEKm	Note	Dec. 31, 2019	Dec. 31, 2018
	1, 2		
ASSETS			
Goodwill	10	2,619	2,594
Other non-current intangible assets	10	608	747
Property, plant and equipment	11	8,113	7,961
Right-of-use assets	12	5,813	-
Participations in associated companies	13	111	87
Financial investments	14, 27	198	198
Non-current receivables	15, 22	874	1,108
Deferred tax assets	16	491	78
Total non-current assets		18,826	12,773
Inventories	17	105	100
Tax assets		222	322
Trade receivables	27	4,928	5,009
Prepaid expenses and accrued income	18	823	1,113
Other receivables		464	190
Short-term investments	14, 27	-	101
Cash and cash equivalents	19, 27	3,398	3,088
Assets held for sale		126	125
Total current assets		10,064	10,048
TOTAL ASSETS		28,891	22,821
EQUITY AND LIABILITIES			
Equity			
Capital stock		2,000	2,000
Other contributed equity		10,621	10,621
Reserves		-1,509	-1,611
Retained earnings		-7,460	-5,870
Total equity attributable to Parent Company's shareholders		3,652	5,140
Non-controlling interests		2	2
TOTAL EQUITY		3,654	5,142
LIABILITIES			
Non-current interest-bearing liabilities	21, 27, 29	3,872	1,770
Long-term lease liabilities	12	4,476	-
Other non-current liabilities		180	46
Pensions	22	4,211	2,576
Other provisions	23	2,548	3,392
Deferred tax liabilities	16	142	157
Total non-current liabilities		15,428	7,941
Current interest-bearing liabilities	21, 27, 29	-	1,619
Current lease liabilities	12	1,202	-
Trade payables		2,811	2,584
Tax liabilities		80	49
Other current liabilities		1,099	1,167
Accrued expenses and deferred income	24	3,439	3,339
Other provisions	23	1,083	980
Liabilities categorized as assets held for sale		95	-
Total current liabilities		9,809	9,738
TOTAL LIABILITIES		25,237	17,678
TOTAL EQUITY AND LIABILITIES		28,891	22,821

Statement of cash flows

SEKm	Note	2019	2018
OPERATING ACTIVITIES			
Income before tax		-111	-890
Adjustments for non-cash items	29	1,958	3,468
Income tax paid		-188	-175
Cash flows from operating activities before changes in working capital		1,659	2,403
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-5	-12
Increase (-)/decrease (+) other current receivables		8	-125
Increase (+)/decrease (-) in other current liabilities		476	-202
Other changes in working capital		-6	19
Changes in working capital		473	-320
Cash flow from operating activities		2,132	2,083
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-1,178	-1,187
Sale of property, plant and equipment		55	30
Acquisitions of non-current intangible assets		-178	-186
Acquisitions of financial non-current assets		-24	-156
Disposals of financial non-current assets		101	344
Cash flows from investing activities		-1,224	-1,155
FINANCING ACTIVITIES			
Amortized loans		-1,615	-2,578
New loans		2,095	2,171
Amortized lease liabilities		-1,086	-
Shareholder contribution		-	667
Dividend paid		-2	-2
Increase (+)/decrease(-) in other interest-bearing liabilities		6	-6
Cash flows from financing activities		-602	252
CASH FLOWS FOR THE PERIOD			
Cash and cash equivalents, at beginning of period		3,088	1,901
Translation difference in cash and cash equivalents		4	7
Cash and cash equivalents, closing balance	19	3,398	3,088

Statement of changes in equity

2018, SEKm	Equity attributable to Parent Company's shareholders						
	Share capital	Other contributed equity	Reserves			Non-controlling interests	Total equity
			Translation reserve	Hedging reserve	Retained earnings		
Equity, opening balance	2,000	9,954	-1,749	2	-2,845	3	7,365
Comprehensive income for the period							
Net income for the period	-	-	-	-	-1,068	1	-1,067
Other comprehensive income for the period	-	-	138	-2	-1,957	-	-1,821
Total comprehensive income for the period	-	-	138	-2	-3,025	1	-2,888
Contribution from owners	-	667	-	-	-	-	667
Dividend	-	-	-	-	-	-2	-2
Equity, closing balance	2,000	10,621	-1,611	0	-5,870	2	5,142

2019, SEKm	Equity attributable to Parent Company's shareholders						
	Capital stock	Other contributed equity	Reserves			Non-controlling interests	Total equity
			Translation reserve	Hedging reserve	Retained earnings		
Equity, opening balance	2,000	10,621	-1,611	0	-5,870	2	5,142
Comprehensive income for the period							
Net income for the period	-	-	-	-	-241	2	-239
Other comprehensive income for the period	-	-	102	-	-1,349	-	-1,247
Total comprehensive income for the period	-	-	102	-	-1,590	2	-1,486
Dividend	-	-	-	-	-	-2	-2
Equity, closing balance	2,000	10,621	-1,509	0	-7,460	2	3,654

Notes to the consolidated financial statements

Note 1 Accounting principles

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1. Introduction

The consolidated accounts comprise PostNord AB and its subsidiaries, together with holdings in associated companies. The Parent Company is a Swedish public limited company with its registered office in Solna, Sweden.

2. Basis of preparation of the annual accounts

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. In addition, the Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Groups, was also applied.

The accounting principles described below have been applied consistently to all periods presented in the consolidated financial statements. Assets and liabilities are recognized at historical cost, except for derivatives and certain financial assets, which are measured at fair value on an ongoing basis.

The Parent Company applies the same accounting principles as the Group, except in the cases indicated in the section Notes to Parent Company's financial statements, Note 1 Accounting principles. The differences between the Parent Company's and the Group's accounting principles result from limits on the Parent Company's implementation of IFRS under the Annual Accounts Act and the Act on Safeguarding of Pension Commitments, and to some extent with regard to tax considerations.

The reporting currency of the Parent Company and the Group is Swedish kronor, SEK. The financial statements are therefore presented in Swedish kronor. Unless otherwise stated, all amounts are rounded off to the nearest million Swedish kronor.

3. Revised accounting principles

3.1 Changes in accounting principles arising from new or amended IFRS

The Group applies IFRS 16 with effect from January 2019. PostNord has applied the modified retroactive approach without restatement of figures for comparison.

For lessees, the classification into operating and financial leases under IAS 17 has been replaced by a model in which assets and liabilities relating to lease agreements are to be recognized on the balance sheet. As lessee, the Group recognizes a right-of-use asset that represents a right to use the underlying asset, and a lease liability that represents an obligation to pay lease charges from the date of commencement of the lease. At the time of transition, the lease liability was measured at the present value of the outstanding lease charges, discounted by the marginal borrowing interest rate. A differentiated

marginal borrowing interest rate was calculated, taking into account geographical location, length of lease term, credit volumes and financial environment. At the time of transition, the weighted average marginal borrowing rate was 2.3%.

In the income statement, amortization is recognized separately from interest expenses arising from the lease liability.

No material impact has arisen with regard to leases where the Group is the lessor.

For more information, see section 13 and Note 12 Leases.

3.2 Voluntary change in accounting principle

No voluntary change in the Group's accounting principles have been made.

3.3 New IFRSs not yet implemented

No new and amended IFRS for early adoption in 2020 or later are expected to have any material impact on the Group's accounting.

4. Classification

Non-current assets consist of amounts that are expected to be recovered or paid more than 12 months after the end of the reporting period.

Non-current liabilities consist of amounts falling due more than 12 months from the end of the period, or where the company has an unconditional right to defer the payment until a point in time more than 12 months from the end of the period. Other assets and liabilities are recognized as a current asset or a current liability.

Assets are classified as being held for sale when their carrying amount will be recovered from sale rather than through continued use. This condition is regarded as being met when the management and board of directors have approved a decision to dispose of the asset, an active selling process has been started, the assets are available for immediate sale in their current condition, and that it is highly probable that the sale will take place within a year. Non-current assets and related long-term liabilities classified as being held for sale are transferred to current assets or current liabilities, as appropriate. Assets held for sale are measured at carrying amount or fair value, whichever is the lower, following a deduction for costs of selling.

5. Operating segment reporting

An operating segment is part of an entity that conducts business activity from which it can generate revenue and incur costs about which independent financial information is available and is subject to regular scrutiny by the Group's senior management.

6. Principles of consolidation and business combinations

The consolidated financial statements comprise the Parent Company and the subsidiaries over which the Parent Company, directly or indirectly, exercises a controlling interest. A controlling interest is defined as exercising control over the entity, having rights to variable returns from the entity and having the ability to affect those returns through power over the entity.

Acquisitions of subsidiaries are reported using the purchase method. In this method, the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition method establishes the fair value on the acquisition date of identifiable assets acquired and liabilities assumed, and any holding without a controlling interest. In the case of a business combination where the consideration transferred exceeds the fair value of assets acquired and liabilities assumed, the difference is recognized as goodwill. Transaction costs attributable to acquisitions are recognized as an expense.

Income from subsidiaries acquired during the year is included in the Group's income as of the day on which the subsidiary came under the Group's control. Income from subsidiaries disposed of during the financial year is included in the Group's income up until when the Group no longer exercises a controlling influence over the subsidiary.

All intra-Group transactions, items in the statement of financial position, income and expenses are eliminated on consolidation.

7. Associated companies

Holdings in associated companies are recognized in the consolidated financial statements using the equity method. In this, the carrying amount for shares in the associated company or joint venture corresponds to the Group's share in the company's equity, goodwill and any other remaining fair value adjustments. The Group's ownership share in the earnings from the holding, after tax and after adjustment for any depreciation, impairment losses and reversals of goodwill or negative goodwill, is recognized in income.

8. Foreign currency

Transactions in foreign currency in the Group's Swedish companies are translated into SEK at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are translated to SEK using the exchange rate at the end of the reporting period. Exchange rate differences arising in translation are recognized in income for the year. Non-monetary assets and liabilities recognized at historical cost are translated at the exchange rate at the time of the transaction. Assets and liabilities of foreign operations, including goodwill and other fair value adjustments, are translated to SEK using the exchange rate at the end of the reporting period.

Revenue and expenses of foreign operations are translated to SEK using an average rate approximating to the rates on each transaction date. Translation differences arising when the financial statements of foreign operations are translated are recognized in other comprehensive income and aggregated as a separate item in the translation reserve in equity, termed the translation reserve.

9. Income

Revenue is recognized in the income statement when control over a good or service is transferred to the customer.

Services PostNord's services consist of receiving/collecting, sorting and distributing/delivering mail and parcels that our customers wish to send to recipients physically, and in the case of letters also digitally. In the case of concept services, PostNord warehouses, picks, packs and distributes/delivers the customer's products to those who have ordered them from the customer. For certain services, PostNord provides insurance in association with insurance companies. The Group's customers also fall within the scope of other countries' postal administrations, where there is collaboration under contracts on sorting and delivery of each other's international mail.

Typical obligation A high proportion of PostNord's agreements consist of multi-year agreements on services; however, such agreements do not represent any obligation on the part of the customer to use the agreement. Instead, every individual order is recognized as revenue when the physical delivery takes place. PostNord has elected to classify its services into various portfolios, based on similarities in the services and the timing of revenue recognition. In concept services, revenue recognition is used when production orders initiated by the customers have been completed. A minor share of concept services are fulfilled over time. Revenue for services performed over time is recognized by determining the degree of completion. This is done mainly via reporting of the service performed, and recognized as revenue as the work progresses.

Classification of revenue Revenue is classified according to whether it is received "at one point in time" or "over time". In the Group, the revenue received at one point in time accounts for the overwhelming share, 95 percent, and is generated from mail items and production orders for data processing. Revenue from services that is received over time represents around 5 percent of the Group's net sales. The revenue is measured at fair value, excluding value added tax and price and volume discounts, and reduced by refunds to customers in connection with freight guarantees, complaints and standardized charges for cases of damage/loss.

Main terms and conditions of payment Payment is made in three ways, credit, cash or prepayment (stamps, freight including packaging or preloaded amounts in franking machines). Credit and cash are recognized in the period in which the service is performed (item posted/handed in). Prepayments are recognized as income at sale and a prepaid income item (liability) is recognized for as yet unused stamps. See also section 18, Stamp liability. Discounts are provided at invoicing.

Income in Communication Services is generated from services in business and market communications, newspaper distribution, postal service for individual customers, and terminal fees. Terminal fees are payment for production services performed in the receiving country, for mail posted in another country, under international agreements between countries.

Income in eCommerce & Logistics is generated from logistics services for deliveries to, from and inside the Nordic region, with the focus on distribution of parcels, consignment goods, pallet goods and bulk logistics (mixed-cargo groupage), as well as third-party logistics.

In Strålfors, income is generated from communication services for businesses, in the form of digital business and market communications, printing and enveloping.

Income at Direct Link is generated by global distribution of market communications and lightweight goods, mainly on behalf of e-retailers.

PostNord applies IFRS 15, p. 63 - revenue is not adjusted for the effects arising from significant financing components, since these represent an immaterial element in the Group, p. 94 - additional expenses in order to secure a contract are recognized as expense when incurred (within one year), and p. 121b - work performed and service provided where the Group has a right to payment are recognized as income. External income has been adjusted to take account of anticipated payment that refers to customer repayments in connection with freight guarantees and complaints, together with standardized charges for damage/loss.

State subsidies

In accordance with IAS 20, state subsidies are recognized in the statement of financial position and in the statement of comprehensive income when there is reasonable certainty that the company will satisfy the conditions associated with the subsidies and that the subsidies will be received. State subsidies are recognized as other operating income in the same periods as the costs that the subsidies are intended to compensate for.

10. Operating expenses and financial income and expenses

Operating expenses

Operating expenses are recognized in the period in which the good or service is delivered or used.

Costs of operating leases before January 1, 2019

Costs arising from operating leases were recognized in the income statement on a straight-line basis over the lease period. Benefits received in connection with the signing of a lease were recognized as part of the total leasing cost, on a straight-line basis over the term of the lease, in the income statement. Variable charges were recognized in the periods when incurred.

Costs of financial leases before January 1, 2019

The minimum lease payments were divided between interest expense and repayment of the outstanding liability. Interest costs were distributed over the lease period so that each accounting period included an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable charges were recognized in the periods when incurred.

Financial income and expenses

Financial income and expenses consist of interest income on bank deposits, receivables and fixed-income securities, interest expenses on loans, dividend income, exchange rate differences, unrealized and realized gains on financial investments and derivative instruments used within the Group's financing activities. Interest on pension liabilities and return on assets under management for pensions, calculated in accordance with IAS 19, are recognized under the heading Net financial items. Interest income on receivables and interest expense on liabilities are calculated using the effective interest method. The effective interest rate method is the rate at which the present value of all future incoming and outgoing payments in the fixed-interest period equals the carrying amount for the receivable or liability. Interest income and interest expense includes accrued amounts for transaction costs and any discounts, premiums and other differences between the original carrying amount for the receivable or liability, and the amount settled when due.

Dividend income is recognized when the right to receive payment is confirmed.

11. Financial instruments

Financial instruments recognized in the statement of financial position on the assets side consist for the most part of cash and cash equivalents, trade receivables, loan receivables and derivatives. Liabilities consist primarily of trade payables, debt instruments issued, loan liabilities and derivatives.

Recognition in and derecognition from statement of financial position

Trade receivables and debt instruments issued are recognized when they are issued. Other financial assets and financial liabilities are recognized in the statement of financial position when the company becomes party to the contractual provisions of the instrument.

A financial asset is derecognized from the statement of financial position when the rights in the agreement are realized or expire or the company loses control over them. A financial liability is derecognized from the statement of financial position when the obligation in the agreement is discharged or otherwise expires. Acquisitions and disposals of financial assets are recognized at the trade date, that is, the date on which the transaction is completed.

Classification and fair values

Financial assets (excluding trade receivables without a material financing component) and financial liabilities are at initial recognition measured at fair

value plus, in the case of financial instruments not measured at fair value via income, transaction costs that are directly attributable to the acquisition or issue. Trade receivables without a material financing component are measured at the transaction cost.

When a company recognizes a financial asset for the first time, it is to be classified on the basis of the contractual cash flows of the instruments and the company's business model. It is classified either as being measured at amortized cost, fair value via other comprehensive income - debt instrument investment, fair value via other comprehensive income - equity investment or fair value via income.

Financial assets

- a) A financial asset is to be measured at amortized cost if the objective of the entity's business model is to hold the financial asset to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) A financial asset is to be measured at fair value via other comprehensive income if the financial assets is to be held in order to both collect contractual cash flows and to sell financial assets, where the cash flows are solely payments of principal and interest on the principal amount outstanding.
- c) All financial assets that are not measured at amortized cost or fair value via other comprehensive income are measured at fair value via income.
- d) A financial asset that otherwise satisfies the conditions for being measured at amortized cost or fair value via other comprehensive income may be measured at fair value via income if doing so eliminates or reduces consequences in measurement or recognition. This is done irrevocably at initial recognition.

The principal business model of the Group is to hold the asset as described in a), above, and for the asset to be measured at amortized cost.

If the term or anticipated period of holding for the investment is longer than a year, the asset is regarded as a non-current financial asset; if it is shorter than a year but longer than three months, the asset is a short-term investment.

Financial liabilities

A financial liability is classified at amortized cost or fair value via income if it is classified as being held for trading or as a derivative, or if it has been identified as such at initial recognition.

Non-current liabilities consist essentially of amounts that at the end of the accounting period PostNord has an unconditional right to opt to pay at a point more than twelve months after the end of the accounting period. In the absence of such a right at the end of the accounting period - or should a liability be held for trading or should a liability be expected to be settled within the normal business cycle - the liability amount is recognized as a current liability.

The Group's financial liabilities are for the most part measured at amortized cost.

Model for expected credit losses

According to IFRS 9, an impairment model for expected credit losses (ECL) is to be applied to financial assets that are measured at amortized cost, contract assets and debt instruments that are measured at fair value via other comprehensive income. The impairment model is based on the likelihood of loss via the counterparty's external creditworthiness. In the case of trade receivables, the calculation is based for example on historical data; the longer the period, the greater the likelihood of loss.

Financial risk management

Cash flow hedging

Forward contracts are used to hedge assets and liabilities against foreign exchange risk. Any changes in value attributable to exchange rates are recognized via the income statement. To achieve matching, hedge accounting is not necessary since the hedged item is translated at the exchange rate at the end of the period and the hedging instrument is measured at fair value, with any changes in value being recognized via the income statement.

In order to secure interest flows related to certain borrowing at variable interest, interest rate swaps, in which the Company receives variable interest and pays fixed interest, are used. These interest rate swaps are measured at fair value. The interest coupon component is recognized as part of interest expense on an ongoing basis in income for the year. Unrealized changes in fair value of the interest rate swaps are recognized in other comprehensive income and form part of the hedging reserve until the hedged item affects the income for the year and as long as the criteria for hedge accounting and efficiency are fulfilled.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits immediately available at banks and similar institutions, together with current investments with a term

of less than three months at the acquisition date that are exposed to an insignificant risk for changes in value. Funds held on behalf of others within treasury operations are not treated as cash and cash equivalents. Such funds consist of escrow funds held on behalf of external customers for the sole purpose of onward transmission and as such are not available for payments relating to PostNord's own operations.

Offsetting

Financial assets and liabilities are to be offset and recognized in a net amount in the statement of financial position only when the Group has a legal right to offset the amounts recognized and has the intention of settling the amounts at the same time.

12. Property, plant and equipment

Property, plant and equipment at PostNord consists of buildings, machinery, equipment, construction in progress and advance payments. The PostNord Group recognizes these assets at historical cost less deductions for accumulated depreciation and any impairment losses. Historical cost includes the purchase price and costs directly attributable to the asset in order to bring the asset to a place and to a condition that it may be used as intended.

The result from sale or disposal of property, plant and equipment is calculated as the difference between the value at sale and the carrying amount. Any profit or loss arising is recognized via income. Subsequent costs are added to the historical cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the historical cost can be measured reliably.

All other subsequent costs are recognized as an expense in the period when they occur.

Amortization principles

Assets are depreciated on a straight-line basis over the estimated useful life of the asset. Land is not depreciated.

The Group applies component depreciation, which means that the estimated useful life for the separate component is the basis for depreciation.

The following rates of amortization are applied:

Buildings, land improvements and improvements to leased properties	10-50 years
Interiors and installations in leased premises	5-10 years
Sorting equipment	5-10 years
Fleet	3-10 years
Computer equipment	3-7 years
Other machinery and equipment	5 years

Owner-occupied properties comprise a number of components with differing useful lives. The main classification is into buildings and land. The buildings consist of several components whose useful lives vary.

The following main categories of components have been identified and serve as a basis for depreciation of buildings:

Structure/roof	40-60 years
External cladding	30-40 years
Internal cladding	10-25 years
Electrical installations	40 years
Ventilation/cooling	15-25 years
Sewerage/water	40 years

Depreciation methods, residual values and useful lives are reviewed at every year-end.

Impairments

The carrying amounts for the Group's property, plant and equipment are tested at the end of each reporting period to determine whether any need for impairment is indicated. Any impairment is recognized as an expense in income for the year.

Impairment of assets is reversed if there is both an indication that impairment no longer exists and if there has been a change in the assumptions on which the calculation of impairment was based.

13. Leased assets

When a contract is entered into, PostNord assesses whether the agreement consists of or includes a lease. A contract is a lease contract if the contract conveys the right to decide over the use of an identified asset for a specific period of time in exchange for payment. As lessee, the Group recognizes a

right-of-use asset that represents a right to use the underlying asset, and a lease liability that represents an obligation to pay lease charges from the date of commencement of the lease. The lease term was determined as the non-cancellable lease term. Taken into account are leases of material importance that include options for extension or cancellation, where it is reasonably certain that the options will be exercised. The right-of-use asset is being amortized on a straight-line basis over the term of the lease.

The lease liability is divided into a current and non-current portion and is measured initially at the present value of the remaining lease charges, discounted using the marginal borrowing rate for the Group. A differentiated marginal borrowing interest rate was calculated, taking into account geographical location, length of lease term, credit volumes and financial environment. The value of the lease liability is increased by the addition of the interest cost for the period concerned and is reduced by the lease payments. The interest cost is calculated as the value of the lease liability, multiplied by the discount rate.

The Group's leases identified in accordance with IFRS 16 relate for the most part to rent of premises. With regard to transportation and IT service leases, such leases are not deemed to fall within the scope of IFRS 16, mainly on the basis that PostNord has no control over which underlying asset is used.

The standard is not applied to leases relating to intangible assets and non-lease components have been recognized separately.

PostNord applies the provisions on transitional rules for short-term leases and low-value assets. As a result, leases with a term of less than 12 months and low-value leases (assets valued at less than around SEK 50 thousand in new condition) are not included in the calculation of right-of-use asset or lease liability, but instead continue to be recognized on a linear cost basis over the lease term. Examples of low-value assets include computers, printers and coffee machines.

Sale and leaseback

To determine whether a sale and leaseback transaction is to be recognized as a sale, the provisions of IFRS 15 are applied to decide whether a performance undertaking has been completed. Where the transaction fulfills the requirements for a sale, the right-of-use arising from the leaseback transaction is measured as the proportion of the previously recognized value of the right-of-use that is retained by the Group. Only the result from the proportion arising from the rights transferred to the purchaser is recognized.

Recognition of leased assets before January 1, 2019

Lease agreements under which risks and benefits associated with ownership are in all essential respects transferred to the Group were classified as financial leases. Assets leased under financial leases were recognized as non-current assets in the statement of financial position. When the leased asset was recognized for the first time, it was measured at fair value or the present value, whichever is the lower, of the minimum lease charges when the agreement is entered into. The obligation to pay future lease charges was recognized under Non-current and current liabilities. The leased assets are depreciated over the useful life of the particular asset, while the lease payments were recognized as interest and amortization of the liabilities.

All other lease agreements were classified as operating leases. Charges paid under operating leases were charged to income on a straight-line basis over the period covered by the lease agreement concerned.

14. Non-current intangible assets

Non-current intangible assets at PostNord consist of goodwill, capitalized development expenditures and other intangible non-current assets. The Group recognizes these at historical cost less deductions for any accumulated depreciation and impairment losses.

Intangible assets are recognized in the statement of financial position when:

- An identifiable non-monetary asset exists
- It is probable that the future economic benefits that may be attributed to the asset will flow to the Group
- The historical cost of the asset may be measured reliably.

Goodwill

Goodwill represents the difference between the consideration transferred for the business combination and the fair value of identifiable assets acquired, liabilities assumed and contingent liabilities.

Goodwill is measured at historical cost less any accumulated impairment. Goodwill is allocated to cash-generating units, which are tested annually for impairment. Goodwill arising upon the acquisition of associated companies is included in the carrying amount for participations in associated companies.

Capitalized development expenditures

Internally generated non-current intangible assets are recognized as Capitalized development expenditures and consist in the main of system development.

The carrying amount includes directly attributable expenditure in connection with, for example, services and equipment. Other development costs are expensed in the income statement as they arise. Capitalized development expenditure is recognized in the statement of financial position at historical cost less accumulated depreciation and impairments.

Other intangible assets

Other intangible assets comprise acquired brands, customer relationships, licenses and similar assets. Other intangible assets are measured at historical cost less accumulated depreciation and impairments.

Amortization principles

Amortization is recognized in the income statement on a straight-line basis through the estimated useful life of an intangible asset, unless this period is indeterminable. Goodwill with an indeterminable useful life, as well as capitalized development processes that have not been completed, are tested for impairment annually or as soon as there is an indication that the value of the asset has decreased.

An intangible asset is amortized from the date when it becomes available for use.

The estimated useful lives are as follows:

Capitalized expenditures for development processes completed	3-10 years
Brands, customer relationships, licenses and other rights	3-10 years

Impairments

The Group's recognized assets are assessed at the end of each reporting period to determine whether there is any indication of need for impairment. If any such indication is found, the recoverable amount for the asset is calculated.

For goodwill with an indeterminable useful life, and intangible assets not yet ready for use, the recoverable amount is assessed annually and otherwise when indicated. An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Any impairment loss is charged to the income statement. An impairment loss on an asset attributable to a cash-generating unit is charged first to goodwill.

The recoverable amount is calculated as either fair value less selling costs or value in use, whichever is the higher. Calculation of the value in use is based on PostNord's estimates of future cash flows. When calculating the value in use, future cash flows are discounted using a discount factor that takes into account factors including risk-free interest and the risk associated with the specific asset. Such estimates are based on the Group's business plan, supplemented by other relevant information.

Impairment losses on goodwill are not reversed. Impairment of other assets is reversed if there is both an indication that impairment no longer exists and there has been a change in the assumptions on which the calculation of recoverable value was based.

15. Inventories

Goods in inventory are stated at either cost or net realizable value, whichever is the lower. The historical cost is calculated using the first-in, first-out (FIFO) principle.

16. Equity

The translation reserve includes all exchange rate differences arising during translation of financial statements from foreign businesses that have prepared their financial statements in a currency other than the one in which the Group's financial statements are presented. The Parent Company and the Group present their financial statements in Swedish kronor.

The hedging reserve includes the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument related to hedging transactions that have not yet been conducted.

Dividend paid is recognized as a liability after it has been approved by the AGM.

17. Employee benefits

Short-term benefits

Personnel expenses are recognized in the period in which the work is performed. Changes in holiday and salary liabilities are recognized on an ongoing basis in pace with the employee's earning of right to remuneration.

Post-termination benefits

The Group's pension commitments consist partly of defined-benefit plans with an agreed promise of a future pension level based primarily on the person's final salary, and partly of defined-contribution plans in which insurance premiums are paid and the employee bears the risk regarding the future pension level. The Group's commitments as to defined-contribution pension plans are recognized as a personnel expense in the income statement as and when earned through the employee performing his or her duties on behalf of the Company. The defined-benefit plans consist for the most part of an ITP (occupational pension) plan adapted for PostNord in Sweden, and a smaller plan in Norway. Calculations are performed for all defined-benefit plans using the projected unit credit method, in order to establish the present value of commitments regarding benefits for present and previous employees. Actuarial calculations are conducted annually on the basis of actuarial assumptions, which are determined annually at the closing of the year-end accounts. Assumptions are made for inflation, changes in income base amounts, personnel turnover, discount rate, return on investments and life expectancy.

The Group's net commitment consists of the present value of the estimated pension commitments, less the fair value of the assets under management. Changes in the present value of the net commitments arising from changes in actuarial assumptions are treated as revaluation effects and recognized in other comprehensive income. The carrying amount of pensions and similar commitments represents the present value of the commitments at the end of the period, less the fair value of assets under management, including special payroll tax.

If the value of the commitment exceeds the value of the assets under management, a liability is recognized. If the assets under management exceed the commitments, an asset is recognized on the Group's statement of financial position.

The pension expense and pension provision established for Swedish plans deviate from amounts calculated in accordance with IFRS, compared to what is recognized within the legal entity concerned. As regards pensions and similar benefits financed via defined-contribution plans, expenses equal to PostNord's annual contributions in respect of the plans are recognized.

Termination benefits

A cost for compensation in connection with termination of employment is recognized at the earliest point in time when the company can no longer withdraw its offer to the employees or when the company recognizes costs of transformation. In cases where PostNord gives notice of termination of employment, a detailed plan is drawn up specifying at least workplace, positions and estimated number of employees affected, as well as type of benefits and amounts for each personnel category or position, and the time at which the plan is intended to be carried out.

18. Postage stamp liability

PostNord's postage stamp liability is calculated for stamps sold but not used. The valuation is based on the liability to businesses and service partners, respectively, on average monthly sales over the January-November period. In November, sales of Christmas stamps are eliminated and recognized separately on an accruals basis.

19. Provisions

A provision differs from other liabilities in that it is subject to uncertainty as to the time of payment and the size of the amount to settle the provision. A provision is recognized in the statement of financial position when there is a present legal or constructive obligation as a result of an event that has occurred and it is likely that an outflow of funds will be required to settle the commitment, and the amount can be reliably calculated.

A provision for transformation is recognized when there is an agreed detailed and formal transformation plan and the transformation has either already begun or has been officially announced. No provision is made for future operating costs.

A provision for onerous contracts is recognized when the anticipated economic benefits that the Group is expected to receive from a contract are lower than the unavoidable costs of fulfilling the obligations under the contract.

20. Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in the income statement except when the underlying transaction is recognized in Other comprehensive income or directly in equity, whereupon the associated tax effect is also recognized in Other comprehensive income or in equity. Current tax is tax that is calculated on the basis of the current year's taxable income and that is to be paid or received for the current year, on the basis of the tax rates enacted or in practice enacted at the end of the reporting period. This also includes adjustments to current tax for previous periods.

Deferred tax is calculated using the balance sheet method on the basis of temporary differences between the recognized and taxable values of assets and liabilities. The amounts are calculated on the basis of how the temporary differences are expected to be evened out using the tax rates and regulations enacted or announced at the end of the reporting period. Temporary differences are not included in goodwill on consolidation. In the consolidated accounts, untaxed reserves are divided into deferred tax liability and equity. Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognized only to the extent it is probable that these will result in lower tax payments in the future.

Such probability is judged on the basis of PostNord's business plan and operational plans.

21. Pledged assets and contingent liabilities

Disclosure of a contingent liability is made whenever there is a possible obligation arising from past events and its existence is confirmed only by one or more uncertain future events beyond the control of the Group.

Contingent liabilities also exist whenever there is an obligation not reported as a liability or provision because it is not probable that resources will have to be used to settle the obligation, or it cannot be calculated reliably.

Disclosure of pledged assets is made for guarantees provided and assets pledged.

22. Related party transactions

Information from the Company on transactions with Swedish State and the Danish State has been restricted to relationships that are not of a commercial nature, as a result of which related party transactions consist of special assignments from the State and licenses from public authorities.

23. Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method and allocated to operating activities, investing activities and financing activities. Acquisitions and sales of subsidiaries are included, net of cash and cash equivalents, under the heading of investing activities. Cash flows arising in transactions in foreign currency are recognized in the Group's functional currency by translation of the amount in the foreign currency into SEK using the exchange rate prevailing at the time of the cash flow.

Cash and cash equivalents are made up of cash, bank deposits and short-term investments. See also Note 19 Cash and cash equivalents.

Note 2 Significant assessments and estimates

When preparing the financial statements, management has made assessments and estimates that affect the Group's reporting. These assessments and estimates are based on what was known at the time the accounts were presented, and on historic experience and the assumptions that management considers reasonable in the given circumstances. The conclusions that management has drawn form the basis of the carrying amounts. Actual outcomes, assessments and estimates in future financial statements over the year ahead may deviate from those contained in this report as a result of changes in external circumstances and newly gained experience. The assessments and estimates that are most significant to PostNord were made in the following areas:

Intangible assets and property, plant and equipment

Assumptions are made about future conditions in order to calculate future cash flows that will determine the recoverable value of goodwill, other intangible assets and property, plant and equipment. See also Notes 10 and 11.

Deferred tax assets

Tax assets consisting of tax loss carry-forwards have been measured on the basis of business plans and estimates of future taxable income for which tax loss carry-forwards may be used. See also Note 16.

Pension obligations

In making the actuarial calculation for PostNord's pension obligations, a number of assessments are made in order to arrive at reasonable assumptions. The most significant of these are assumptions about discount rate, expected rate of return on assets under management, future pay trends and inflation. Changes in assumptions due to altered external factors affect PostNord's operating income, net financial items and other comprehensive income, as well as financial receivables and pension liability recognized in the statement of financial position. Changes in assumptions also affect the forecast cost for the year ahead. See also Notes 15 and 22.

Provisions for transition regulations

As a consequence of the Company's corporatization in Sweden in 1994, PostNord assumed an obligation (under special transition regulations) such that personnel in certain categories of the workforce may choose to retire early at the age of 60 or 63 years. Provision in the statement of financial position is calculated on the basis of previous experience of the proportion of persons who have elected to exercise their right to early retirement under these provisions. In recent years, increased use of the transition regulations has emerged, and an experience-based adjustment of 10 (10) percentage points has been made, indicating that on average 60 percent (50) will make use of the transition regulations. See also Notes 22 and 23.

Note 3 Revenue

Income

SEKm	2019	2018
External net sales	38,278	37,669
Other operating income	351	2,053
Total income	38,629	39,722

Note 3 (cont.)

Revenue from contracts with customers

External net sales, SEKm	Communication Services		eCommerce & Logistics	
	2019	2018	2019	2018
Operating segments				
PostNord Sweden	10,116	10,979	11,723	11,162
PostNord Denmark	3,439	3,618	4,823	4,454
PostNord Norway	66	54	3,683	3,398
PostNord Finland	8	11	808	767
PostNord Strålfors	1,835	1,908	-	-
Other business activities	216	227	1,560	1,092
Total	15,680	16,797	22,597	20,873
Timing for revenue recognition				
At one point in time	15,045	16,157	22,203	20,516
Over time	635	640	394	357
Total	15,680	16,797	22,597	20,873

The above table shows PostNord's external net sales per service category (business area) and point in time for revenue recognition. PostNord's revenue is mostly recognized at one point in time. The main items in revenue recognition over time are third-party logistics, subscription services and mail services. Revenue recognized over time is attributable to the Sweden and Denmark segments. The services in e-Commerce & Logistics consist of logistics services for deliveries to, from and within the Nordic region. The focus is on distribution of parcels, groupage, pallet goods and bulk logistics (part loads), as well as third-party logistics. The services in Communication Services consist of services in business and market communications, newspaper distribution and a postal service for individual customers.

Other operating income, SEKm	2019	2018
Rental income	35	25
Insurance claim payments	-	0
Commission income	-	0
Contributions received ¹⁾	-	1,533
Capital gains, buildings	17	151
Capital gains, machinery and equipment	12	6
Exchange rate gains	216	265
Miscellaneous	71	73
Total	351	2,053

¹⁾ Contributions received comprise subsidies from the Danish State. See Note 28 Related party transactions.

Contract balances

SEKm	Dec. 31, 2019	Dec. 31, 2018
Trade receivables	4,928	5,009
Contract assets	738	978
Contract liabilities, reported as Other current liabilities and Accrued expenses and deferred income	731	710

Contract assets consist partly of terminal fees that are recognized in accrued income and partly of performance undertakings not yet completed. Contract assets at the start of the year were recognized as revenue of SEK 279m (217) in 2019. This revenue is reported as revenue received over time. Revenue related to terminal fees were recognized in the amount of SEK 489m (504).

Contract liabilities refer to stamps sold by PostNord but not used, and franking liabilities to customers. Revenue included in the contract liability balance at the start of the period was recognized at SEK 710m (782). The item refers to stamps and franking.

Outstanding performance undertakings, contract liabilities consist of stamp and franking liabilities of SEK 731m (710) and fall due in their entirety in the financial year ahead.

Note 4 Segment reporting

The Group's organization into segments is principally based on the companies' registered geographical domicile. The PostNord Strålfors segment is coordinated on the basis of the nature of the business. Market pricing is applied to legal transactions between PostNord's segments. There is no latitude for purchasing externally where the service is available internally. The operating segments reflect the operational structure.

PostNord Sweden operates in mail, logistics and e-commerce in the Swedish market.

PostNord Denmark operates in mail, logistics and e-commerce in the Danish market and is responsible for the e-commerce and logistics part of PostNord's operations in Germany.

PostNord Norway and PostNord Finland operate in mail, logistics and e-commerce in the Norwegian and Finnish markets, respectively.

PostNord Strålfors operates in the area of information logistics. The company develops and offers communications solutions for companies with large customer bases.

Other business activities incorporates other business activities and Direct Link. Direct Link operates in global distribution of marketing communications and lightweight goods, mainly for e-retailers. The business is conducted in the USA, the United Kingdom, Germany, Poland, Singapore, Hong Kong and Australia.

The **Other and eliminations** segment consists of shared services and corporate functions including the Parent Company and Group adjustments. Group adjustments consist of IFRS measurement for pensions under IAS 19 Employee Benefits and leasing under IAS 16 Lease Agreements. An operational adjustment between Other and eliminations and PostNord Sweden is made to enable PostNord Sweden to report an accurate cost for pensions, which legally may vary, above all, depending on when credit is received from Postens Pensionsstiftelse.

Eliminations consists of the elimination of internal transactions.

2019 Jan.-Dec., SEKm	PostNord Sweden	PostNord Denmark	PostNord Norway	PostNord Finland	PostNord Strålfors	PostNord Other busi- ness activities	Other and elimina- tions	Adjusted total, Group	Items affecting compara- bility	Group
Net sales, external	21,839	8,262	3,750	816	1,835	1,776	-	38,278	-	38,278
Net sales, internal	1,414	577	777	484	149	5	-3,406	-	-	-
Total net sales	23,253	8,839	4,526	1,301	1,984	1,781	-3,406	38,278	-	38,278
Other operating income, external	222	41	6	1	1	1	42	314	37	351
Other operating income, internal	126	4	0	2	20	0	-152	-	-	-
Total operating income	23,601	8,884	4,533	1,303	2,005	1,782	-110	38,592	37	38,629
Personnel expenses	-9,176	-3,851	-972	-150	-540	-104	-1,035	-15,828	-190	-16,018
Transportation expenses	-5,106	-1,918	-2,913	-844	-495	-499	475	-11,300	-	-11,300
Other expenses	-7,492	-3,038	-476	-300	-797	-1,194	4,784	-8,513	-23	-8,537
Depreciation and impairments ¹⁾	-715	-168	-96	-6	-36	-3	-1,386	-2,410	-180	-2,591
Total operating expenses	-22,489	-8,975	-4,457	-1,300	-1,868	-1,800	2,839	-38,051	-393	-38,446
Adjusted operating income	1,112	-91	75	4	137	-18	-678	541	-	-
Items affecting comparability¹⁾	-20	-64	-13	-2	-	-	-258	-357	-	-
OPERATING INCOME	1,092	-155	62	2	137	-18	-936	-	-	184
Net financial items	-	-	-	-	-	-	-	-	-	-295
Income before tax	-	-	-	-	-	-	-	-	-	-111
Tax	-	-	-	-	-	-	-	-	-	-128
Net income for the period	-	-	-	-	-	-	-	-	-	-239

¹⁾ Includes impairments of SEK 65m in PostNord Sweden and SEK 124m in Other and eliminations, recognized on the line Depreciation and impairments or on the line Items affecting comparability.

Note 4 (cont.)

2018 Jan.-Dec., SEKm	PostNord Sweden	PostNord Denmark	PostNord Norway	PostNord Finland	PostNord Strålfors	Other busi- ness activities	Other and elimina- tions	Adjusted total, Group	Items affecting compara- bility	Group
Net sales, external	22,141	8,072	3,452	778	1,908	1,320	-	37,669	-	37,669
Net sales, internal	1,084	487	741	398	143	6	-2,860	-	-	-
Total net sales	23,225	8,559	4,193	1,176	2,051	1,326	-2,860	37,669	-	37,669
Other operating income, external	357	32	6	1	2	1	42	441	1,612	2,053
Other operating income, internal	119	2	72	-	22	-	-215	-	-	-
Total operating income	23,701	8,592	4,271	1,178	2,076	1,327	-3,033	38,112	1,612	39,722
Personnel expenses	-9,270	-4,121	-1,029	-99	-518	-96	-1,071	-16,204	-2,584	-18,789
Transportation expenses	-5,452	-1,817	-2,700	-750	-552	-238	285	-11,224	-	-11,224
Other expenses	-7,470	-2,905	-391	-304	-798	-971	3,536	-9,302	-13	-9,315
Depreciation and impairments ¹⁾	-663	-169	-109	-6	-40	-4	-262	-1,250	-	-1,250
Total operating expenses	-22,855	-9,012	-4,229	-1,159	-1,907	-1,308	2,488	-37,981	-2,597	-40,578
Adjusted operating income	845	-421	42	19	168	19	-544	129	-	-
Items affecting comparability	-38	-946	-	-	-	-	-	-984	-	-
OPERATING INCOME	807	-1,366	42	19	168	19	-544	-	-	-855
Net financial items	-	-	-	-	-	-	-	-	-	-35
Income before tax	-	-	-	-	-	-	-	-	-	-890
Tax	-	-	-	-	-	-	-	-	-	-176
Net income for the period	-	-	-	-	-	-	-	-	-	-1,067

¹⁾ Includes impairments of SEK 27m in PostNord Denmark.

Organization into geographical areas based on domicile of companies, SEKm	2019				2018			
	Reve- nue ¹⁾	Total assets ²⁾	Non-current assets ²⁾	Investments, property, plant and equipment and intangible assets	Reve- nue ¹⁾	Total assets	Non-current assets ²⁾	Investments, property, plant and equipment and intangible assets
Sweden	23,120	11,917	6,736	972	23,520	11,614	6,961	986
Denmark	6,990	5,872	1,765	238	8,730	5,719	1,678	235
Norway	4,169	4,396	2,527	96	3,922	4,477	2,401	114
Finland	1,138	551	268	37	1,165	449	228	6
Other countries	3,211	505	43	13	2,385	561	35	33
Total	38,629	23,240	11,340	1,356	39,722	22,821	11,302	1,373

¹⁾ The classification is based on the company's domicile, as being from where the invoice is issued.

²⁾ Total assets exclude assets as defined in IFRS 16. Non-current assets consist of property, plant and equipment and intangible assets.

Note 5 Employees, personnel expenses and executive remuneration

Average number of employees per country	2019				2018			
	Women	Men	Total	% Men	Women	Men	Total	% Men
Sweden	6,746	13,242	19,988	66	6,779	13,790	20,569	67
Denmark	2,243	4,360	6,603	66	2,541	4,898	7,439	66
Norway	234	1,173	1,407	83	235	1,173	1,408	83
Finland	114	197	311	63	86	122	208	59
Other countries	144	174	318	55	165	173	338	51
Total	9,481	19,146	28,627	67	9,806	20,156	29,962	67

Personnel expenses, SEKm	2019	2018
Salaries and other remuneration	11,958	14,854
Statutory social insurance costs	2,625	2,583
Pension expenses ¹⁾	1,279	1,194
Other personnel expenses	156	157
Total	16,018	18,789

¹⁾ Of the Group's pension expenses, SEK 9m (8) pertains to current and earlier Presidents and Executive Vice Presidents. Obligations outstanding on behalf of these persons total SEK 128m (166).

Salaries and other remuneration per country, SEKm ¹⁾	2019				2018			
	Presi- dents ²⁾	Of which, severance payment	Other employ- ees	Total	Presi- dents ²⁾	Of which, severance payment	Other employees	Total
Sweden	35	11	7,197	7,232	21	-	7,240	7,261
Denmark	5	-	3,519	3,524	5	-	6,427	6,432
Norway	6	-	896	902	4	-	907	911
Finland	3	-	161	164	8	3	113	121
Other countries	3	-	133	136	5	-	123	128
Total	52	11	11,906	11,958	43	3	14,811	14,854

¹⁾ No bonus was paid.

²⁾ Refers to current and former Presidents.

Salaries and other remuneration to Group Executive Team, SEKm	2019				2018			
	Salary ¹⁾	Pension expenses	Other benefits	Total	Salary ¹⁾	Pension expenses	Other benefits	Total
Håkan Ericsson, President (to April, 2019)	18.0	2.5	0.1	20.5	9.5	2.8	0.1	12.4
Annemarie Gardshol, Acting President (from April, 2019), President (from November, 2019)	7.0	2.1	-	9.0	-	-	-	-
Total, Presidents	24.9	4.6	0.1	29.6	9.5	2.8	0.1	12.4
Johanna Allert (to February, 2019)	0.4	0.1	0.0	0.6	2.6	0.8	0.1	3.5
Thomas Backteman (to June, 2019)	5.9	0.9	0.0	6.8	2.9	0.8	0.0	3.7
Gunilla Berg (to April, 2019)	8.7	1.1	0.1	9.9	4.5	1.3	0.1	5.9
Ylva Ekborn (from February, 2018)	2.6	0.8	0.1	3.5	2.2	0.7	0.1	3.0
Björn Ekstedt	2.8	0.8	0.1	3.7	2.8	0.8	0.1	3.7
Annemarie Gardshol	1.1	0.3	0.0	1.4	3.8	1.2	0.0	5.0
Finn Hansen (to February, 2018)	-	-	-	-	3.2	-	0.0	3.2
Anders Holm (to June, 2019)	5.9	0.9	0.1	6.8	3.1	0.9	0.1	4.1
Tim Jørnsen (to June, 2019)	6.3	0.9	0.0	7.2	2.9	0.9	0.1	3.9
Peter Kjaer Jensen	5.3	-	0.2	5.5	5.0	-	0.2	5.2
Lena Larsson (from April, 2019)	2.3	0.5	0.0	2.8	-	-	-	-
Kristina Lilja	2.9	0.8	0.1	3.8	2.4	0.7	0.1	3.2
Robin Olsen	3.6	0.3	0.3	4.2	3.8	0.2	0.3	4.3
Jan Starrsjö	3.0	1.0	0.1	4.0	2.2	0.7	0.1	3.0
Charlotte Svensson (to September, 2019)	4.5	0.9	0.1	5.6	3.1	0.9	0.1	4.1
Mikael Wikner (Consultant, February to August)	1.7	-	-	1.7	-	-	-	-
Total, other Group Executive Team	56.9	9.3	1.1	67.3	44.5	9.9	1.4	55.8
Total, Group Executive Team	81.9	13.9	1.2	96.9	54.0	12.7	1.5	68.2

¹⁾ Provision for contractual severance payment covering the following financial year is included for 6 (-) senior executives. Provision for compensation for non-working period up to contractual retirement is included for - (1) senior executive. Income received in connection with any new employment or own business is deducted.

Note 5 (cont.)
Benefits to senior executives

On behalf of all senior executives in Sweden, pension provisions corresponding to no more than 30% of the executive's monthly salary are made. Under the relevant contracts, the pensionable age is 65 years. In the case of senior executives employed in Denmark, the pension cost is included in the salary and the pensionable age complies with legislation in Denmark. In Norway, senior executives are subject to Norwegian labor law and the same pension conditions as for those otherwise employed. The pensionable age is 65 years.

The pension provision for the President is set at 30% of the executive's monthly salary. The period of notice for the President and other senior executives is 6 months in the case of employment being terminated either by the employee or the employer.

If the employment is terminated at the employer's initiative, severance – compensation corresponding to the value of the person's monthly salary will be paid for a maximum of 12 months. The company is entitled to deduct, from salary during the period of notice or from severance compensation, any earnings that a senior executive may, or is clearly in a position to, receive from other employment during the period to which the employment period or the severance compensation pertains.

Summary of guidelines on compensation to senior management in the Group, adopted at the AGM held on April 24, 2019

The total remuneration for executives shall be well-balanced, competitive, capped, reasonable and fit-for-purpose, and should be in keeping with sound ethics and a healthy corporate culture. The remuneration shall not be pay-setting relative to comparable enterprises, but shall be characterized by restraint.

Individual premium-based pension plans are contracted for the President & Group CEO and other senior executives of the Group who are employed in Sweden, with contributions not to exceed 30 percent of the fixed monthly salary. The required insurance policies are contracted within the scope of this charge. For executives employed in Denmark and Norway, premium-based pensions are provided to their full extent, and the pensionable age shall accord with the guidelines and practice in the respective country.

In new employment contracts, the period of notice where the employment is terminated by the employer shall not exceed six months. Where the contract is terminated by the executive, the period of notice shall be no more than six months. Where the employment is terminated by the employer, severance compensation may be paid in an amount corresponding to no more than 12 months' salary. If the employee takes up new employment or receives income from other business activities, the company is entitled to reduce salary paid during the notice period and the severance compensation period. Variable salary is not paid and shall not be included as part of the employment contract of executives.

Gender representation among senior executives, %	Dec. 31, 2019		Dec. 31, 2018	
	% Women	% Men	% Women	% Men
Group Board of Directors	38	62	38	62
Group Management	50	50	43	57
Other Boards of Directors	31	69	30	70
Other senior executives	33	67	35	65

Benefits to Board of Directors of Group and PostNord AB, SEK ^{1,2)}	Audit Committee	Remuneration Committee	2019	2018
Christian Jansson (from August 1, 2018)		Chair of the Board	708	273
Jens Moberg (to July 31, 2018)		Chair of the Board	-	501
Charlotte Strand (from April 1, 2018) ³⁾	Chair of the Board (to April 30, 2019)		317	270
Gunnel Duveblad (to April 30, 2018)	Chair of the Board		-	15
Sonat Burman Olsson (from April 1, 2018)	Chair of the Board (from April 1, 2019)		358	259
Måns Carlson	Member		-	-
Christian Ellegaard	Member (to April 30, 2018 and from May 1, 2019)	Member (from May 1, 2018 to April 30, 2019)	338	323
Christian Frigast (from August 1, 2018)		Member	525	164
Peder Lundquist	Member		-	-
Ulrica Messing (from April 1, 2018)		Member	318	236
Mats Abrahamsson (to April 30, 2018)		Member	-	138
Jesper Lok (from April 1, 2017 to April 30, 2018)	Member		-	86
Anitra Steen (to April 30, 2018)		Member	-	214
Total			2,564	2,479

¹⁾ Board members were entitled, until the end of the 2018 AGM, to invoice via a company or sole proprietorship, including associated social insurance costs. In whatever way this is done, it is cost-neutral to PostNord.

²⁾ Amounts reported consist of fees for Board and committee work approved at the 2018 and 2019 AGMs for the 2019 financial year.

³⁾ In April-October 2019, Charlotte Strand worked at PostNord, on behalf of the Board, on PostNord's strategic and financial plan on a consultancy basis, and received remuneration of SEK 3.3m in addition to her director's fee.

Remuneration approved by Annual General Meeting, held on April 24, 2019, SEK	Board of Directors	Audit Committee	Remuneration Committee
Chair of the Board	670	70	38
Deputy Chair of the Board	500	-	-
Member	295	55	25

Note 6 Other expenses

SEKm	2019	2018
Costs of premises	1,103	2,137
Cost of transformation measures	41	19
Terminal fees	1,358	1,154
Cost of goods and materials	606	585
Procured IT resources	1,543	1,522
Miscellaneous	3,887	3,898
Total	8,537	9,315

Note 7 Fees and reimbursement of expenses to auditors

SEKm	2019	2018
KPMG		
Auditing assignments	12	11
Other auditing services	1	1
Tax consultancy	0	0
Other services	1	1
Total	14	13

Audit services consist of statutory review of the annual and consolidated accounts and accounting records and the administration by the Board and the President, as well as review and other auditing procedures performed as per agreement or contract.

This also includes other duties that fall to the Company's auditor, and advice or other support occasioned by observations made during audits or the performance of such other duties.

Note 8 Net financial items

SEKm	2019	2018
Financial income		
Interest income	10	3
Interest income, pensions	-	26
Other financial income	13	10
Total	23	39
Financial expenses		
Interest expenses, financial liabilities measured at amortized cost	-57	-60
Interest expenses, pensions	-52	-
Interest expenses, leases	-123	0
Interest expenses, discounting of provisions	-32	-9
Other financial expenses	-7	-2
Net changes in exchange rates	-46	-3
Total	-318	-74
Net financial items	-295	-35

See also Note 27 Financial risk management and financial instruments. For more information on interest income from pensions, see Note 22 Pensions. In 2018, Interest expenses from leases consist of finance leases.

Note 9 Tax

SEKm	2019	2018
Current tax	-193	-174
Deferred tax		
Change in deferred tax in temporary differences in statement of financial position	62	-2
Change in deferred tax in tax loss carry-forwards	3	-
Total	65	-2
Total tax	-128	-176

Reconciliation of effective tax rate	2019		2018	
	%	SEKm	%	SEKm
Income before tax	21.4	-111	22	-890
Tax at current tax rate for Parent Company		24		196
Non-deductible expenses		-11		-32
Tax-exempt income		4		351
Effect of unused tax losses		-265		-186
Effect of non-recognized temporary differences in statement of financial position		142		-460
Tax attributable to previous year		7		-35
Effect of changes in tax rates		-		5
Effect of other tax rates in foreign subsidiaries		-22		-10
Miscellaneous		-7		-6
Total		-128		-176

Unused tax loss carry-forwards relate to operations outside Sweden, see Note 16.

Note 10 Non-current intangible assets

SEKm	Other non-current intangible assets							
	Goodwill		Licenses and similar assets		Capitalized development expenditures		Total other non-current intangible assets	
	2019	2018	2019	2018	2019	2018	2019	2018
Historical cost, opening balance	3,454	3,387	1,844	1,740	2,663	2,737	4,507	4,477
Investments during the year	-	-	15	25	163	161	178	186
Disposals/scrapping	-	-	-31	-11	-811	-190	-842	-201
Reclassifications	-11	-	117	73	-125	-73	-9	-
Translation differences	49	67	20	17	8	28	28	45
Accumulated historical costs at year-end	3,492	3,454	1,966	1,844	-1,897	2,663	3,863	4,507
Depreciation, opening balance	-	-	-1,502	-1,413	-1,521	-1,539	-3,023	-2,952
Depreciation for the year	-	-	-82	-78	-112	-154	-194	-232
Disposals/scrapping	-	-	35	11	809	190	844	201
Reclassifications	-	-	-26	-3	33	3	6	-
Translation differences	-	-	-18	-19	-5	-21	-23	-40
Accumulated depreciation at year-end	-	-	-1,593	-1,502	-797	-1,521	-2,390	-3,023
Impairments, opening balance	-860	-827	-96	-100	-641	-633	-737	-733
Impairment losses for the year	-	-	-25	-	-100	-	-125	-
Translation differences	-13	-33	-	4	-3	-8	-3	-4
Accumulated impairments at year-end	-873	-860	-121	-96	-744	-641	-865	-737
Closing balance	2,619	2,594	252	246	356	501	608	747

Other non-current intangible assets

Internally generated intangible assets are recognized as "Capitalized development expenditures" and consist for the most part of system support. Capitalized development expenditures on December 31, 2019 totaled a carrying amount of SEK 356m (501).

Other non-current intangible assets consisted primarily of licenses and similar assets. Licenses and similar assets on December 31, 2019, totaled a carrying amount of SEK 252m (246).

Investments during the year were made above all in system development in line with PostNord's strategy for shared Nordic-wide IT solutions. No changes to amortization periods were made in 2019. For more on amortization/depreciation periods used, see Note 1 Accounting principles.

Other intangible non-current assets were tested for impairment, leading to an impairment loss of SEK125m (-). Impairments related in the main to capitalized development expenditures for system support.

Expenditures for research and development were recognized as costs on an ongoing basis during the period.

Goodwill

Goodwill is recognized as a non-current intangible asset with an indeterminate useful life at historical cost less accumulated impairment losses. Goodwill on December 31, 2019 was valued at a carrying amount of SEK 2,619m (2,594).

Impairment testing

In order to allow for testing of impairment, goodwill in the Group has been allocated to cash-generating units in accordance with PostNord's operational organization. In view of the fact that the production and sales of acquired businesses have been integrated with other PostNord operations, it is no longer possible to separate out the cash flow and assets of the units as originally acquired. Goodwill values have in certain cases had to be tested at a higher level of groups of cash-generating units, although no higher than per business segment. The allocation to cash-generating units/groups is shown in the table below.

Cash-generating units	Goodwill Dec. 31, SEKm		Rate of growth after forecast period (%)		Discount rate before tax (%)	
	2019	2018	2019	2018	2019	2018
PostNord Sweden	1,045	1,056	1	2	10.2	9.7
PostNord Norway	954	924	2	2	9.2	8.6
PostNord Strålfors	446	444	-2	-2	12	11.5
PostNord Finland	164	161	2	2	10	10.6
Other cash-generating units	10	9	-2-1.5	-2-1.5	10.4-14	9.5-13
Total goodwill	2,619	2,594				

Note 10 (cont.)

The recoverable amount for a particular cash-generating unit/group of cash-generating units is made up of the value in use or fair value, whichever is higher, less the selling costs. An impairment for a cash-generating unit is recognized if the recoverable amount is lower than the carrying amount. Impairment losses are allocated first to goodwill and second to other assets of the cash-generating unit that are subject to impairment testing in accordance with IAS 36 Impairment of Assets, that is, tangible and intangible non-current assets.

Value in use

The recoverable amounts for the cash-generating units have been calculated from the value in use, by discounting anticipated future cash flows based on management's three-year business plan, with extrapolation of net cash flows after the said three-year period. Management's assumptions and assessments reflect historical experience, analysis of external trends, for example in the logistics and mail businesses, and other available external information. The most important assumptions used in determining future cash flows are estimated volume growth in net sales, changes in costs, and working capital requirements. All assumptions are applied per cash-generating unit or group of cash-generating units. The rate of growth in the terminal period, that is, after the three-year forecast period, is assumed to be -2% to 2% (-2% to 2%) and the discount rate before tax to be 9.2-14% (8.6-13%). In determining the discount rate, factors taken into account include type of business, where the business is

located and risk and size premium. Value in use was calculated using the model from previous years, with lease payments included in the cash flow for the cash-generating unit. The discount rate is thus not adjusted to reflect any impact from IFRS 16.

Sensitivity analysis for remaining goodwill

The sensitivity in the calculations by the cash-generating units indicates that the goodwill value could be sustained in the event of reasonable changes to important assumptions other than for the cash-generated unit described below.

The sensitivity in the calculations for the cash-generating unit PostNord Norway indicates that the goodwill value could not be sustained if the long-term operating margin declined by 1.0% (0.5%), if the discount rate rose by 1.0% (0.5%), or if the long-term rate of growth declined by 1.0% (0.5%), relative to the discount rate of 7.6% (7.2%) after tax and the 2.0% (2.0%) rate of growth used for calculation of the value in use.

Assets held for sale

At reclassification of assets held for sale, as defined in IFRS 5, the calculation of goodwill has been based on the relative proportion of the recoverable value attributable to the cash-generating unit. Goodwill has been reclassified to Assets held for sale in the amount of SEK 11m (-).

Note 11 Property, plant and equipment

SEKm	Buildings and land		Machinery and equipment		Construction in progress and advance payments		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Historical cost, opening balance	6,028	6,078	13,990	13,483	246	516	20,264	20,077
Other acquisitions	24	19	677	811	477	358	1,178	1,188
Disposals/scrapping	-8	-	-834	-1,090	23	-	-819	-1,090
Reclassifications	51	-185	-36	600	-78	-632	-63 ¹⁾	-217 ¹⁾
Translation differences	76	116	90	186	4	4	163	306
Accumulated historical costs at year-end	6,171	6,028	13,888	13,990	664	246	20,723	20,264
Depreciation, opening balance	-1,922	-1,873	-9,881	-9,925	-	-	-11,803	-11,798
Depreciation for the year	-137	-134	-921	-858	-	-	-1,058	-992
Disposals/scrapping	3	-	779	1,044	-	-	783	1,044
Reclassifications	-3	133	73	-	-	-	69 ¹⁾	133 ¹⁾
Translation differences	-27	-48	-63	-142	-	-	-90	-190
Accumulated depreciation at year-end	-2,086	-1,922	-10,013	-9,881	-	-	-12,098	-11,803
Impairments, opening balance	-180	-173	-320	-284	-	-	-500	-457
Impairment losses for the year	-	-	-7	-27	-	-	-7	-27
Reclassification	-	-	2	-	-	-	2 ¹⁾	-
Translation differences	-3	-7	-4	-9	-	-	-7	-16
Accumulated impairments at year-end	-183	-180	-330	-320	-	-	-512	-500
Closing balance	3,903	3,926	3,546	3,789	664	246	8,113	7,961

¹⁾ Reclassification to/from assets held for sale SEK 8m (84).

Note 12 Leases

Impact of adoption of IFRS 16 Leases

The Group has applied the modified retroactive approach. In this method, the accumulated effect of introducing IFRS 16 has been recognized in the opening balance as per January 1, 2019, without restatement of figures for comparison. The impact of transition on items in the Consolidated statement of financial position at the start of the current financial year relates to right-of-use assets of SEK 5.5 billion and lease liabilities of SEK 5.4 billion, in which the difference, approximately SEK 0.1 billion, consists of advance payments. No impact on opening balance of equity. Recognized right-of-use assets refers to properties of SEK 5.2 billion and machinery and equipment of SEK 0.3 billion.

The difference between operating lease commitments recognized in accordance with IAS 17 just before the first date of adoption (that is, December 31, 2018) and lease liabilities recognized in accordance with IFRS 16 on the first date of adoption (that is, January 1, 2019) is shown below:

SEKm	
Operating lease commitments as per December 31, 2018, according to information in the annual report	6,181
Discounting using Group's average marginal borrowing rate as per January 1, 2019 (2.3%)	-492
Less: short-term leases recognized as expenses on a straight-line basis	-616
Less: leases for which the underlying asset is of low value and is recognized as an expense on a straight-line basis	-9
Plus: reasonably certain extension periods	523
Less: adjustments arising from changes in indices or prices attributable to variable fees	-128
Less: advance contractual payments	-130
Miscellaneous	45
Lease liability recognized on January 1, 2019	5,374

Impact on Consolidated financial statements

Income statement

Recognition of amortization of right-of-use assets instead of lease charges made a positive impact on operating income. The Group's aggregate operating income was SEK 69m higher than if previous accounting principles had been applied. Estimated interest on the lease liability has a negative impact on net financial items. Deferred tax is recognized as the difference between leasing cost booked by legal entities and the amount of amortization and interest calculated in accordance with IFRS 16. The Group's aggregate income was SEK 43m lower than if previous accounting principles had been applied. New contracts and terms and conditions were registered during the period. The updates mainly relate to rental for premises.

Statement of financial position

The Consolidated statement of financial position on December 31, 2019 included right-of-use assets of SEK 5,813m and lease liabilities of SEK 5,678m, where the difference for the most part consists of advance payments. Deferred tax assets consisting of temporary differences are recognized in the amount of SEK 11m.

Statement of cash flows

Leases recognized as assets or liabilities in the Consolidated statement of financial position have no impact on cash flow. No investment regarding new leases is reported in the statement of cash flows. Amortizations of the lease liability are reported under financing activities. The cash flow from operating activities is adjusted to take into account amortization of right-of-use assets.

Information for comparison as if IFRS 16 had not been applied in 2019

Summary statement of financial position	Carrying amounts, IFRS 16 not applied	Impact of IFRS 16	Statement of financial position
SEKm	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2019
Right-of-use assets	-	5,813	5,813
Deferred tax assets	480	11	491
Prepaid expenses and accrued income	1,012	-189	823
Equity	3,697	-43	3,654
Long-term lease liabilities	-	4,476	4,476
Current lease liabilities	-	1,202	1,202

Summary income statement	Carrying amounts, IFRS 16 not applied	Impact of IFRS 16	Income statement
SEKm	Jan.–Dec. 2019	Jan.–Dec. 2019	Jan.–Dec. 2019
Operating revenue	38,629	-	38,629
Personnel expenses	-16,035	17	-16,018
Transportation expenses	-11,411	111	-11,300
Other operating expenses	-9,626	1,089	-8,537
Depreciation and impairments	-1,443	-1,148	-2,591
Operating expenses	38,516	69	-38,446
OPERATING INCOME	114	69	184
Financial income	23	-	23
Financial expenses	-195	-123	-318
Net financial items	-172	-123	-295
Income before tax	-58	-54	-111
Tax	-139	11	-128
NET INCOME	-197	-43	-239

Summary statement of cash flows	Carrying amounts, IFRS 16 not applied	Impact of IFRS 16	Statement of cash flows
SEKm	Jan.–Dec. 2019	Jan.–Dec. 2019	Jan.–Dec. 2019
Cash flow from operating activities	1,047	1,085	2,132
Cash flows from investing activities	-1,224	-	-1,224
Cash flows from financing activities	483	-1,085	-602
CASH FLOWS FOR THE PERIOD	306	-	306

Right-of-use assets

SEKm	Buildings & land	Machinery and equipment	Total
Right-of-use assets, January 1, 2019	5,171	368	5,539
Newly acquired right-of-use assets	1,242	196	1,439
Terminated lease contracts	-14	-15	-30
Amortization of right-of-use assets	-1,006	-142	-1,148
Miscellaneous	23	-10	13
Right-of-use assets, December 31, 2019	5,415	397	5,813

Lease liability

SEKm	
Lease liability recognized on January 1, 2019	5,374
Newly incurred lease liabilities	1,407
Terminated lease contracts	-29
Amortized lease liabilities	-1,209
Interest	123
Miscellaneous	28
Lease liability recognized on December 31, 2019	5,678

Maturity analysis (undiscounted flows), lease liabilities

SEKm	
Within 1 year	1,348
1-2 years	1,149
2-3 years	962
3-4 years	755
4-5 years	660
More than five but less than ten years	1,207
More than ten years	125
Total	6,206

Lease liability as per balance sheet

SEKm	
Current portion	1,202
Long-term portion	4,476
Total	5,678

PostNord has decided to apply the provisions regarding transitional rules for short-term leases and low-value assets. Under these provisions, leases with a term of less than 12 months and low-value leases are recognized on a linear cost basis over the lease term. Examples of low-value assets include computers, printers and coffee machines. In 2019, expenses in connection with low-value leases totaled SEK 33m. In 2019, expenses in connection with short-term leases totaled SEK 334m.

Future cash flows that the Group will be exposed to but that are not reflected in the measurement of the lease liability consist primarily of contracted but not yet activated leases that the Group is committed to. The value of such leases amounts to approximately SEK 380m.

No material impact is recognized for 2019 with regard to leases where the Group is the lessor. The Group has not recognized any revenue from sale-and-leaseback transactions during the year.

In certain cases, the Group guarantees the residual value of the leased asset at the end of the lease term. This applies mainly to leased vehicles and represents only minor amounts.

In properties leased by the Group, some areas are unused. At year-end, provisions of SEK 23m were made regarding these unused premises.

Certain leases require the Group to pay charges relating to property tax. Payment of property tax has been deemed to represent a variable lease charge and consequently is not included in the measurement of the lease liability. In 2019, variable lease charges totaled SEK 4m.

Lease contracts prior to January 1, 2019

In 2018, the Group paid SEK 1,526m in lease charges on operating leases. At the financial year-end, December 31, 2018, the Group's outstanding lease charges, at current exchange and interest rates, totaled SEK 5,781m for premises and SEK 400m for machinery and equipment.

Lease charges on financial leases totaled SEK 5m in 2018 and pertained to machinery and equipment. On December 31, 2018, financial lease assets totaled SEK 4m.

Note 13 Participations in associated companies

Associated companies	Registered office	Country	Number of shares	Participation, %	Carrying amount, SEKm
e-Boks A/S	Copenhagen	Denmark	6,000,000	50	97
eHUBnordic ApS	Copenhagen	Denmark	474,999	25	-2
Nordic Infrastructure A/S	Sønderborg	Denmark	392	50	16
Closing balance					111

Note 14 Financial investments

SEKm	Dec. 31, 2019	Dec. 31, 2018
Financial investments treated as non-current assets		
Endowment insurance	176	175
Other non-current investments	22	23
Closing balance	198	198
Short-term investments treated as current assets		
Other short-term investments	-	101
Closing balance	-	101

Note 15 Non-current receivables

SEKm	Dec. 31, 2019	Dec. 31, 2018
Funded defined-benefit disability pension plans measured in accordance with IAS 19	711	964
Deposits, property leases	22	29
Miscellaneous	141	115
Total	874	1,108

Note 16 Deferred tax

SEKm	2019				2018			
	Opening balance	Recognized via the income statement	Acquisition/disposal of business, recognized in Other comprehensive income	Closing balance	Opening balance	Recognized via the income statement	Acquisition/disposal of business, recognized in Other comprehensive income	Closing balance
Deferred tax assets								
Non-current intangible assets	-	-	-	-	30	-30	-	-
Provision for pensions	221	47	367	635	-	49	172	221
Other provisions	59	5	-	64	71	-12	-	59
Lease liabilities	959 ¹⁾	93	1	1,053	-	-	-	-
Loss carry-forwards	-	3	-	3	-	-	-	-
Offset against liabilities	-202	-	-1,062	-1,264	22	-	-224	-202
Total	1,037	148	-694	491	123	7	-52	78
<i>Of which, outside Sweden</i>	6			12	7			6
Deferred tax liability								
Non-current intangible assets	-44	23	-	-21	-	-44	-	-44
Property, plant and equipment	-279	-29	-5	-313	-315	39	-3	-279
Right-of-use assets	-959 ¹⁾	-82	-	-1,041	-	-	-	-
Current assets	-36	5	-	-31	-32	-4	-	-36
Provision for pensions	-	-	-	-	-375	-	375	-
Offset against receivables	202	-	1,062	1,264	-22	-	224	202
Total	-1,116	-83	1,057	-142	-744	-9	596	-157
<i>Of which, outside Sweden</i>	-131			-106	-117			-131

¹⁾ Adoption of IFRS 16 Leases on January 1, 2019.

Receivables and liabilities in Sweden have been recognized at SEK 1,171m (222) net, receivables and liabilities relating to leases abroad have been recognized at SEK 119m net (-), while other receivables and liabilities have been recognized gross.

Dates payment due, tax amounts

SEKm	Capitalized loss carry-forwards		Loss carry-forwards where deferred tax assets not recognized	
	2019	2018	2019	2018
More than 3 years	3	-	-	-
Not due	-	0	856	565

Loss carry-forwards where deferred tax assets were not recognized totaled SEK 856m (565) in Denmark. These deferred tax assets have not been recognized since it was judged that the deductions could not be used in the foreseeable future.

In addition to unrecognized tax loss carry-forwards, deductible temporary differences arising in Denmark and amounting to SEK 733m (869) have not been recognized.

Note 17 Inventories

SEKm	Dec. 31, 2019	Dec. 31, 2018
Goods for resale etc.	60	54
Raw materials	45	46
Closing balance	105	100

The major share of the raw materials in the inventory are held at Strålfors. The major share of the goods for resale are held at PostNord Group AB and Post Danmark A/S.

Impairment losses on inventories totaled SEK 9m (6).

Note 18 Prepaid expenses and accrued income

SEKm	Dec. 31, 2019	Dec. 31, 2018
Prepaid rent	24	206
Prepaid insurance premiums	15	11
Prepaid salaries	105	120
Terminal fees	489	504
Derivatives	2	16
Other items	188	256
Closing balance	823	1,113

Note 19 Cash and cash equivalents

SEKm	Dec. 31, 2019	Dec. 31, 2018
Cash and bank balances	2,589	2,638
Short-term investments treated as cash and cash equivalents	809	450
Closing balance	3,398	3,088

Short-term investments have been classified under Cash and cash equivalents if they are readily convertible into cash, have a maturity of no more than 3 months from the date of acquisition and present a negligible risk of value fluctuations. Bank deposits and investments are engaged in with counterparties with a rating of no lower than Standard & Poor's BBB or certain State-owned enterprises without a rating.

Note 20 Earnings per share

SEK	2019	2018
Earnings per share	-0.12	-0.53

Earnings per share are calculated by dividing the part of the Group's net profit or loss for the period that is attributable to the Parent Company's shareholders by the average number of shares in issue. No dilutive instruments have been issued.

Note 21 Interest-bearing liabilities

SEKm	Dec. 31, 2019	Dec. 31, 2018
Non-current interest-bearing liabilities		
Liabilities to credit institutions	3,695	1,593
Long-term lease liabilities	4,476	-
Other non-current liabilities	176	176
Closing balance	8,347	1,770
Current interest-bearing liabilities		
Liabilities to credit institutions	-	1,619
Current lease liabilities	1,202	-
Closing balance	1,202	1,619

See also Note 27 Financial risk management and financial instruments.

Note 22 Pensions

Note 1 Accounting principles includes a description of PostNord's pension plans. The Group operates both defined-benefit and defined-contribution pension plans. There are also a small number of personnel categories with entitlement to a retirement pension under special arrangements made at corporatization. Postens Pensionsstiftelse (the Posten Pension Fund) secures pension obligations for PostNord Group AB and PostNord Sverige AB. For more information on internal dealings between the Group and Postens Pensionsstiftelse, see the section Assets under management and Note 28 Related party transactions. Postens Pensionsstiftelse is regulated under Tryggandelagen (1967:531) (the Swedish Pension Obligations Vesting Act). Postens Pensionsstiftelse is supervised by the Stockholm County Administrative Board and Finansinspektionen (the Swedish Financial Supervisory Authority). PostNords Försäkringsförening is regulated under Swedish Friendly Societies Act (1972:262) and is under the supervision of Finansinspektionen. This means that PostNords Försäkringsförening must maintain a capital base that exceeds the required solvency margin. The Group's pension obligation is 100 percent (100) attributable to pension benefits earned in its Swedish companies.

Provisions for pensions and similar obligations, SEKm	2019	2018
Pension obligations, OB	22,628	21,103
Costs relating to service during current year ¹⁾	310	345
Interest expense ²⁾	485	491
Occupational pensions	25	35
Payments of benefits	-1,168	-1,124
Actuarial gains () and losses (+) - change in financial assumptions ³⁾	2,787	1,301
Actuarial gains () and losses (+) - change in demographic assumptions ³⁾	148	167
Actuarial gains () and losses (+) - experience-based ³⁾	143	310
Pension obligations, CB	25,358	22,628
Assets under management, fair value OB	20,271	21,020
Interest income	434	498
Contributions from employer	181	236
Payments made to employer	-1,103	-1,188
Payments of benefits	-70	-67
Actual return above (+) and below () interest income	1,698	-228
Assets under management, fair value CB	21,411	20,271
Change in net assets or net debt		
Present value of defined-benefit obligations	25,358	22,628
Assets under management, fair value	-21,411	-20,271
Net (asset -, liability +) at year-end excluding special payroll tax⁴⁾	3,947	2,357
Work-related injuries	26	26
Special payroll tax	739	409
Net (asset -, liability +) in Statement of changes in financial position including work-related injuries and effect of special payroll tax.	4,712	2,792

¹⁾ Costs of earned entitlement consist of SEK 284m (317) for funded plans and the remainder for unfunded plans.

²⁾ Of the interest expense, SEK 437m (436) is attributable to funded plans and the remainder to unfunded plans.

³⁾ Of actuarial gains and losses, SEK 2,686m (1,644) is attributable to funded plans and the remainder to unfunded plans.

⁴⁾ The Group has no assets under management that consist of the Company's own transferable financial instruments or properties that are used by the Company.

Specification, net, commitment and asset, SEKm	2019				2018			
	Net commitment and asset	Special payroll tax	Work-related injuries	Total	Net commitment and asset	Special payroll tax	Work-related injuries	Total
Funded defined-benefit disability pension plans ¹⁾	-711	-	-	-711	-964	-	-	-964
Unfunded non-vested pensions ²⁾	957	233	-	1,191	929	225	-	1,155
Work-related injuries ²⁾	-	-	26	26	-	-	26	26
Funded pensions ³⁾	2,173	527	-	2,700	1,213	294	-	1,508
Unfunded vested pensions ³⁾	1,528	-21	-	1,507	1,178	-110	-	1,068
	3,947	739	26	4,712	2,357	409	26	2,792

¹⁾ Non-current receivables.

²⁾ Recognized in Other provisions.

³⁾ Recognized in Pensions

Note 22 (cont.)

In the course of 2020, the Group anticipates paying benefits totaling SEK 1,138m (1 076) under defined-benefit plans. The weighted duration of the pension commitment is 14 (14) years.

When the value of the assets under management exceeds the present value of the pension calculation, this creates an asset for the Group (see Non-current receivables).

Provision for non-vested pensions

PostNord is liable for its Swedish subsidiaries' non-vested pension commitments under the Group's "interim provisions". These provisions apply to certain personnel who, under the terms of their employment, are entitled to retire at 60 or 63 years of age. A condition is that the employee had to have reached the age of 28 years by no later than January 1, 1992 and to have remained in the same function thereafter. The total obligation, calculated in accordance with the Pension Obligations Vesting Act, for pensions under the interim provisions was SEK 1,522m (1,789) on December 31, 2019. In recent years, the transition regulations have been used to a greater extent, and an experience-based adjustment of 10 percentage points (10) has been made, indicating that on average 60% will make use of the transition regulations. The provision is set at this proportion of the total obligation. The amount recognized as a liability totals SEK 1,103m (1 035), including special payroll tax. The obligation is included in the balance of Unfunded pension plans, non-vested pensions.

PostNord bears liability for an obligation, known as the ultimate liability, that PostNord Group AB assumed at its corporatization. On the basis of available information, this obligation was calculated at SEK 84m (104) on December 31, 2019. The obligation is included in the balance of Unfunded pension plans, non-vested pensions.

Liability for maintaining value

In 2000, pension commitments previously guaranteed via Postens Pensionsstiftelse were redeemed through the purchase of insurance policies. The capital value of these commitments on December 31, 2018 was SEK 37m (31). PostNord retains a liability for maintaining the value and coordinating the gross value of these pension commitments.

Expenses and income for defined-benefit and defined-contribution pension plans, SEKm.

	2019	2018
Costs relating to service during current year	310	345
Interest expense (+) and interest income (-) ¹⁾	51	-26
Occupational pensions	25	35
Defined-benefit pension plans	386	353
Defined-contribution pension plans	868	782
Other pension expenses	76	32
Recognized within net financial items	-51	26
Total pension expenses	1,279	1,194

¹⁾ Interest expenses and interest income are recognized within net financial items.

Actuarial calculation assumptions

The actuarial valuation of PostNord's defined-benefit pension commitments and pension expenses is based on the assumptions described below. These assumptions are calculated as weighted mean values for the particular pension plan. Changes in any of these fundamental assumptions may have considerable impact on estimated pension commitments, financing requirements and annual pension expenses.

Actuarial assumptions, %	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Discount rate	1.40	2.20	2.40
Future annual pay rises	2.40	2.40	2.40
Change in income base amount	3.00	3.00	3.00
Inflation	1.75	1.75	1.50
Employee turnover	4.50	4.50	4.50
Lifetime obligation	FFFS 2007:31	FFFS 2007:31	FFFS 2007:31

The expenses for 2019 are based on the actuarial assumptions established at the beginning of the year. At the end of 2019, PostNord established assumptions that were applied to the calculation of the outcome as per December 31, 2019. These actuarial assumptions are also used in the forecast for expenses in 2020. It was also taken into account that all assumptions used in the valuation should in the long term be mutually compatible.

The discount rate is determined in accordance with IAS 19, that is, on the basis of high-grade corporate bonds traded on an active market as defined by IFRS, by reference to the Swedish housing bond market. Against this background, management takes the view that the discount rate applied reflects the time value of money and offers a reasonable present value for the Group's pension obligations. Future annual salary increases reflect anticipated percentage pay rises, as a composite product of inflation, period of service and rank. The income base amount is determined annually by the government and is used, for example, to establish the ceiling for pensionable pay in the national pension system. The Group has elected for an assumed inflation rate of 1.75%. This reflects the view of the actors in the financial markets regarding inflation in the pricing of securities, that is, implicit inflation. The personnel turnover is the composite expectation for future business growth, real pay rises and the productivity growth required to maintain profitability. It also takes into account the personnel turnover experienced over recent years. The factor of average remaining service life is determined on the basis of the current age breakdown for the Group's employees. The life expectancy assumption is based on Finansinspektionen's directions, published as FFFS 2007:31 (FFFS 2007:31). A later analysis of mortality rates was conducted via the DUS 14 study. PostNord is not a service enterprise in that sense, but the demographics accord very closely with FFFS 2007:31.

Alecta

Obligations for retirement and family pensions for salaried employees in Sweden may be secured through an insurance policy with Alecta. In the Group, only a few companies use insurance as a means of securing pension benefits, and the sums are not substantial.

Assets under management

Total assets under management amounted to SEK 21,411m (20,271). The major share of the Group's assets under management are administered by Postens Pensionsstiftelse, SEK 19,967m (18,570). Other assets under management consist of assets in PostNords Försäkringsförening, SEK 1,408m (1,670) and pension insurance with Skandia SEK 37m (31). Real return on assets under management totaled SEK 2,132m (269), including interest income of SEK 434m (518).

The activities of Pensionsstiftelsen are governed by an investment policy subject to the adoption by its Board of Directors. The overall objective of Pensionsstiftelsen is to manage its assets with regard to the Group's pension obligations for which Pensionsstiftelsen has received funds. The composition of and return on the assets shall adequately ensure that the Group can meet the pension payments that Pensionsstiftelsen assures.

Pensionsstiftelsen's allocation strategy is based on an asset liability management (ALM) analysis. The forecast pension liability is measured against the anticipated return on the assets, together with risk and historical correlations, in order to determine an appropriate asset allocation and level of risk. The asset allocation and Pensionsstiftelsen's management shall ensure that the long-term target for return on investment is achieved, at a level of risk that is justifiable and reasonable. The return achieved on asset management varies from year to year, depending on a range of separate external factors. This means that the return on investment target is to be regarded as a target for return achieved over a longer term.

Pensionsstiftelsen strives for a well-balanced diversification between and within categories of asset, based on historic risk-adjusted return and correlations, as well as anticipated risk-adjusted return. Diversification reduces the risk represented by the assets. The allocation over various classes of asset is established with ranges providing for flexibility.

39% (33) of Pensionsstiftelsen's assets are traded in an active market. The asset allocation at Pensionsstiftelsen on December 31, 2019 was as follows: fixed-income and high-yield SEK 3,087m (2,502), cash and cash equivalents including forward contracts SEK 1,581m (1,989), unlisted assets SEK 10,633m (10,378m), shares SEK 3,974m (3,701) and raw materials SEK 692m (-).

Sensitivity analysis

At year-end 2019, PostNord had funded pension commitments of SEK 22,874m (20,330) and assets under management of SEK 21,411m (20,271). In addition to funded commitments, a pension liability is provided for on the statement of financial position, divided into vested pension commitments of SEK 1,529m (1,381) and non-vested pension commitments of SEK 955m (916). The Group's pension commitments are measured on the basis of the above-mentioned actuarial assumptions and the assets under management are measured at fair value. With regard to the "interim provisions", an allocation of 60% of the total obligation is made under these provisions - an increase in 2019 from 50% - a take-up rate based on experience. Special payroll tax is also taken into account. Any change in the obligation as required by the interim provisions as a result of any change in the take-up rate is recognized as income or expense. For more information on the impact on income from changes in take-up rate in interim provisions, see table.

Note 22 (cont.)

Sensitivity analysis excl. special payroll tax on pensions, SEKm	Change	Impact on income		Impact on statement of financial position items and other comprehensive income		
		Forecast cost (service cost)	Net financial items	Impact on pension liability	Impact on market value of assets	Impact after tax on other comprehensive income
Actuarial assumptions						
Change in discount rate and anticipated return on assets under management	+0.1% point	6	2	-381	-	-303
	-0.1% point	-7	-1	391	-	311
Change in actual return on assets under management	+0.1% point	-	-	-	-21	-17
	-0.1% point	-	-	-	21	17
Change in pay	+0.5% point	-16	-4	312	-	249
	-0.5% point	12	3	-244	-	-194
Change in income base amount	+0.5% point	4	1	-62	-	-49
	-0.5% point	-5	-1	81	-	64
Change in inflation	+0.5% point	-27	-26	1,851	-	1,473
	-0.5% point	22	23	-1,620	-	-1,290
Life expectancy, years	+1 year	-12	-15	1,082	-	861
	-1 year	12	15	-1,061	-	-844
Take-up rate, rights under interim provisions						
Change in take-up rate, rights under interim provisions	+0.5% point	-1	-1	74	-	59
	-0.5% point	1	1	-74	-	-59

Note 23 Other provisions

2019 Jan-Dec, SEKm	Opening balance	Provisions	Reversals	Utilizations	Translation effect	Closing balance
Transformation measures						
Provision for personnel redundancies and other cutbacks	3,147	252	-5	-1,133	110	2,371
Non-vested pension commitments						
Special payroll tax	227	9	-	-54	51	233
Non-vested pension commitments	929	38	-	-223	213	957
Miscellaneous						
Work-related injuries	26	1	-	-	1	26
Provision for anniversary bonus	44	-	-	-3	2	43
Total	4,372	300	-5	-1,413	377	3,631
<i>of which current</i>	<i>980</i>					<i>1,083</i>
<i>of which non-current</i>	<i>3,392</i>					<i>2,548</i>

Anticipated payments, SEKm	1 year	2 years	3 years	> 3 years
Transformation measures	1,078	875	67	351
Non-vested pension commitments ^{1),2)}	95	128	147	570
Work-related injuries ²⁾	3	3	3	20
Provision for anniversary bonus	5	4	4	30
Total	1,181	1,010	221	971

¹⁾ Anticipated payments for non-vested pensions (excl. special payroll tax) have been calculated in accordance with IAS 19. Non-vested pension commitments and work-related injuries are recognized in their entirety as non-current provisions.

²⁾ Anticipated payments deviate from recognized provisions because the provisions are calculated at present value.

2018 Jan.-Dec., SEKm	Opening balance	Provisions	Reversals	Utilizations	Translation effect	Closing balance
Transformation measures						
Provision for personnel redundancies and other cutbacks	1,127	2,623	-9	-640	46	3,147
Non-vested pension commitments						
Special payroll tax	214	10	-	-60	63	227
Non-vested pension commitments	884	42	-	-249	253	929
Miscellaneous						
Work-related injuries	32	-	-	-	-7	26
Provision for anniversary bonus	58	1	-	-16	2	44
Total	2,316	2,676	-9	-966	356	4,372
<i>of which current</i>	<i>592</i>					<i>980</i>
<i>of which non-current</i>	<i>1,724</i>					<i>3,392</i>

Note 23 (cont.)
Provisions for transformation measures

Recognized provisions consist above all of transformation measures affecting personnel. The previous year's provisions concerned for the most part transformation measures involving personnel reductions in Denmark for employees with special employment conditions, in connection with the transition to the new production model. The amounts are calculated on the basis of management's best estimates.

The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer likely that an outflow of funds will be required to settle the commitment, the provision is reversed.

Provisions and reversals for transformation with an impact on other personnel expenses amounted to SEK 206m (2,595). Provisions and reversals for transformation with an impact on other expenses amounted to SEK 41m (19). The impact of provisions for non-vested pension commitments, pension settlement with the Danish State and provision for anniversary bonus is recognized in personnel expenses.

The utilization for transformation costs amounted to SEK 1,133m (640). The effect of discounting is recognized among financial items in the income statement. Translation differences arising from foreign exchange effects are recognized in other comprehensive income.

Provision for estimated future non-vested pensions

PostNord is liable for non-vested pension commitments under "interim provisions". These provisions apply to certain personnel who, under the terms of their employment, are entitled to retire at 60 or 63 years of age. Special payroll tax has also been taken into account.

For further information, see Provision for estimated future non-vested pensions and Provision for ultimate liability in Note 22 Pensions.

Other provisions

Provision for work-related injuries consists of payments in the form of accident annuities, as defined in the law on occupational injury insurance, and of occupational injury annuities.

Provisions for anniversary bonus consist of anticipated future anniversary bonuses in the form of extra pay and holidays awarded when the employee has completed 25 or 40 years of service at Post Danmark A/S.

Present value

Provisions for which the payment period extends over several years are normally discounted to present value. Effects of discounting included in the changes for the year are presented separately when they reach substantial amounts. Provisions for non-vested pensions have payment periods extending over several years. In the case of this provision, a present value calculation is not presented separately, since it is covered by IAS 19. See also Note 22 Pensions.

Anticipated payments for provisions

The amounts stated correspond to the anticipated outcome that forms the basis for calculating the amount for the provisions, but cannot be considered entirely as real payment flows since certain costs are not matched by payments. Such costs include, for example, certain expenses relating to personnel cutbacks.

Note 24 Accrued expenses and deferred income

SEKm	Dec. 31, 2019	Dec. 31, 2018
Provision for stamps sold but not used	454	329
Accrued payroll expenses	365	387
Holiday pay liability	1,048	1,206
Social insurance costs	269	300
Terminal fees	478	340
Derivatives	71	13
Other items	754	764
Closing balance	3,439	3,339

Note 25 Pledged assets and contingent liabilities

SEKm	Dec. 31, 2019	Dec. 31, 2018
Pledged assets for own liabilities		
Real estate mortgages ¹⁾	303	364
Pledged assets ²⁾	218	219
Total	521	583
Contingent liabilities		
Guarantees, PRI	86	90
Guarantees, other	1	13
Total	87	103

¹⁾ Collateral for part of Non-current interest-bearing liabilities.

²⁾ Endowment insurance policies and collateral for portion of rent payments.

Disputes

PostNord conducts national and international operations on a major scale and so becomes involved in disputes and legal proceedings that from time to time arise in the business. Such disputes and legal proceedings are not expected to adversely affect PostNord's earnings, profitability or financial position, either individually or in combination, to any material degree.

Note 26 Investment obligations

On December 31, 2019, the Group had contracted to purchase property, plant and equipment. The investments totaled SEK 272m (347) in value and consisted primarily of transportation and sorting equipment and vehicles. It is expected that most obligations will be settled at the end of 2020.

Note 27 Financial risk management and financial instruments

The Group's management of financial risks is governed by the financial policy adopted by PostNord's Board of Directors. The policy consists of guidelines on cash management, financing and financial risk management. Group Treasury is responsible for issuing instructions and guidelines, and for supporting, advising and coordinating the Group's activities to ensure that the financial policy is observed. The Group's management of financial risk is intended to support the Group's goals and strategies, by sustainably securing financing, liquidity and a balanced financial position that takes all financial risks into account at all times. Financial risks are divided into the categories of refinancing risk, credit risk, interest rate risk, currency risk, electricity price risk, fuel price risk and market risk in asset management. The objective of risk management is to prevent financial risks from adversely affecting the Group's results and financial position to any material extent. A focus on identifying the risks to which financial results and cash flows are exposed shall be maintained at all times. Credit and market risks (currency, interest rate, electricity price and fuel price) shall be managed in a professional and proactive way, for example by entering into derivative contracts or by requesting collateral to limit credit risk.

Pledged assets and contingent liabilities are to be provided on a restrictive basis, in accordance with the Group's delegated authority procedure.

Liquidity management and financing

The Group's policy is to centralize and coordinate management of the Group's cash and cash equivalents for effective deployment within predefined risk limits. The Group coordinates financing in the main via the Group's Parent Company. Availability of cash and cash equivalents is secured via Group accounts. Surplus liquidity is to be invested in instruments that are approved within the scope of maximum credit risk. Foreign currency investments are also permitted, provided that currency risk is hedged.

Risk definitions and policy

Refinancing risk

Refinancing risk is defined as the risk that cash and cash equivalents are not available and/or that financing either cannot be obtained or can only be obtained at considerably higher cost. The Group's policy on refinancing risk policy consists of maintaining, at any one time, payment readiness of a scope that is designed to handle internal and external risks, and to cope with seasonal variations. The Group's financial preparedness shall amount to no less than SEK 1,000m (1,000). Part of the Group's financial preparedness consists of unutilized confirmed revolving overdraft facilities of SEK 2,000m (2,000) which runs until 2021.

Liquidity preparedness SEKm	Dec. 31, 2019	Dec. 31, 2018
Cash and cash equivalents	3,398	3,088
Short-term liquid investments	-	101
Unutilized long-term confirmed credit facilities	2,000	2,000
Short-term unconfirmed interest-bearing liabilities, excl. leasing	-	-1,614
Net liquidity preparedness	5,398	3,574

Credit risk

Credit risk refers to the risk that a borrower may be unable to meet his obligations. Credit risk also includes the risk that, where an inability to meet a payment obligation exists, collateral or guarantee furnished may not cover the claim. A credit risk arises (i) in sales to customers, in approval of advance payments to suppliers and in acceptance of guarantees, and (ii) within the Group's cash management and the use of derivative contracts.

The Group's policy is that the granting of credit shall be based on commercial considerations and risk assessment in order to ensure that the credit risk is balanced. When cash and cash equivalents are invested, credit risk is managed by investing in low credit risk assets and by spreading risk. Credit risk is to be limited via regular credit checks on major credit lines and by monitoring credit and payment information.

Credit risk in trade receivables

Credit risk relating to credit sales is managed by the country organization concerned and all customers are subject to a credit assessment before the credit is granted for the first time, on the basis of information provided by credit rating companies.

Credit risk in financial activities

Credit risk in financial activities is managed by the central financial management function, with a credit limit based on ratings from Moody's, Standard & Poor's or the equivalent. Trading is governed via decisions on maximum credit risk per borrower. Every counterparty undergoes a credit check before being approved as a receiver of credit. Within the scope of the Group's management of financial risks, derivative contracts have been entered into with three banks. PostNord uses derivatives only as hedging instruments. Derivative contracts represent a credit risk to the Group if the counterparty fails to meet his obligations. In order to limit this exposure, ISDA agreements have been entered into with all three banks. Under the ISDA agreements, receivables and liabilities may be offset in the event of suspension of payments by, or insolvency of, the counterparty. In the event of default by the counterparty, interest swap and currency derivative liabilities may be offset against the corresponding receivable. The ISDA agreements are recognized gross, see Note 18 and Note 24.

Age breakdown for trade receivables SEKm	Dec. 31, 2019	Dec. 31, 2018
Trade receivables not due	3,900	3,960
Due but not impaired:		
1-30 days	798	866
31-90 days	108	118
>90 days	154	94
Total	4,961	5,037
Provision for expected credit loss	-33	-28
Total	4,928	5,009

Provision for expected credit loss SEKm	Jan.-Dec. 2019	Jan.-Dec. 2018
Opening balance	-28	-33
Provisions	-18	-17
Utilizations/Reversals	13	22
Closing balance	-33	-28

Confirmed credit losses totaled SEK 16m (11).

Interest rate risk

Interest rate risk is defined as the risk of the Group's earnings being affected by changes in market interest rates. Interest rate risk is calculated on the basis of the Group's outstanding interest-bearing debt, including derivative instruments. Shorter fixed-interest periods mean higher earnings sensitivity. Longer fixed-interest periods mean higher earnings stability but may also be a disadvantage when market interest rates fall. The Group's policy is to limit earnings sensitivity to changes in market interest rates and to strive for an attractive cost of cost of capital. Interest rate sensitivity is controlled via a fixed-interest target for the Group's outstanding interest-bearing liabilities including derivative instruments.

Sensitivity analysis interest rate risk

Balance sheet item	Change in market interest rates:	2019 Impact on income, SEKm	2018 Impact on income, SEKm
Cash and cash equivalents	+/-1% point	+/-33	+/-32
Interest-bearing liability	+/-1% point	-/+17	-/+19

Currency risk

Currency risk is defined as the risk of the value of assets and liabilities in foreign currency changing as a result of changes in exchange rates. The Group operates businesses in several countries and conducts transactions in several foreign currencies, which creates risk in connection with exchange rate fluctuations. Currency risk is calculated on the assumption that no currency risk is present between EUR and DKK as long as Denmark is a member of ERM 2. Currency exposure to any particular currency is measured as the net position.

Note 27 (cont.)

Total currency exposure is calculated as the sum of absolute values for net exposure in particular currencies. This affects both transaction exposure and translation exposure.

Electricity price risk

Electricity price risk consists of the risk that volatility in market prices will increase or decrease the cost of electricity supply. Electricity price risk may be limited via agreements with suppliers or the use of forward contracts. The Group's policy is strive for an attractive cost for electricity supply.

Fuel price risk

Fuel price risk consists of the risk that volatility in market prices will increase or decrease the cost of the Group's fuel supply. Fuel price risk is managed mainly via fuel price clauses in customer and supplier contracts, but forward contracts may also be used. The Group's policy is strive for an attractive economic cost for fuel consumption.

Contracted transaction exposure

The table summarizes transaction exposure in the statement of financial position and hedged investment flows. No hedging is used for forecast currency flows.

Transaction exposure

The major share of invoicing, purchasing and wages/salaries are in the currency of the Group company concerned. Currency hedging is used primarily in the case of cross-border communication and logistics services. Transaction exposure is reduced by matching inward and outward payment flows in the particular currency and by entering into forward currency contracts. Alongside contractual currency flows, forecast currency flows over up to 12 months may also be included. Transaction exposure is managed by the particular Group company that is responsible for identifying the currency risk in the business. Currencies with the highest gross position are reported separately in the table Transaction exposure.

Transaction exposure

Currency in SEKm	2019			2018		
	Position	Hedged	Net position	Position	Hedged	Net position
EUR/DKK	-55	44	-11	-89	32	-57
NOK	339	-323	16	-26	22	-4
USD	-75	84	9	68	-20	48
Other currencies	126	-150	-24	99	-80	20
Total	335	-345	-10	53	-46	7

Translation exposure

Translation exposure is defined as the value of net assets in foreign Group companies and arises within the Group in translation to the functional currency of the Parent Company. The Group's policy is that translation exposure is an acceptable risk, provided that it does not represent any risk to the Group's financial targets or breach of financial covenants. Consequently, translation exposure is limited only through annual adjustment to the Group companies' capital structure and when the Parent Company is financed in currencies other than its functional currency in order to obtain a natural hedge.

Group translation exposure

Currency	2019			2018		
	SEKm	%	+/-1%	SEKm	%	+/-1%
DKK	2,157	41	22	1,320	33	13
EUR	748	14	7	534	13	5
NOK	2,149	41	21	2,024	51	20
Other currencies	146	3	1	126	3	1
Total	5,200	100	52	4,003	100	40

Contractual maturities of interest-bearing liabilities, Dec. 31, 2019, SEKm	Nominal amount	within 0-1 year	within 1-2 years	within 2-3 years	within 3-4 years	within 4-5 years	Later
Bond loans	2,400	-	500	500	800	600	-
Liabilities to credit institutions	1,301	-	-	-	-	200	1,101
Commercial paper	-	-	-	-	-	-	-
Total interest-bearing liabilities	3,701	-	500	500	800	800	1,101
Interest payments		47	46	39	36	24	19
Interest swaps							
- Liabilities		1	1	0	-	-	-
- Receivables		0	0	0	-	-	-
Total forecast interest payments		48	47	39	36	24	19
Total, net		48	547	539	836	824	1,120

Contractual maturities of interest-bearing liabilities, Dec. 31, 2018, SEKm	Nominal amount	within 0-1 year	within 1-2 years	within 2-3 years	within 3-4 years	within 4-5 years	Later
Bond loans	2,250	950	-	500	-	800	-
Liabilities to credit institutions	361	64	-	-	-	-	297
Commercial paper	600	600	-	-	-	-	-
Finance lease liabilities	3	2	1	-	-	-	-
Total interest-bearing liabilities	3,214	1,616	1	500	-	800	297
Interest payments		20	16	15	12	11	9
Interest swaps							
- Liabilities		1	1	1	-	-	-
- Receivables		-	-	-	-	-	-
Total forecast interest payments		21	17	16	12	11	9
Total, net		1,637	18	516	12	811	306

Current liabilities consist mainly of trade payables, other current liabilities and terminal fees fall due for payment in all essential respects within 12 months of the financial year-end.

Market risk in assets under management

Assets are managed by the Group's related entities Postens Pensionsstiftelse and PostNords Försäkringsförening. The Group shall strive to ensure that pension assets are managed prudently. The allocation shall be based on regular ALM analysis to maintain a well-balanced level of risk at any one time.

Note 27 (cont.)

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2019						
	Financial assets measured at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at fair value via other comprehensive income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	-	15	-	-	-	15	15
Currency derivatives	2	-	-	-	-	2	2
Trade receivables	-	4,928	-	-	-	4,928	4,928
Terminal fees ¹⁾	-	489	-	-	-	489	489
Cash and cash equivalents	-	3,398	-	-	-	3,398	3,398
Non-current interest-bearing liabilities	-	-	-	-	-3,872	-3,872	-3,894
Trade payables	-	-	-	-	-2,811	-2,811	-2,811
Other current liabilities	-	-	-	-	-1,099	-1,099	-1,099
Currency derivatives	-	-	-71	-	-	-71	-71
Interest rate derivatives, hedge accounting	-	-	-	0	-	0	0
Terminal fees	-	-	-	-	-478	-478	-478
Total financial assets and liabilities, by category	2	8,830	-71	0	-8,260	501	479

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2018						
	Financial assets measured at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at fair value via other comprehensive income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	-	20	-	-	-	20	20
Currency derivatives	16	-	-	-	-	16	16
Trade receivables	-	5,009	-	-	-	5,009	5,009
Terminal fees ¹⁾	-	504	-	-	-	504	504
Short-term investments	-	101	-	-	-	101	101
Cash and cash equivalents	-	3,088	-	-	-	3,088	3,088
Non-current interest-bearing liabilities	-	-	-	-	-1,595	-1,595	-1,600
Current interest-bearing liabilities	-	-	-	-	-1,619	-1,619	-1,621
Trade payables	-	-	-	-	-2,584	-2,584	-2,584
Other current liabilities	-	-	-	-	-1,167	-1,167	-1,167
Currency derivatives	-	-	-13	-	-	-13	-13
Interest rate derivatives, hedge accounting	-	-	-	0	-	0	0
Terminal fees	-	-	-	-	-340	-340	-340
Total financial assets and liabilities, by category	16	8,722	-13	0	-7,305	1,420	1,413

¹⁾ Terminal fees are payment for production services performed in the receiving country, for mail posted in another country, under international agreements between countries. Terminal fees are recognized under Prepaid expenses and accrued income and in Accrued expenses and deferred income in the Statement of financial position.

Recognition and fair value measurement of financial instruments

Fair value for currency derivatives is calculated using listed currency forward contracts on the accounting date and a calculation of the present value based on the yield curve for the currency concerned.

Fair value of interest rate derivatives is calculated using the present value of estimated future cash flows. Estimated cash flows are discounted using the yield curve and the reference interest rate in the currency concerned.

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.

Certain of the Group's financial instruments are recognized at fair value, with measurement being determined in accordance with the three levels defined in IFRS 7. In the PostNord Group only level 2 is used.

Level 2

The fair value of financial instruments is determined using valuation models based on other observable market data. Examples of observable data at level 2 are market interest rates and yield curves. In cases where a listed price is not available, straight interpolation is used.

Financial assets and liabilities by level, SEKm	Level 2, Dec. 31, 2019	Level 2, Dec. 31, 2018
Financial assets		
Short-term investments	-	101
Currency derivatives	2	16
Total financial assets	2	117
Financial liabilities		
Currency derivatives	71	13
Interest rate derivatives	0	0
Total financial liabilities	71	13

The Group has outstanding currency derivatives above all in DKK, NOK and EUR. The nominal amount for interest rate derivatives was SEK 600m (400).

Note 28 Related party transactions

Group companies

For deliveries of services and products between Group companies, market prices are applied.

For a detailed list of Parent Company and Group participations in Group companies and associated companies, see Note 6 to the Parent Company's financial statements.

The Swedish State

Under Sweden's Postal Services Act, PostNord is mandated by the Swedish State to provide a universal postal service. Like other postal operators in Sweden, PostNord must obtain a license to operate postal services. For this license, PostNord paid SEK 18m (18) to the Swedish Post and Telecom Authority (PTS). In addition, PostNord paid PTS SEK 8m (9) for handling of undeliverable mail.

PostNord received SEK 19m (20) from PTS in remuneration under agreements on the procurement of postal services for the disabled.

PostNord AB received a capital contribution of SEK - m (400) from the Swedish State.

The Danish State

In 2018, the Danish State paid an amount of SEK 1,533m to PostNord to cover the costs of termination the employment of personnel in Denmark with special employment conditions, a process that Post Danmark A/S is required to carry out in order to transform its operations. The compensation was approved by the EU Commission. In the event that Post Danmark has been overcompensated with regard to the intended purpose, Post Danmark A/S is required to repay the excess amount to the Danish State. PostNord's view is that no such repayment obligation will arise.

Under Denmark's postal legislation, PostNord is mandated by the Danish State A/S to provide a universal postal service via Post Danmark. In accordance with the agreement between Post Danmark A/S and the Danish Transport and Construction Agency, fees totaling SEK 1m (2) were recognized.

During the period, Post Danmark A/S paid pension premiums to the Danish State in the amount of SEK 140m (140) on behalf of the group of salaried employees who were employed before corporatization.

PostNord AB received a capital contribution of SEK - m (267) from the Danish State.

Other organizations in Sweden

PostNords Försäkringsförening (the PostNord Insurance Association) is a friendly society that operates autonomously from the PostNord Group and under the supervision of Finansinspektionen. The Association insures PostNord's obligations in connection with employee disability and family pension insurance under the ITP-P plan. During the period, the Group's Swedish companies received benefits totaling SEK 12m (13), paid premiums of SEK 1m (33) and received a refund of SEK 200m (-).

Postens Pensionsstiftelse (the Posten Pension Fund) manages pension obligations on behalf of PostNord Group AB and PostNord Sverige AB. These companies capitalize new pension obligations at Pensionsstiftelse and are credited with pensions paid out.

A total of SEK 181m (203) was capitalized to the fund and a credit of SEK 903m (1,188) was received.

Senior executives

For more information on salaries and other remuneration to senior executives and Board members, see Note 5 Employees, personnel expenses and executive remuneration.

All members of the Group Board of Directors and the Group Executive Team at PostNord have been requested to notify in writing any business relationships they have with PostNord and whether such were established on a commercial basis. No such relations were reported in 2019 and 2018.

Note 29 Supplementary disclosures, Statement of cash flows

SEKm	2019	2018
Interest paid		
Interest received	22	13
Interest paid	45	57
Adjustments for non-cash items		
Amortization of non-current assets	1,253	1,223
Amortization and impairments, right-of-use assets	1,148	-
Impairment losses, property, plant and equipment	7	27
Impairment losses, non-current intangible assets	125	-
Impairment of other assets	57	-
Capital gain/loss on assets	16	-91
Change in pension liability	462	561
- of which credit from Postens Pensionsstiftelse	903	1,188
- of which capitalization to Postens Pensionsstiftelse	-181	-203
- of which pensions paid	-1,098	-1,057
Other provisions	-1,111	1,748
Total	1,958	3,468

Reconciliation of interest-bearing liabilities attributable to financing activities

2019 Jan-Dec, SEKm	Opening balance	Net cash flows	Non-cash items			Closing balance
			Impact of changes in exchange rates	Newly acquired and modified right-of-use assets	Reclassification	
Non-current interest-bearing liabilities	1,769	2,095	8	-	-	3,872
Long-term lease liabilities	1	-	-	-1	-	-
Current interest-bearing liabilities	1,614	-1,615	1	-	-	-
Current lease liabilities	5	-	-	-5	-	-
Short-term lease liability, as per IFRS 16 ¹⁾	-	-	-	-	1,202	1,202
Long-term lease liability, as per IFRS 16 ¹⁾	5,374	-1,086	29	1,378	-1,218	4,476
Total change in liabilities arising from financing activities	8,763	-606	38	1,372	-17	9,550

¹⁾ Adoption of IFRS Leases on January 1, 2019.

2018 Jan.-Dec., SEKm	Opening balance	Net cash flows	Non-cash items		Closing balance
			Impact of changes in exchange rates		
Non-current interest-bearing liabilities	3,553	-1,808	24		1,769
Long-term lease liabilities	3	-2	-		1
Current interest-bearing liabilities	215	1,399	-		1,614
Current lease liabilities	7	-2	-		5
Total change in liabilities arising from financing activities	3,778	-413	24		3,389

Note 30 Acquisitions and disposals

No material acquisitions or disposals took place during 2019 or 2018.

Note 31 Events after the reporting date

No major events took place after the reporting period.

Note 32 Definitions and alternative key performance indicators

Alternative key performance indicators

References are made to a number of alternative financial measures that are not defined in IFRS. These key performance indicators provide additional information and are used as guidance to external stakeholders and management in their analysis of the Company's operations. Because not all companies calculate financial measures in the same way, these indicators are not always comparable with measures used by other companies.

The alternative key performance indicators used by PostNord are important in managing the organization and ensuring that a focus is maintained on value-creating activities. Return on operating capital (ROCE) and net debt ratio are objectives that have been set for PostNord by its owners.

Return on operating capital (ROCE)

Definition: Operating income for a rolling 12-month period, in relation to average operating capital.

Purpose: Return on operating capital (ROCE) and net debt ratio are objectives that have been set for PostNord by its owners. These key performance indicators are clearly correlated to capital efficiency. ROCE is a measure for comparing profitability between companies, based on the capital that is used in the business and the profit that is generated.

EBITDAI

Definition: Operating income excluding depreciation and impairments.

Purpose: EBITDAI is used to analyze operational activities without focusing on investments and any impairment losses.

Financial preparedness

Definition: Cash and cash equivalents, short-term investments and unutilized committed credit line.

Purpose: Financial preparedness aims to shed light on the Group's current capacity to fulfil payments.

Adjusted operating income

Definition: Operating income excluding items affecting comparability.

Purpose: Adjusted operating income aims to improve comparability over time by separating out items affecting comparability.

Adjusted operating margin

Definition: Adjusted operating income in relation to net sales.

Purpose: Adjusted operating margin aims to improve comparability over time by separating out items affecting comparability.

Adjusted return on operating capital

Definition: Adjusted operating income in relation to average operating capital.

Purpose: Adjusted return on operating capital aims to improve comparability over time by separating out items affecting comparability.

Items affecting comparability

Definition: Items that are not recurring, or that do not relate directly to operational activities, together with provisions for transformation that are to be paid in years ahead. The items must be of a material nature. For example, capital gains on sales of assets, impairment of assets, provisions relating to years ahead.

Ongoing transformation costs are not regarded as items affecting comparability.

Net debt

Definition: Interest-bearing liabilities, provision for pensions, minus cash and cash equivalents, financial investments, financial receivables as described in IAS 19 that are recognized as other non-current receivables and short-term investments.

Reconciliation with financial statements, December 31, SEKm	2019	2018
Interest-bearing liabilities, current	-	1,619
Current lease liabilities	1,202	-
Interest-bearing liabilities, long-term	3,872	1,770
Long-term lease liabilities	4,476	-
Pensions ¹⁾	4,211	2,576
Financial investments	-198	-198
Non-current receivables ²⁾	-711	-963
Short-term investments	-	-101
Cash and cash equivalents	-3,398	-3,088
Net debt	9,454	1,614

¹⁾ Including assets under management. When the plan assets exceed the estimated present value of the pension commitments, they are recognized as 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

Definition: Net debt in relation to EBITDAI.

Purpose: Net debt/EBITDAI sheds light on the organization's capacity to pay its debts.

Net debt ratio (IFRS 16 not applied)

Definition: Net liabilities in relation to equity.

Purpose: This key performance indicator indicates a clear connection with capital efficiency.

Operating capital

Definition: Non-interest-bearing assets, less non-interest-bearing liabilities.

Purpose: Operating capital is a measure of the capital that is "at work" in the business and is used in the calculation of ROCE.

Operating margin

Definition: Operating income in relation to net sales.

Other key indicators:

Basic staff

Refers to all full- and part-time regular employees.

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.

Earnings per share

Share of net earnings attributable to parent company shareholders divided by the average number of shares outstanding.

Parent company

Income statement

SEKm	Note	2019	2018
	1,2		
Other operating income		27	14
Operating revenue		27	14
Personnel expenses	3	-43	-24
Other expenses	4	-76	-6
Operating expenses		-119	-30
OPERATING INCOME		-92	-16
Impairment of shares in subsidiaries		-	-815
Interest income and similar items	5	0	2
Interest expenses and similar items	5	-39	-38
Financial items		-39	-851
Income after financial items		-131	-868
Group contributions received		230	51
Appropriations		230	51
Income before tax		99	-817
Tax		-22	-
NET INCOME		77	-817

Statement of comprehensive income

SEKm	2019	2018
Net income for the period	77	-817
Other comprehensive income for the period	-	-
COMPREHENSIVE INCOME	77	-817

Balance sheet

SEKm	Note	Dec. 31, 2019	Dec. 31, 2018
	1,2		
ASSETS			
Participations in Group companies	6	10,861	10,861
Interest-bearing receivables		32	27
Total non-current assets		10,893	10,888
Interest-bearing receivables from Group companies	9	8,040	7,558
Other receivables		9	2
Other receivables from Group companies	9	239	51
Prepaid expenses and accrued income		0	1
Total current assets		8,288	7,612
TOTAL ASSETS		19,181	18,500
EQUITY AND LIABILITIES			
Restricted equity			
Capital stock	7	2,000	2,000
Share premium reserve		10,141	10,141
Non-restricted equity			
Retained earnings		3,473	4,290
Net income for the period		77	-817
TOTAL EQUITY		15,690	15,614
LIABILITIES			
Interest-bearing liabilities	9	3,426	1,323
Other non-current liabilities		8	7
Total non-current liabilities		3,434	1,330
Current interest-bearing liabilities	9	-	1,550
Other current liabilities	9	43	2
Accrued expenses and deferred income	9	14	5
Total current liabilities		57	1,557
TOTAL LIABILITIES		3,491	2,887
TOTAL EQUITY AND LIABILITIES		19,181	18,500

Statement of cash flows

SEKm	Note	2019	2018
	10		
OPERATING ACTIVITIES			
Income before tax		99	-817
Appropriations		-230	-51
Adjustments for non-cash items		22	819
Income tax paid		-4	0
Cash flows from operating activities before changes in working capital		-113	-49
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-11	-
Increase (+)/decrease (-) in operating liabilities		14	0
Changes in working capital		3	0
Cash flow from operating activities		-110	-49
INVESTING ACTIVITIES			
Changes in Group receivables		-487	-429
Cash flows from investing activities		-487	-429
FINANCING ACTIVITIES			
Amortization of loans		-1,550	-2,450
New loans		2,096	2,171
Shareholder contribution		-	667
Group contributions received		51	90
Cash flows from financing activities		597	478
CASH FLOWS FOR THE PERIOD		-	-
Cash and cash equivalents at start of year		-	-
Cash and cash equivalents at year-end		-	-

Statement of changes in equity

SEKm	Restricted equity		Non-restricted equity	
	Share capital	Share premium reserve	Retained earnings incl. net income for year	Total
Opening balance Jan. 1, 2018	2,000	10,141	3,623	15,764
Contribution from owners	-	-	667	667
Comprehensive income for the period	-	-	-817	-817
Shareholders' equity, closing balance Dec. 31, 2018	2,000	10,141	3,473	15,614
Opening balance Jan. 1, 2019	2,000	10,141	3,473	15,614
Comprehensive income for the period	-	-	77	77
Shareholders' equity, closing balance Dec. 31, 2019	2,000	10,141	3,550	15,690

Notes to Parent Company financial statements

Note 1 Accounting principles

The Parent Company applies in the main the same accounting principles as the Group, and thus RFR 2, Accounting for Legal Entities. The differences between the Parent Company's and the Group's accounting principles result from limits on the Parent Company in application of IFRS under the Annual Accounts Act, the Act on Safeguarding of Pension Commitments (Tryggandelagen) and, to some extent, from tax considerations. The Parent Company therefore does not apply IFRS 15 and IFRS 16, and a provision for expected customer losses as defined in IFRS 9 has been calculated but judged to be immaterial.

Changes in accounting principles arising from new or amended IFRS

A number of new or amended IFRS will not come into force until future financial years and have not been adopted early in the preparation of financial statements; for more information see Note 1 to the Consolidated financial statements.

Participations in subsidiaries, associated companies and joint ventures

Participations in subsidiaries, associated companies and joint ventures are recognized in the Parent Company in accordance with the cost method. If the carrying amount for the Parent Company's holding in the subsidiary, associated company or joint venture exceeds the carrying amount in the financial statements, this is taken as an indication that an impairment loss has arisen and an impairment test is to be performed.

Group contributions are recognized as appropriations.

Dividends

Dividends from subsidiaries, associated companies and joint ventures are recognized as income when the right to distribution has been determined.

Anticipated dividends from subsidiaries are recognized if the Parent Company has the sole right to determine the size of the dividend and has determined the size of the dividend before publishing its financial statements.

Employee benefits

Pension obligations on behalf of salaried employees, which obligations are secured via pension insurance policies, are recognized in the Parent Company under the heading Defined-contribution plan. Pension expenses are charged to operating income.

Financial guarantees

The Parent Company's financial guarantee contracts consist of guarantees on behalf of subsidiaries and joint ventures. Under financial guarantees, the Company has an obligation to compensate holders of debt instruments in respect of losses that the latter may incur by reason of a specified debtor failing to make payment when due in accordance with the terms of the contract. The Parent Company applies RFR 2 for recognition of financial guarantee contracts. The rules of IFRS 9 concerning financial guarantee contracts are not applied to guarantee contracts on behalf of subsidiaries, associated companies and joint ventures. Instead, the rules on recognition and measurement stated in IAS 37 are applied. The Parent Company recognizes financial guarantee contracts as an appropriation in the balance sheet in cases where PostNord is under an obligation for which payment is likely to be required to settle the obligation.

Taxes

In the Parent Company, untaxed reserves are recognized including deferred tax liabilities.

Segment reporting

The Parent Company's business consists solely of one activity, the management of Group functions.

Note 2 Significant assessments and estimates

When preparing the financial statements, management has made assessments and estimates that affect the Group's reporting. These assessments and estimates are based on what was known at the time the accounts were presented, and on historic experience and the assumptions that management considers reasonable in the given circumstances. The conclusions that management has drawn form the basis of the carrying amounts. Actual outcomes, assessments and estimates in future financial statements over the year ahead may deviate from those contained in this report as a result of changes in external circumstances and newly gained experience.

Shares in subsidiaries

Assumptions are made about future circumstances in order to calculate future cash flows that will determine the recoverable amount. The recoverable amount is compared with the carrying amount for these assets and represents the basis for possible impairment or reversals. The assumptions that most affect the recoverable amount are future changes in income, discount rate and useful life of the asset. If future environmental factors and circumstances change, these assumptions may be affected so that the carrying amounts of the Parent Company's assets change.

Note 3 Employees and personnel expenses

Personnel expenses, SEKm	2019	2018
Salaries and other remuneration ¹⁾	28	14
Statutory social insurance costs	10	6
Pension expenses	4	4
Other personnel expenses	2	-
Total	43	24

¹⁾ Provision for agreed severance payment included.

The Parent Company has 1 (2) employees, the President/Chief Executive Officer and, until April, 2019, the Group's CFO. The President/CEO, Annemarie Gardshol, has a monthly salary of SEK 695t (-), a retirement insurance policy with a monthly premium of SEK 39t (-) and an endowment insurance policy with a monthly premium of SEK 166t (-).

The former President/CEO, Håkan Ericsson, had a monthly salary of SEK 791t (791), a retirement insurance policy with a monthly premium of SEK 39t (38) and an endowment insurance policy with a monthly premium of SEK 193t (194).

Note 4 Fees and reimbursement of expenses to auditors

SEKm	2019	2018
Auditing assignments		
KPMG	1	1
Total	1	1

Audit assignments refers to the audit of the annual report and accounting records, as well as the Board of Directors' and President/Group CEO's administration of the Company, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during such audits or the performance of such other tasks. The expense is recognized under the heading Other expenses.

Note 5 Interest income, income expenses and similar income items

SEKm	2019	2018
Currency earnings	0	2
Total	0	2
Interest expenses	-38	-29
Other financial expenses	-2	-9
Total	-39	-38

See also Note 27 to the Consolidated financial statements, Financial risk management and financial instruments.

Note 6 Holdings of shares and participations in Group companies

SEKm	2019	2018
Historical cost, opening balance	11,676	11,676
Accumulated historical costs at year-end	11,676	11,676
Impairments, opening balance	-815	-
Impairment losses for the year	-	-815
Accumulated impairments at year-end	-815	-815
Closing balance	10,861	10,861

Shares held directly and indirectly by Parent Company PostNord AB, SEKm	Corporate registration number	Registered office	Country	Number of shares	Share of equity, %		Carrying amount in Parent Company Dec. 31, 2019
					Direct	Indirect	
PostNord Group AB	556128-6559	Solna	Sweden	600,000	100		10,861
PostNord Sverige AB	556711-5695	Solna	Sweden	1,000		100	
Tidningstjänst AB	556039-7480	Stockholm	Sweden	7,500		100	
Posten Leasing AB	556341-0009	Stockholm	Sweden	5,000		100	
Fastighets AB Penelope	556517-0544	Stockholm	Sweden	100		100	
Nässjöterminalen Kommanditbolag	916629-7458	Solna	Sweden	-		100	
Rosersberg Brevterminal AB	556819-9862	Stockholm	Sweden	1,000		100	
Hallsberg Brevterminal AB	556848-8133	Stockholm	Sweden	500		100	
KB Sveterm	916631-9492	Stockholm	Sweden	-		100	
Kardinalmärket 1 AB	556875-8899	Stockholm	Sweden	50,000		100	
Lokesvej 18 ApS	39605260	Copenhagen	Denmark	50,000		100	
Kometvej 15 ApS	39610809	Copenhagen	Denmark	50,000		100	
M. P. Allerupsvej 61 ApS	40895108	Copenhagen	Denmark	40,000		100	
PostNord Strålfors AB	556102-9843	Ljungby	Sweden	50,000		100	
PostNord Strålfors A/S	10068657	Brøndby	Denmark	200,000		100	
PostNord Strålfors Oy	0115061-7	Vantaa	Finland	2,100		100	
PostNord Strålfors AS	944997431	Oslo	Norway	870		100	
PostNordbolagen AB	556158-7006	Solna	Sweden	1,000		100	
Swedish Adressändring AB	556476-3562	Stockholm	Sweden	850		85	
AddressPoint AB	556587-5597	Stockholm	Sweden	1,700		85	
Direct Link Worldwide Ltd.	2911080	Hayes	UK	110,000		100	
Direct Link Worldwide Distribution Pte Ltd	199700772	Singapore	Singapore	700,000		100	
Direct Link Worldwide Pty Ltd	95493459	Sydney	Australia	1		100	
Direct Link Worldwide Company Ltd	34733122000	Hong Kong	China	1		100	
Direct Link Worldwide Inc.	112-797-736/000	New Jersey	USA	100		100	
Direct Link Worldwide GmbH	217864281	Griesheim	Germany	150		100	
Direct Link WorldWide Sp Zoo	5272719788	Zerniki	Poland	100		100	
PostNord Logistics GmbH	HRB8888HL	Lübeck	Germany	1		100	
PostNord AS	984054564	Oslo	Norway	117,570		100	
PostNord Terminal Trondheim AS	992079797	Oslo	Norway	406,220		100	
PostNord Terminal Langhus AS	990427321	Oslo	Norway	200,000		100	
PostNord Oy	1056251-7	Vanda	Finland	5,817		100	
PostNord OY Eesti filiaal	11472268	Harju	Estonia	-		100	
PostNord Logistics A/S	20148586	Copenhagen	Denmark	500,001		100	
PostNord TPL AB	556161-7191	Solna	Sweden	50,000		100	
PostNord TPL A/S	26115396	Brøndby	Denmark	100		100	
PostNord Termo AB	556454-1737	Solna	Sweden	8,000		100	
Post Danmark A/S	26663903	Copenhagen	Denmark	25,000,000		100	
Post Fleet Management A/S	79203114	Hvidovre	Denmark	400		100	
Distribution Services A/S	56448810	Copenhagen	Denmark	30		100	
Participations in associated companies							
e-Boks A/S	25674154	Copenhagen	Denmark	6,000,000		50	
eHUBnordic ApS	36959517	Copenhagen	Denmark	474,999		25	
Nordic Infrastructure A/S	40059423	Sønderborg	Denmark	392		50	

Note 7 Share capital and appropriation of Company's net income

Classes of share, number	Dec. 31, 2019	Dec. 31, 2018
Ordinary shares	1,524,905,971	1,524,905,971
Class B shares	475,094,030	475,094,030
Total	2,000,000,001	2,000,000,001

Quotient value per share is SEK 1. Every ordinary share entitles the holder to 1 vote and every Class B share to 1/10th of a vote.

Proposed appropriation of the Company's net income

The Board of Directors proposes that unappropriated earnings of SEK 3,549,544,968 (3 472,754,151) be distributed as follows:

	Dec. 31, 2019	Dec. 31, 2018
To be carried forward, SEK	3,549,544,968	3,472,754,151
Total	3,549,544,968	3,472,754,151

Note 8 Pledged assets and contingent liabilities

SEKm	Dec. 31, 2019	Dec. 31, 2018
Pledged assets for own liabilities		
Pledged assets ¹⁾	32	27
Total	32	27
Contingent liabilities		
Guarantees, PRI	254	252
Guarantees on behalf of subsidiaries	568	679
Total	822	931

¹⁾ Endowment insurance.

Not 9 Financial instruments

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2019						Carrying amount	Fair value
	Financial assets measured at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at fair value via other comprehensive income	Financial liabilities measured at amortized cost			
Interest-bearing receivables, Group companies	-	8,040	-	-	-	8,040	8,040	
Other receivables, Group companies	-	239	-	-	-	239	239	
Non-current interest-bearing liabilities, Credit institutions	-	-	-	-	-3,394	-3,394	-3,416	
Current interest-bearing liabilities	-	-	-	-	-	-	-	
Trade payables	-	-	-	-	-3	-3	-3	
Interest rate derivatives	-	-	-	0	-	-	-	
Total financial assets and liabilities by category	-	8,279	-	0	-3,397	4,882	4,860	

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2018						Carrying amount	Fair value
	Financial assets measured at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at fair value via other comprehensive income	Financial liabilities measured at amortized cost			
Interest-bearing receivables, Group companies	-	7,558	-	-	-	7,558	7,558	
Other receivables, Group companies	-	51	-	-	-	51	51	
Non-current interest-bearing liabilities, Credit institutions	-	-	-	-	-1,296	-1,296	-1,301	
Current interest-bearing liabilities	-	-	-	-	-1,550	-1,550	-1,552	
Trade payables	-	-	-	-	-1	-1	-1	
Interest rate derivatives	-	-	0	-	-	0	0	
Total financial assets and liabilities by category	-	7,609	0	-	-2,847	4,762	4,755	

Note 10 Supplementary disclosures to Statement of cash flows

SEKm	2019	2018
Interest paid		
Interest received	-	0
Interest paid	27	38

Reconciliation of interest-bearing liabilities attributable to financing activities

2019 Jan-Dec, SEKm	Opening balance	Net cash flows	Non-cash items	
			Change in accrual-based costs	Closing balance
Non-current interest-bearing liabilities	1,323	2,096	7	3,426
Current interest-bearing liabilities	1,550	-1,550	-	-
Total change in liabilities arising from financing activities	2,873	546	7	3,426

2018 Jan.-Dec., SEKm	Opening balance	Net cash flows	Non-cash items	
			Change in accrual-based costs	Closing balance
Non-current interest-bearing liabilities	2,973	-1,654	4	1,323
Current interest-bearing liabilities	175	1,375	-	1,550
Total change in liabilities arising from financing activities	3,148	-279	4	2,873

The Board of Directors' and President & Group CEO's certification

The Board of Directors and the Chief Executive Officer hereby declare that the annual accounts have been prepared in accordance with generally accepted accounting practice in Sweden and that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards as referred to in Regulation (EC) No. 1606/2002/EC of the European Parliament and of the Council dated 19 July 2002 on the application of international accounting standards. The Annual Report and the annual accounts give a true and fair view of the financial position and results of the Parent Company and the Group. Nothing of material importance has been omitted that might influence the view of the Company provided by the annual report. The Report of the Board of Directors for the Parent Company and Group provides a true and fair overview of the Parent Company's and Group's operations, position and results, as well as describing significant risks and factors of uncertainty to which the Parent Company and the companies included in the Group may be exposed. The annual accounts and sustainability report, together with the consolidated accounts, were as indicated above approved for issue by the Board of Directors and the Chief Executive Officer on February 20, 2020.

Solna, February 20, 2020

Christian Jansson

Chair of the Board

Sonat Burman Olsson

Director

Christian Frigast

Deputy Chair of the Board

Christian Ellegaard

Director

Måns Carlsson

Director

Peder Lundquist

Director

Ulrika Messing

Director

Charlotte Strand

Director

Bo Fröström

Employee representative

Johan Lindholm

Employee representative

Sandra Svensk

Employee representative

Annemarie Gardshol

President and Group CEO

Our Auditor's Report was presented on February 21, 2020

KPMG AB

Tomas Gerhardsson

Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of PostNord AB, corp. id 556771-2640

Report on the Annual Report and Consolidated Accounts

Opinions

We have audited the annual accounts and consolidated accounts of PostNord AB for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 6-72 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of December 31, 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 51 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill and parent company shares in subsidiaries

See note 2 and 10 and accounting principles on page 42 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of goodwill in the consolidated accounts at December 31, 2019 amounted to SEK 2,619 million. The carrying value has been subject to impairment tests, which are complex in nature and are based on significant elements of judgment. Impairment tests have been prepared for all cash generating units, or group of units, that have goodwill associated to them, which for the group consists of six units.

The impairment tests require that the group make projections about both internal and external conditions and plans for the operations. Examples of such judgments include future cash flows, which in turn require assumptions to be made of future development and market conditions.

Another important assumption is which discount rate to be used in order to reflect the time value of money as well as the specific risks the operations face.

In the parent company, the carrying value of shares in subsidiaries at December 31, 2019 amounted to SEK 10,861 million. The same type of testing of the carrying value is also performed, using the same technique and judgments, as described above.

Response in the audit

We have assessed whether the impairment tests have been prepared in accordance with the prescribed method.

Moreover, we have considered the reasonableness of the predicted future cash flows as well as the discount rates used through evaluation of the group's written documentation and forecasts. Our work has also included an assessment of the accuracy to previous years' cash flow forecasts in comparison to actual outcome.

An important part of our work has also been to examine the group's own sensitivity analysis to evaluate how reasonable changes in the assumptions may impact the valuation. We have involved our valuation specialists in the audit, in particular related to the assumptions made regarding external markets.

We have also assessed the disclosures relating to the impairment tests included in the annual accounts and the consolidated accounts.

Valuation of defined benefit obligations

See note 2 and 22 and accounting principles on pages 42-43 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The group had defined benefit obligations of SEK 25,358 million at December 31, 2019, that primarily are funded but to a lesser extent also unfunded. The fair value of the plan assets amounted to SEK 21,411 million at same date.

The accounting for pension obligations is based on several assumptions for calculating the size of the obligations, which implies that changed assumptions could result in significant effects on the group's earnings and financial position.

Response in the audit

We have involved our pension specialists in the assessment of the reasonableness in assumptions made and interpretations of the regulations for accounting for pensions. Moreover, we have performed detailed testwork and reconciled information to external actuary.

Specifically, we have evaluated the estimates of the discount rate, inflation rate, salary increases, mortality rates and retirement ages.

We have confirmed the fair value of plan assets to independent financial institutions as well as randomly tested the valuation of the assets.

We have also assessed the disclosures relating to pensions included in the annual accounts and the consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-5 and 89. The Board of Directors and the Chief Executive Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of PostNord AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, P.O.Box 382, SE-101 27, Stockholm, was appointed auditor of PostNord AB by the general meeting of the shareholders on April 24, 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Stockholm, February 21, 2020

KPMG AB

Tomas Gerhardsson

Authorized Public Accountant

Sustainability information

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Sustainability information

Strategic sustainability goals

PostNord will strengthen its position in the market by clearly integrating sustainability into its range of products and services. This means that PostNord's operations will contribute to sustainable development and that sustainability will be taken into consideration in all aspects of the company's activity. A clear sustainability agenda is a key element in our strategy. The group-wide work is governed by three strategic sustainability goals that are to be achieved by 2020.

Climate

-40%

PostNord's total carbon dioxide emissions will reduce by 40 percent in relation to 2009 levels.

Gender equality

>40%

At least 40 percent of PostNord's managers and leaders must be women.

Suppliers

80%

In the longer term, all significant suppliers must accept and adhere to PostNord's Code of Conduct for Suppliers.

Climate: Goal, actions, and outcomes

Climate 2020

Target: PostNord's total carbon dioxide emissions will reduce by 40 percent in relation to 2009 levels.

Outcome: At the end of the year, PostNord's carbon dioxide emissions had reduced by 36 (35) percent in relation to 2009. During 2019, emissions fell by 1 (3) percent.

Comment: PostNord's climate goal, which is expressed in absolute terms, is very challenging. This is because the market is changing rapidly, with the number of letters falling and the number of parcels increasing. Parcels produce more carbon dioxide emissions than letters. The two major opportunities for a reduced climate impact in our business are efficiencies across the board and increased use of biofuels. After a few years of increased availability of biofuels, we found it difficult to increase the proportion of biofuels in 2019. Efficiencies in our business have not in themselves been enough to completely compensate for the increases in volume.

Greater capacity utilization

We are continuously developing IT solutions for planning, controlling, and monitoring production and transportation. As an example, all cars in our Swedish business have had a telematics system fitted during the year. We are also continuously developing our methods for the efficient loading of vehicles and optimization of routes. In Sweden, PostNord has instigated the 'Förpacknings-resan' project, a collaboration between universities, the packaging industry, and e-retailers. Currently, at least 30 percent of the volume in e-commerce parcels is air, and the aim of the project is to achieve more efficient packaging. In Denmark, the use of Collect products has increased, whereby parcels are driven to a parcel box ('pakkeboks' or 'Nærboks'). This is more climate efficient both for us and for the recipient. The network of parcel boxes is comprehensive and has been planned so that the recipient does not have to use a car to collect their parcel, thus reducing the impact on the climate.

Energy-efficient buildings

PostNord is streamlining its use of premises, including co-locating letter and parcel handling as part of its work on an integrated production model. This reduces the impact on the environment as smaller premises require less energy. We are also assessing and reducing our energy use with the help of new technology. Examples of technical solutions include motion-sensitive lighting, LED lighting, and quick-closing doors. During the year we installed LED lighting in two of our letter terminals and one of our largest distribution offices. We also commissioned experts to undertake an energy assessment of Strålfors' printing works in Ljungby, which is our single highest user of energy, and a number of good suggestions for reducing energy consumption emerged.

More trains, fewer planes

Transportation by air represents 1.5 (3) percent of carbon dioxide emissions. New legislation allowing us to deliver letters in two days instead of one will enable us to reduce our use of air transportation. During the year, we were able to eliminate a total of 500 journeys by air. This change meant that emissions from air transportation fell by 51 percent during the year. In Sweden, PostNord's major sorting terminals are linked to the railway network and 63 percent of mail volume is moved between the terminals by train for longer distances. In Norway, most parcels and pallets are carried by rail.

More electric vehicles

PostNord's aim is to electrify its transportation as much as is possible. During the year, we bought 160 new, small electric cars and increased our stock of electric bicycles. We have launched a new electric tricycle which can take a trailer, giving us considerable capacity. Around 28 (28) percent of PostNord's fleet is electric vehicles, mainly electric bicycles and small cars.

More biofuels

PostNord is working to increase the proportion of renewable biofuels it uses without using palm oil or residual products from palm oil. The proportion of renewable fuel used in PostNord's own and procured transportation services fell in 2019 from around 26 percent to 24 percent because of less availability on the market. During the year, we started converting some of our existing lorries so that they can be driven on 100 percent RME. Another way of reducing carbon dioxide emissions from vehicles is by driving economically, and all PostNord's drivers have access to training in eco driving.

Suppliers: Goal, actions, and outcomes

Purchasing and suppliers 2020

Target: Over the longer term, all significant suppliers will accept and adhere to PostNord's Code of Conduct for Suppliers. The target for 2020 is 80 percent.

KPI 2019: 75 percent.

Outcome: At the end of the year, 74 (54) percent of total purchase volumes originated from significant suppliers who had been approved via PostNord's process for verifying compliance with the Code of Conduct for Suppliers.

Comment: During the year, the wording of the sustainable supply chain target was changed to put an additional focus on significant suppliers. 'Significant suppliers' are defined as part of PostNord's risk assessment process. The outcome relates to the period between July 2018 and June 2019.

PostNord's biggest purchase areas are transportation, fuel, staffing for terminals and warehouses, and IT. We are often part of long, complex supply chains where collaboration with our business partners is key. PostNord's work on sustainable supply chains is focused on both compliance with its Code of Conduct and on training and support for suppliers to make it easier for them to adhere to the Code.

Code of Conduct and industry-specific requirements

The transport sector is facing several environmental and social challenges. Transportation contributes to climate impact, emissions that affect health, and traffic risks. Strong downward pressure on prices makes it more likely that suppliers will use insecure, low-paid forms of employment. PostNord's Code of Conduct for Suppliers has been designed to address these challenges. The Code sets out requirements in respect of the working environment, labor law and human rights, the environment, and corruption. There are customized requirements in the agreements with road transport suppliers, which include requirements related to salaries and wages for drivers, payment of taxes and social insurance, driving hours and rest periods, and road safety. There are also specific environmental requirements for engines, fuel, tires, and maintenance. PostNord's codes of conduct for suppliers and for suppliers of overland transportation are available on PostNord.com.

Process for checking compliance

PostNord has a group-wide process to monitor suppliers' compliance with the codes of conduct. The process includes self-assessment, risk assessment, and local audits.

Self-assessment: The first stage in the process requires the supplier to undertake a self-assessment. During the year, 164 suppliers were asked to do this.

Risk assessment: The supplier's risk level is assessed with reference to sector, geographical location, purchase volume, and how business-critical the supplier is. Suppliers that we consider to pose a medium or high risk are considered significant and must undertake a self-assessment. Selected high risk suppliers must undergo a local audit. Possible high-risk suppliers include those supplying road transportation and staffing.

Audit: PostNord's Code of Conduct audit is based on SA 8000, a global standard for the audit and certification of social accountability. The audit includes reviewing documentation, e.g. about pay and working hours, an inspection of the working environment, the supplier's environmental work, and interviews with managers and employees. During the year, PostNord undertook 23 local audits, either alone or assisted by a third party, in Sweden (10), Norway (4), Denmark (3), Bulgaria (2), Finland (2), Germany (1), and Latvia (1). Most supplier non-conformances that were identified relate to the working environment (lack of fire protection work and systematic work on the working environment), pay and working hours (issues around overtime hours and payments), and the environment (lack of systematic environmental work). When a non-conformance is identified, the supplier is asked to analyze the root cause

and put forward an action plan. PostNord reviews the action plan and monitors it by way of meetings, monitoring visits, and document review in order to eliminate the non-conformance. If the supplier does not implement the improvements required and we are unable to approve and close down the audit, the final option is to discontinue the business relationship. Our approach is not to discontinue the relationship early in the proceedings but to try to support the supplier to develop their business.

Training

PostNord provides training on sustainability in the supply chain both internally and for suppliers. Training is part of our efforts to increase skills and integrate sustainability into the purchasing process. We also have web-based training for suppliers, available at PostNord.com.

Employees: Goal, actions, and outcomes

Gender equality 2020

Target: At least 40 percent of the group's managers and leaders must be women.

Outcome: At the end of the year, 32 (32) percent of PostNord's managers were women.

Comment: The proportion of women is over 30 percent at all managerial levels, an outcome we are satisfied with given that the industry is still dominated by men. We are aware that an even gender balance does not automatically lead to gender equality, and so we work actively on inclusion. Several of our initiatives aim to create an open atmosphere in which each employee's perspective is taken into account.

Ensuring that the company is an attractive place to work for all is essential to long-term success and development. Gender equality helps to create a competitive company that achieves better results. It increases the company's attractiveness and simplifies recruitment and employee development.

Gender-equal recruitment

Long-term work on this issue, including compulsory advertising of all management, leadership and project management posts both internally and externally, and skills-based interviews, is helping us to move forward and achieve some success in this area. One initiative delivering clear results is ensuring that the final candidates for any post being recruited include both women and men.

Development and leadership

Diversity is also the cornerstone of PostNord's various talent and development programs for managers and specialists - for example, Top Talent, PostNord Professionals, and the Nordic mentoring program. The Panorama program at PostNord Sweden aims specifically to develop and motivate women to take on greater leadership roles in the long term.

Material sustainability issues

PostNord's Framework for Sustainable Transformation (see page 81) is based on the materiality analysis that was introduced in 2014 and which has subsequently been updated and adapted. In 2018, the Framework was updated, with previously identified aspects of sustainability being categorized, evaluated, and validated to reflect the GRI Standards' perspective on materiality. The starting points were, firstly, how PostNord impacts the external environment, and, secondly, what is important to enable primary stakeholders to assess and make decisions about PostNord. The results of the analysis were compiled into three main areas and a total of nine prioritized sustainability issues. The feedback received by PostNord from priority stakeholders (business partners, the capital market, customers and their recipients, employees, community stakeholders, and owners) formed the basis of the analysis. Most feedback comes from the PostNord Listens initiative. In 2019, just under 3.3 million (2.2 million) reviews of PostNord and its business were received. The overall picture is that the main need of PostNord's primary stakeholders is for reliable deliveries that contribute to dynamic communities. Other important issues are reducing climate impact, improved safety and security, and good suppliers. Employees and their commitment is an important area in itself and is essential for enabling us to meet other requirements and expectations.

Stakeholders and dialog

Business partners

Suppliers and partner outlets are amongst PostNord's most important business partners. Each year, PostNord purchases goods and services of significant value. Our 8,000 distribution points/partner outlets in the Nordic region make our services available to millions of people.

Dialog and monitoring: Meetings with suppliers, procurement, audits, continuous dialog with service partners.

Issues in focus: Collaboration, reliability and delivery quality, information from PostNord to support contact between service partners and customers. Sustainability in the supply chain, PostNord's Code of Conduct for Suppliers.

Capital market

PostNord finances its business partly through bond loans. The confidence of the capital market is important to the group.

Dialog and monitoring: Interim reports, annual and sustainability report, dialog with analysts and lenders.

Issues in focus: Financial development and financial stability and preparedness, net debt ratio, cash flow, and business model.

Customers and recipients

PostNord aims to be the first choice for both corporate and private customers and their recipients. Corporate customers account for more than 90 percent of PostNord's sales, while private customers often receive mail items from corporate customers. Satisfied customers and recipients are crucial to PostNord's ambition to be the company of first choice.

Dialog and monitoring: Customer meetings, customer service, drivers and mail carriers for delivery, PostNord's service partners, customer representatives, and ongoing customer and corporate image surveys. PostNord Listens provides immediate feedback from recipients that the company can act upon.

Issues in focus: Technical and perceived quality, new flexible delivery options, availability, customer care, security, eco-friendly solutions, sustainability in the supply chain.

Employees

With around 29,000 employees, PostNord is one of the biggest employers in the Nordic region. It thus bears a great responsibility for providing a safe and attractive workplace that promotes personal development.

Dialog and monitoring: Performance appraisals, workplace meetings, employee survey, communication via various internal channels, dialog with trade unions.

Issues in focus: Group goals and priorities, leadership, company culture and responsible transformation, customers and quality, working conditions, health and safety, opportunities for development, gender equality.

Community stakeholders

PostNord plays a key role for businesses and the community. We make it possible for companies and individuals to do business and communicate with each other on a daily basis. By operating a stable and profitable business in the long term, with a focus on the environment and social accountability, we meet the expectations of the world around us and enhance our competitiveness.

Dialog and monitoring: Dialog with public authorities, politicians, decision-makers and opinion-formers. Dialog and collaboration with trade associations, advocacy organizations (for example, on rural issues), organizations for sustainable development and social accountability, and students.

Issues in focus: Delivery quality, perceived quality, postal regulation, environmental impact, security, and availability.

Owners

PostNord is owned by the Danish and Swedish states. We are tasked by our owners with maintaining a universal postal service in Denmark and Sweden. We are required at the same time to generate economic value and act as an exemplar of sustainable business.

Dialog and monitoring: Annual General Meeting (AGM), annual and sustainability report, interim reports, quarterly meetings.

Issues in focus: Development and delivery of a universal postal service, financing of transforming in Denmark, financial stability, quality, employees, sustainability, digitization, and other current and anticipated challenges and opportunities.

Governance and organization for sustainability

As well as complying with the law, directives, the precautionary principle, and general industry regulations, PostNord must observe the Swedish state's ownership policy and guidelines for state-owned businesses, and the Danish state's ownership principles. This includes pursuing a carefully considered and well-established policy and strategy, together with strategic targets for sustainable enterprise. Like other state-owned companies, PostNord's performance is measured against both financial and non-financial targets. Each function within PostNord must take account of sustainability parameters in its strategic and operational activity.

Regulatory guidelines

PostNord's work on sustainability is guided by a number of external regulations: the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact. The Global Compact is in turn based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention against Corruption. These regulations are reflected in PostNord's Code of Conduct.

PostNord's Code of Conduct

The Code of Conduct (the Code) incorporates the Group's principles and approaches covering the areas of vision and values, customers and quality, working conditions, business partners and community engagement, the environment, business ethics, and communication. The Code supplements applicable law and external regulations and is the basis of other group policies and regulations.

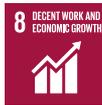
It has been adopted by the Board and was mostly recently updated in 2016. The company also operates a Code of Conduct for Suppliers; see page 79.

Organization

PostNord's work on sustainability is overseen by the Group Leadership Team, whose Head of Nordic Strategy & Solutions has overall responsibility for sustainability issues. Work on sustainability is led by the group's Head of Sustainability, who reports to the Head of Nordic Strategy & Solutions. Quarterly reports on PostNord's strategic sustainability goals are provided to the Group Executive Team and the Board. The Framework for Sustainable Transformation described below explains PostNord's commitments to its primary stakeholders. The Framework has 9 subject areas, with responsibility for each lying with the designated group function. Representatives for the following group functions - Compliance, HR, Group Sourcing, Quality, Real Estate, Strategy, and Safety - develop the Framework under the guidance of the group's Head of Sustainability. The group functions are responsible for strategic direction in respect of their respective issues and for targets, management, activities, and monitoring.

Framework for sustainable transformation

PostNord's Framework for Sustainable Transformation incorporates three overarching areas and nine underlying issues and is based on UN Sustainable Development Goals 11, 9, and 8. The Framework explains PostNord's commitments to its primary stakeholders (business partners, the capital market, customers and recipients, employees, community stakeholders, and owners) and raises the company's aspirations in several areas. It is also broader than the sustainability areas that constitute the group-wide goals where progress is reported to the Board and owners (climate, gender equality, and suppliers).

Reliable deliveries for dynamic communities	Partnerships for logistics, e-commerce, and communication	Committed employees who make everyday life easier
<p>As a leading player in communication and logistics, PostNord is contributing to the development of sustainable cities and communities in the Nordic region. PostNord is also responsible for the universal postal service in Sweden and Denmark.</p>	<p>PostNord's products and services have the potential to build sustainable infrastructure and sectors. To be successful in this, we need to collaborate with suppliers and other partners.</p>	<p>PostNord will continue to offer good working conditions and development opportunities in a rapidly-changing market where there is a pressing demand for efficiencies.</p>
		

Reliable deliveries that contribute to dynamic communities

PostNord's most fundamental obligation is to its customers and recipients: reliable deliveries that contribute to dynamic communities in the Nordic region. This includes being responsible for the universal postal service in Sweden and Denmark. We manage our business to ensure we deliver in this area. Outcomes are monitored and evaluated on an ongoing basis as part of the company's regular activities and by the Group Leadership Team.

PostNord in the community

As a leading player in communication and logistics, PostNord has a key position in Nordic society and the region's business community. With our unique network, we enable companies, authorities, and private customers to do business, deliver goods, and communicate with each other, regardless of geographical distances. This creates many opportunities, including in sparsely-populated areas.

Range and service availability

PostNord offers a wide range of services that are easily accessible to customers and recipients. We build on existing services and develop new ones. For example, PostNord's award-winning app helps to increase availability. Range and service availability are regulated by the terms and conditions of PostNord's postal licenses. As part of the requirements of the universal postal service, PostNord is required to collect and deliver post Monday to Friday (except public holidays). In Denmark we have to deliver post Monday to Friday, but we are not obliged to visit every mailbox every day, instead using a model whereby we visit every mailbox every fifth day. Special requirements for postal services in Sweden include services in sparsely populated areas, for people without internet access, and for people with disabilities.

Quality

PostNord must deliver consistently high-quality services. This applies to both technical quality and the quality of the experience. In Sweden, the primary quality standard relates to two-day delivery: at least 95 percent of stamped, domestic letters must be delivered within the two following working days. In Denmark, 93 percent must be delivered within five working days.

> See PostNord's quality outcomes on page 83.

Partnerships for logistics, e-commerce, and communication

PostNord assumes responsibility by ensuring the business works towards reducing its climate impact, promoting safety and security for employees and goods, and making sure that suppliers and partners assume responsibility in the same way. Partnerships with external stakeholders are essential for delivering the logistics, e-commerce, and communications of tomorrow. Internally, the Strategy, HR, Group Sourcing and Safety functions are involved in management and development in this area. The results are evaluated on an ongoing basis by the Group Leadership Team.

Climate leadership

The transportation sector has a key role to play in resolving the climate issue and we need to transform our business in order to retain our competitiveness in a low carbon economy. PostNord's climate goal is in line with the UN goal of ensuring that the rise in global warming is kept well below 2 degrees, and the goal has been approved by the Science Based Targets initiative. While working intensely to achieve the current climate goal, we are producing a new climate agenda that will further accelerate the climate transformation needed in our sector.

> Find out more about PostNord's climate impact initiatives and outcomes on page 83.

Safety and security

Protection against criminal activity and ensuring robustness and resilience to counter disruption and interruption are essential for continuity. PostNord addresses safety and security for two main reasons: partly to protect employees and property that might be affected by crime as part of, or in connection with, PostNord's activity, and partly to ensure that mail delivery is reliable and that mail items reach the right recipient at the right time. The company works systematically on business continuity management in accordance with the ISO 22301 standard.

The goods that PostNord handles are the target of organized crime. Thefts are often well planned and target mail items of high value. Our safety systems are continuously being developed, and measures include analyzing big data from our various operational systems in order to spot trends, identify non-conformances, and thus prevent or solve crime.

PostNord works actively on health and safety issues and assumes responsibility for its own employees and employees working on behalf of PostNord. Our focus is on minimizing the risk of workplace accidents and accidents during transportation. We will also take any necessary measures to protect employees against threats and violence.

> See PostNord's working environment outcomes on page 84.

PostNord bears an important responsibility for guaranteeing the security of personal data and for mitigating threats and operational risks associated with the processing of personal data within the scope of the services provided. In order to meet General Data Protection Regulation requirements, we undertake a systematic program of work on security-enhancing measures. This helps PostNord maintain a balanced level of security for the organization's information assets.

> See information about PostNord's security and continuity work on page 84.

Long-term business partners

PostNord is working to develop long-term, trusting relationships with customers, suppliers and other partners. Customer satisfaction is one of our most important goals and metrics. Satisfied customers means an increased number of long-term relationships with PostNord, which is essential if we are to work together on transformation. PostNord's sustainability requirements for suppliers are detailed in the Group's Code of Conduct for Suppliers. Where necessary, PostNord also sets requirements for specific products or services. The group's process for monitoring suppliers' compliance with the Code of Conduct includes self-assessment, risk assessment, and local audits.

> Read about PostNord's actions and results in respect of customers and suppliers on pages 79 and 84.

Committed employees who make everyday life easier

Despite tough competition and strong downward pressure on prices, PostNord will continue to be a responsible employer and partner. We will offer good terms and conditions of employment and put everything in place to enable our employees to make everyday life easier for PostNord's customers and recipients. Good leadership is essential for ensuring committed employees, a safe working environment, and a positive customer experience. The ability of managers to lead change and the commitment of employees are essential for the success of the ongoing transformation into a clear service-oriented organization. Development for PostNord employees is organized through the line management system in each company with support from HR. The outcomes are evaluated on an ongoing basis by the Group Leadership Team.

Walk the talk

Code of Conduct: PostNord's Code of Conduct applies to all employees. PostNord's managers must act as role models and ensure conditions are in place to enable employees to act correctly and in exemplary fashion in line with the Code. The Code must be discussed at the point of recruitment and during annual employee appraisal meetings. Web-based training is available and has been compulsory for all employees since 2019. Any employee can address any questions they have to their immediate manager or to group Sustainability, HR, or Legal departments.

Anti-corruption: Our business must be characterized by good business ethics, and we take a zero tolerance approach to corruption. The rules that apply are set out in PostNord's Code of Conduct. The Code is accompanied by a briefing setting out when benefits and business entertainment may be offered and accepted by PostNord representatives. The briefing is supported by e-learning and other training material. Purchasers and sales personnel are seen as high-risk groups and are given special training on legal and appropriate behavior.

Competition on equal terms: PostNord's Code of Conduct includes rules about competition on equal terms and there is a special program to support compliance. Sales personnel, major account executives, and other relevant groups are given regular training on the relevant rules.

Tax PostNord's tax policy states that the group must comply with all applicable national laws and regulations, and relevant international guidelines. PostNord also strives for low tolerance in respect of tax risk and does not use any controversial tax arrangements. The group also aims to achieve open and trusting relationships with tax authorities in all the countries in which it operates.

Monitoring of compliance: One of the ways in which compliance is monitored at PostNord is via PostNord's special reporting (whistleblowing) procedure, which allows anonymous reporting if certain types of violation are suspected. The procedure is accessed via PostNord's group intranet and www.PostNord.com.

> See PostNord's Practicing what we preach outcomes on page 85.

Diversity and inclusion

PostNord's work on diversity and inclusion starts from the conviction that differences between people make a workplace more dynamic and attractive. The relevant rules and guidelines are set out in PostNord's Code of Conduct and Diversity Policy. Managers must act as exemplars and work actively to uphold group guidelines on gender equality and equal treatment programs.

> Find out more about PostNord's Gender equality initiatives and outcomes on pages 79 and 85.

Staffing and skills

An assessment of skills needs based on the group's strategy and business plan is undertaken as part of the annual business planning process. PostNord works to an overarching skills provision plan that is reviewed annually. The company has a significant need for staff with the right skills, while the sector is experiencing a shortage of drivers. PostNord runs projects to train and employ people newly arrived in the country.

> Find out more about PostNord's actions and outcomes in respect of employees and gender equality on page 85.

Results

Reliable deliveries for dynamic communities

Quality: letters

Results – Sweden:

- Letters O-2 Sweden (Priority): 97.7%

Results – Denmark:

- Breve O-5 Denmark (Standard): 95.4%
- Quickbreve O-1 Denmark (Priority): 95.9%

Swedish External Monitoring (SWEX) and Danish External Monitoring (DEX) are two independent, external quality measurements that continuously gauge the proportion of mail that is delivered from customer to customer on time. Measurements are carried out by means of a statistically assured test mail operation that meets the requirements set out in the SS-EN 13850 standard: 2012.

MEASUREMENT AND CALCULATION METHOD - QUALITY:LETTERS

From January 1, 2018, regular (Standard) mail in Denmark is delivered every fifth day and Quickbreve (Priority) mail every day. On January 1, 2018, Sweden's new Postal Ordinance changed the requirement for standard mail from over-night delivery to two-day delivery.

Quality: parcels

Results – Group:

- 95.9% (95.2%)

MEASUREMENT AND CALCULATION METHOD - QUALITY:PARCELS

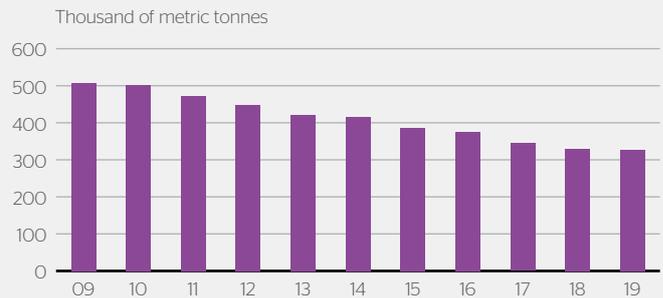
The group's overall measure of quality for parcels is a weighted figure calculated on the basis of the quality and volumes reported from the countries concerned. The production system measures the proportion of parcels delivered at the right time from initial production scan to final delivery scan at either the distribution point or the recipient's address. The products included in the quality measurement process are B2B parcels and B2C parcels, except in Finland, where only B2B parcels are included. In Denmark, C2C parcels are also included.

Partnerships for logistics, e-commerce, and communication

Climate leadership

Emissions (tons)	2019	2018	2017
Direct CO₂emissions (Scope 1)	85,500	80,835	89,866
Own transportation			
<i>Fossil fuels</i>	84,987	80,387	89,241
<i>Renewable fuels</i>	27,943	31,564	31,037
Direct heating (gas and oil)	513	448	625
Indirect CO₂emissions (Scope 2)	13,054	14,608	17,106
Heating and electricity	62,227	63,029	69,531
Reduction through purchase of renewable electricity of identified origin	-49,172	-48,421	-52,426
Other indirect CO₂emissions (Scope 3)	228,661	236,034	237,438
Sub-contractor transportation (road, rail, air, and sea)			
<i>Fossil fuels</i>	225,480	232,034	233,413
<i>Renewable fuels</i>	68,649	71,006	56,667
Business travel	3,181	4,000	4,025
Fossil-fuel based CO₂emissions, total	327,215	331,477	344,410

Carbon dioxide emissions 2009-2019



Comment: PostNord's environmental goal is to reduce its carbon dioxide emissions by 40 percent by 2020, taking 2009 as the base year. 2009 was selected as the base year because it was the year of the merger between Posten AB (Sweden) and Post Danmark A/S (Denmark).

MEASUREMENT AND CALCULATION METHOD - CLIMATE

Environmental data covers PostNord's activity in the Nordic region, apart from Svensk Adressändring whose environmental impact is negligible. Direct Link is not included in the calculations. PostNord follows the Greenhouse Gas Protocol for its climate calculation.

The goal in respect of reduced climate impact has been assessed and approved by Science Based Targets.

Road: Carbon dioxide emissions are calculated on the basis of the volumes of fuel purchased or distance driven and type of vehicle. Calculations based on subcontractor costs are used when required. All emission factors relate to the usage phase.

Emission factors

- Sweden: – SPBI (Swedish Petroleum & Biofuel Institute), Swedish Energy Agency
- Other Nordic countries: – Danish Energy Agency, SPBI, Swedish Energy Agency

Air: PostNord buys in air transportation for its operations in Sweden. PostNord did not use air transportation in Denmark, Finland, or Norway during the year. The Swedish operation receives data from suppliers on amounts of fuel and distances. Foreign air transportation is not included in the calculations.

Emission factors

- Nordic region combined: – Swedish Energy Agency

Rail: There is significant use of rail transportation in the company's Swedish and Norwegian operations. Rail transportation in Sweden and Norway uses electricity generated from renewable resources.

Ferry: Only the Danish operation uses ferry transportation to any major extent. Information on transportation undertaken is registered in the transportation management system and emissions are calculated on the basis of tons/kilometer.

Emission factors

- Nordic region combined: – Swedish Energy Agency

Premises: Electricity purchased in Sweden is for the most part certificated by Bra Miljöval (Good Environmental Choice). In other countries, electricity purchased is mainly from product-specific renewable resources. This electricity is assumed to generate zero emissions according to Greenhouse Gas Protocol methodology. For other electricity, carbon dioxide emissions are calculated as shown below:

Emission factors

- The Nordics combined: – Electricity: Swedish Energy Market Inspectorate (Nordic residual electricity mix)
 - Gas: Danish Energy Agency
- Sweden:
 - District heating: SCB
- Finland:
 - District heating: Finnish Energy
- Denmark:
 - District heating: Danish Energy Agency
- Norway:
 - District heating: Supplier data

Operations subject to licensing and notification

PostNord runs operations that are subject to licensing and notification under national legislation in Sweden and Denmark. Strålfors' graphic production facilities are subject to licensing. PostNord TPL has logistics facilities that are subject to licensing or notification, and in Sweden a number of vehicle washing facilities are subject to notification.

Carbon offsetting

No carbon offsetting has been applied in respect of the group's emissions. Climate compensation is provided in respect of PostNord's climate-friendly services.

Customer reports on environmental conservation

PostNord assists customers with their reporting and communication. Assistance includes customer-specific environmental reports that customers can use to monitor and streamline their logistics and as a basis for their own environmental or sustainability reporting. The reports comply with the CEN EN 16258 standard.

Cooperation around sustainability

Cooperation is essential if we are to be able to achieve our sustainability targets. PostNord has ongoing dialog with legislators, owners of infrastructure, and opinion-formers, and runs developmental projects with customers and suppliers and with other players in its supply chain. We are members of several national and international company networks that look at general sustainability issues and issues around sustainable transport. These include: CSR Europe Responsible Trucking, CSR Sweden, Green Chain, KNEG (Climate neutral transportation of goods by road), Network for Transport Measures, NMC (Swedish Association for Sustainable Business), Institute of Transport Economics (Norway) and Transportindustriförbundet (Swedish freight industry association). We are also active in sustainability groups in associations for postal operators, e.g. the IPC and PostEurop. We are involved in developmental projects, for example looking at transportation in the circular economy in partnership with Nordic Innovation and at transportation and food waste with Vinnova.

Safety and security

Occupational injuries per million hours worked	2019	2018
PostNord Sweden	506	512
PostNord Denmark	534	73.3
PostNord Norway	506	52.4 ¹⁾
PostNord Finland	12.8	3.9
PostNord Strålfors	21.7	16.0
Other units	2.2	3.5
Total	48.7	54.5

¹⁾ The figure for Norway has been updated from 17.7. Previously only work-related injuries with sickness absence have been registered; now, work-related injuries with or without sickness absence are included.

Comment: Most occupational injuries in the group occur in production and distribution and are caused in most cases by various types of fall. PostNord uses a structured system for the reporting of near-accidents so that it can put measures in place to help prevention of work-related injuries. Absence resulting from accidents, measured in hours, has been falling since 2010, which indicates that there have been fewer serious work-related injuries. During the year, PostNord has been working with major shippers to look at lower speeds on the roads. There was one work-related fatality at PostNord Sweden in 2019. The incident has been investigated by the police, the Swedish Work Environment Authority, and internally. The Swedish Work Environment Authority has asked for an overview of certain types of lone working, and that work is in progress. The work-related fatality that occurred at PostNord Sweden in 2018 was investigated in 2019 and the case was closed as it was not possible to prove that there had been a crime.

Measurement and calculation method: Recorded work-related injuries in relation to hours worked (does not include injuries sustained during travel). The report includes work-related injuries with or without sickness absence. The injury ratio is calculated as the total number of injuries per million hours worked. Calculations are based on the total number of hours worked, irrespective of type of employment.

Work-related injuries are recorded on a system in Sweden, Denmark, and Norway. Finland has no special recording system. Work-related injuries are reported on forms and the data collated by a health and safety commission. Statistics on occupational injuries reported can be retrieved from the systems and classified into various categories such as falls, crushing injuries, and traffic injuries. The duty to record occupational injuries is clearly communicated.

Sickness absence, %	Total 2019	of whom, women	of whom, men	Total 2018
PostNord Sweden	6.2	7.9	5.5	6.4
PostNord Denmark	3.5	3.8	3.4	4.3
PostNord Norway	6.8	8.5	6.5	7.0
PostNord Finland	2.9	3.2	2.7	1.6
PostNord Strålfors	4.1	5.7	3.1	4.4
Other units	2.4	2.7	1.9	3.1
Total	5.3	6.4	4.8	5.7

Measurement and calculation method: Sickness absence is calculated as the number of hours of sickness absence in relation to regular, contracted working hours for both regular employees and temporary staff. Regular, contracted working hours include hours worked, sickness absence, vacations, care for sick children, and other paid leave. Parental leave is not included in contracted hours.

Security and continuity

In our work on security and reliability during the year, we have continued to focus on ensuring that there is reasonable, customized security provision at the company's production facilities and on further developing our ability to use data to identify and counter criminal activity. Security provision is based on the TAPA FSR and TSR global standards and is described in PostNord's Minimum Security Requirements.

The number of reported acquisitive crimes at PostNord fell during 2019 and several successful investigations have resulted in prosecution.

Partly as a result of the evaluation of a crisis management exercise in 2018, a new crisis management system has been procured and implementation has begun. The system is expected to go into operation in 2020.

Information security

During the year, PostNord was subject to one planned inspection and two inspections as a result of customer complaints. In one case, there was criticism from the supervisory authority and PostNord took action in line with the authority's views. There have been no leaks, thefts, or losses of customer data. Incidents involving leaks or the loss of personal data were reported to the supervisory authority in the relevant country. Action was taken to ensure that, as far as possible, this type of incident will not happen again.

Long-term business partners

CUSTOMER SATISFACTION

A Customer Value Index (KVI) is used to measure how satisfied business and private customers are with PostNord.

Outcome: In 2019 the KVI was 62 (58) on a scale of 0 to 100. This is an improvement for the second year in a row and a result of our ongoing work on improvement.

Measurement and calculation method: The KVI, PostNord's monitoring tool, is used to continuously monitor and evaluate customers' perceptions of our business and the results are used to narrow the focus of our improvement initiatives. We carry out a survey of the private market four times a year and of the corporate market once a year, covering all PostNord country organizations and with an emphasis on the Nordic countries. The index is based on questions from the European Performance Satisfaction Index, which are comparable between different companies. The survey reaches 4,600 private customers online and around 4,000 companies by phone.

IMAGE

PostNord's image amongst private customers is measured using the RepTrak/Pulse index.

Outcome: The Pulse figure was 47 (42) and this reflects a positive development in how we are perceived in all countries. Work is underway at several levels with the aim of further increasing the Pulse figure.

Measurement and calculation method: RepTrak/Pulse comprises four questions posed by the Reputation Institute measured on a scale of 0 to 100. The questions about how the PostNord brand is perceived are put to 1,400 people a month, evenly distributed across Sweden, Denmark, Norway and Finland. The overall outcome is a weighting of the results from each country.

Committed employees who make everyday life easier

Walk the talk

During 2019, information has been disseminated to PostNord employees so as to further increase knowledge of the company's Code of Conduct and whistleblowing procedures. During the year, there have been five reports using the special whistleblowing procedure where the ensuing investigations indicated there had been a serious infringement of PostNord's Code of Conduct. The reports were managed in line with PostNord's set reporting procedures. PostNord systematically checks for compliance with legislation relating to the environment and the working environment.

Employees (basic staff at end of year)	2019	2018
Administration	2,975	3,647
of whom, women	1,324	1,635
of whom, men	1,651	2,012
Production	24,704	26,239
of whom, women	7,295	7,857
of whom, men	17,409	18,382
Total	27,679	29,886

Employees (all staff at end of year)	2019	2018
Core staff	27,679	29,886
of whom, women	8,619	9,492
of whom, men	19,060	20,394
Temporary employees	8,645	9,184
of whom, women	3,152	3,106
of whom, men	5,493	6,078
Total	36,324	39,070

Measurement and calculation method: Core staff refers to regular full or part-time employees, and should cover staffing needs for normal operations. Temporary staff meet increased operational needs, for example at Christmas and during vacation periods.

Membership and representation: Every employee enjoys the right to freedom of association, including the right to join a trade union. Over 99 percent of group employees are covered by collective bargaining agreements. PostNord is a member of industry and employer organizations in each of the countries in which it operates, including Almega and the Swedish Confederation of Transport Enterprises (Sweden), the Confederation of Danish Industry (Denmark), The Confederation of Norwegian Enterprise (NHO) and the Norwegian Logistics and Freight Association (Norway), and Finnish Industries (Finland).

Commitment and leadership

PostNord monitors the commitment and leadership of employees through continuous employee surveys. The 2019 commitment index was 68 (69), which is a satisfactory result. PostNord's employee survey also produces a leadership index. This shows employees' perceptions of their immediate manager's leadership in terms of working environment, motivation, and clarity of expectations around individual targets. The 2019 leadership index was 71 (74). We consider this a good result.

In the survey, employees show great enthusiasm for their work and the company. The biggest challenges are confidence in senior management and its communication of strategies and targets. In addition, too few employees say that they are proud to work at PostNord. There is ongoing work to create the right conditions for employees within the organization.

Communication is crucial to gaining the commitment of PostNord's employees. A group-wide intranet was launched in 2019, which gave all employees access to internal information and shared documents. Other communication channels have been developed, including 'Town Hall Meetings' and management's meetings with employees at workplaces around each country. A leadership app has been developed at PostNord Denmark to facilitate communication, evaluation, and development for all managers and leaders.

Diversity and inclusion

Gender distribution (core staff)	2019	2018
Managers	1,278	1,384
of whom, women (%)	32	32
All employees	27,679	29,886
of whom, women (%)	31	32

Age distribution (core staff) (%)	2019	2018
-29	20	20
30-50	42	41
51+	38	39
Total	100	100

Measurement and calculation method: Data relating to employees relates to all those employed in the group. Data on gender affiliation are taken from the payroll system where the particular employee is registered.

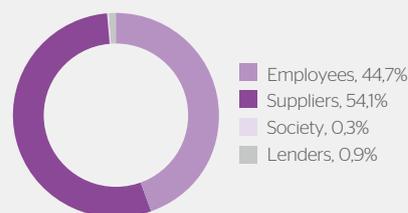
Skills provision and development

To strengthen the PostNord brand and also attract newly qualified staff, the company offered internships and trainee programs during the year, including in HR and IT. As part of the Driver Academy initiative, PostNord Sweden worked with the Swedish Public Employment Service to offer internships during the training with the aim of encouraging drivers to consider working at PostNord. PostNord Sweden developed this concept for van drivers with the Car Coach initiative, which aims to use coaching to develop the driver's working environment while identifying ways of working that help increase customer satisfaction. At PostNord Finland, staff were insourced to improve the working environment at terminals, which also led to better quality delivery. We use an inclusion index measured on a scale of 0 to 100 and the figure for the year is 77. The result expresses our respect for one another and for each other's differences, and this respect is essential for the creation of an inclusive, committed workplace.

Distribution of economic value

The economic value PostNord generates is distributed to employees in the form of wages, salaries and other remuneration, to suppliers as payment for goods and services, to lenders as interest payments, to the communities in which PostNord operates in the form of tax payments, and to its owners when dividends are payable. A total of SEK 36,081m (38,538m) was distributed in 2019.

Value generated and distributed 2019, SEKm



GRI Index

This Annual and Sustainability Report summarizes PostNord's sustainability initiatives and results during the 2019 financial year in accordance with the GRI Standards (Core option). PostNord reports on sustainability annually with the most recent report published on March 20, 2019.

The index below shows where information on GRI disclosures and information relating to the principles of the Global Compact can be found.

Information about PostNord's sustainability work and reporting is available from Sofia Leffler Moberg: sustainability@PostNord.com.

"The Annual and Sustainability Report also constitutes PostNord's Communication on Progress towards the UN Global Compact (UNGC)."

Annmarie Gardshol
President and Group CEO



GRI Standard	Disclosure	GENERAL DISCLOSURES Description	Page/Comments	The UN Global Compact
GRI 102: General Disclosures 2016				
Organizational profile				
	102-1	Name of the organization	24	
	102-2	Activities, brands, products, and services	3, 14-22, 78-85	
	102-3	Location of headquarters	39	
	102-4	Location of operations	2, 45-47	
	102-5	Ownership and legal form	24	
	102-6	Markets served	Inside cover, 6-9, 18-22	
	102-7	Scale of the organization, including total number of employees, operations, net sales, and capitalization	2, 16-22, 35-36 45-47, 85	
	102-8	Information on employees and other workers	15, Note 5, 85	
	102-9	Supply chain	78-79	
	102-10	Changes during the reporting period in the organization's size, structure, ownership, or supply chain	63	6
	102-11	Handling of the precautionary principle	81	7
	102-12	External sustainability principles and initiatives that the organization supports	81	
	102-13	Membership of associations	84	8
Strategy and analysis				
	102-14	President and Group CEO statement	4-5	
Ethics and integrity				
	102-16	Organization's values and ethical guidelines	81-82	10
Governance				
	102-18	Governance structure	24-28, 81-82	
Stakeholder engagement				
	102-40	Stakeholder groups	80	
	102-41	Number of employees covered by collective negotiations	85	3
	102-42	Basis for identification and selection of stakeholders with whom to engage	80	
	102-43	Organization's methods for stakeholder dialogue	80	
	102-44	Issues raised by stakeholders	80	

GRI Standard	Disclosure	GENERAL DISCLOSURES Description	Page/Comments	The UN Global Compact
		Reporting methodology		
	102-45	Business units included in the reporting	83-85	
	102-46	Process for defining the report content and boundaries	80-81	
	102-47	Material sustainability issues identified	80	
	102-48	Explanations of adjustments from previous reports	There have been no material adjustments of previous reports	
	102-49	Material changes in reporting	There have been no material changes in reporting	
	102-50	Reporting period	86	
	102-51	Date of most recent report	86	
	102-52	Reporting cycle	86	
	102-53	Contact for reporting	86, 91	
	102-54	Statement confirming that the report complies with GRI Standards	86	
	102-55	GRI Index	86-87	
	102-56	External assurance	88	

GRI Standard	Disclosure	SPECIFIC DISCLOSURES Description	Page/Comments	The UN Global Compact
		Reliable deliveries that contribute to dynamic communities		
	103-1/2/3	Sustainability governance	81-82	
GRI 201: Economic performance 2016	201-1	Economic value generated and distributed	85	
		Partnerships for sustainable logistics, e-commerce, and communication		
	103-1/2/3	Sustainability governance	81-82	
GRI 305: Emissions 2016	305-1	Direct greenhouse gas emissions (Scope 1)	83	7, 8
	305-2	Indirect greenhouse gas emissions (Scope 2)	83	7, 8
	305-3	Other indirect greenhouse gas emissions (Scope 3)	83	7, 8
GRI 308: Supplier review 2016	308-2	Material current and possible negative impact on the environment in the supply chain, and actions taken	79	8
GRI 403: Working environment, and health and safety 2016	403-2	Injuries, work-related illness, working days lost, absence, and total number of work-related fatalities	84	
GRI 414: Supplier review 2016	414-2	Material current and possible negative impact on labor law in the supply chain, and actions taken	79	2
GRI 418: Customer privacy 2016	418-1	Number of complaints regarding breaches of customer privacy	84	
		Committed employees who make everyday life easier		
	103-1/2/3	Sustainability governance	81-82	
GRI 205: Anti-corruption activity 2016	205-3	Corruption incidents and action taken	No corruption incidents reported.	10
GRI 206: Anti-competitive behavior	206-1	Number of legal disputes concerning anti-competitive behavior 2019	No anti-competitive behavior reported	
GRI 404: Skills development & training 2016	404-2	Training and education	78-79, 82	6
GRI 405: Gender equality & diversity 2016	405-1	Gender and age distribution for all employees and managers	25, 30-33, 85	6

Auditor's Report on General Review of PostNord AB's Sustainability Report and Statement regarding Statutory Sustainability Report

To PostNord AB

Introduction

We have been asked by the Board of Directors of PostNord AB to undertake a general review of PostNord AB's Sustainability Report for 2019. The company has defined the scope of its sustainability report and its statutory sustainability report on the inside cover of this document.

Responsibilities of the Board of Directors and company management

The Board of Directors and Management are responsible for the preparation of the sustainability report, including the statutory sustainability report, in accordance with applicable criteria and the Swedish Annual Accounts Act. The criteria given on page 86 of the sustainability report consist of those parts of the sustainability reporting framework published by the Global Reporting Initiative that are relevant to sustainability reporting and the company's own reporting and calculation principles. This responsibility also includes responsibility for the internal controls that are deemed necessary to prepare a sustainability report that is free of material misstatements, whether caused by irregularity or error.

Auditor's responsibility

Our responsibility is to state our conclusion on the sustainability report based on our limited review and to present an opinion on the statutory sustainability report. Our task is limited to the historical information that is presented and thus does not cover information relating to the future.

We conducted our review in accordance ISAE 3000, the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information. A review consists of making inquiries, primarily of persons responsible for drawing up the sustainability report, and applying analytical and other review procedures. We conducted our review of the statutory sustainability report in accordance with FAR's Recommendation RevR 12, Auditor's Report on the Statutory Sustainability Report. A review and a review in

accordance with RevR 12 have a different approach and are substantially lesser in scope than an audit conducted in accordance with the International Standards on Auditing and other generally accepted auditing practices.

The auditor applies ISQC 1 (the International Standard on Quality Control) and therefore uses a comprehensive system of quality control including documented guidelines and procedures regarding compliance with the requirements of professional ethics, standards as to the exercise of professions and relevant requirements of laws and other statutes. In accordance with generally accepted accounting practice in Sweden, we are independent of PostNord AB and have otherwise fulfilled our professional ethical responsibilities in line with the requirements stated therein.

The procedures performed in the course of a limited review and a review in accordance with RevR 12 do not enable us to obtain assurance that we would become aware of all the significant matters that might have been identified had an audit been performed. The conclusion expressed on the basis of a review and a review in accordance with RevR 12 does not, therefore, give the same level of assurance as a conclusion expressed on the basis of an audit.

Our review of the sustainability report is based on the criteria stated by the board of directors and management, as defined above. In our view, these criteria are appropriate for preparation of the sustainability report.

We believe that the evidence we have obtained during our view is sufficient and appropriate in order to provide a basis for our opinions.

Opinions

Based on our review, nothing has come to our attention that causes us to believe that the sustainability report was not, in all material respects, prepared in accordance with the criteria stated by the board of directors and management, above.

Management. A Statutory Sustainability Report has been prepared.

Stockholm, 21 February 2020

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

Torbjörn Westman
Specialist member of FAR
(Swedish Institute of Authorized Accountants)

Multi-year review

SEKm, unless otherwise specified ¹⁾	2019	2018	2017	2016	2015
Group					
Net sales	38,278	37,669	37,007	38,478	39,351
Other operating income	351	2,053	324	263	765
Operating expenses	-38,446	-40,578	-37,455	-39,824	-39,552
Operating income (EBIT)	184	-855	-124	-1,083	564
Operating margin (EBIT) (%)	0.5	-2.3	-0.3	-2.8	1.4
Operating income (EBITDAI)	2,775	395	1,193	1,737	2,436
Operating margin (EBITDAI) (%)	7.2	1.0	3.2	4.5	6.2
Net income for the period	-239	-1,067	-337	-1,583	278
Cash flow from operating activities	2,132	2,083	1,361	1,321	1,585
Net debt	9,454	1,614	238	354	-171
Net debt ratio (net debt/equity) (%)	259	31	3	5	-2
Return on capital employed (%)	3.6	-12.4	-1.6	-12.1	5.4
Investments	1,356	1,374	1,196	1,182	1,109
Dividend, total *proposed	0*	0	0	0	0
Average number of employees (FTE)	28,627	29,962	31,350	33,278	35,256
Number of employees at end of period	36,324	39,070	39,789	39,929	42,111
<i>of whom, temporary employees</i>	8,645	9,184	8,992	7,272	7,292
Volumes, millions					
Group total, parcels ²⁾	179	171	154	142	132
Denmark, priority mail/Quickbrev	25	35	40	101	201
Denmark, non-priority and business mail	213	230	265	272	259
Sweden, priority mail	608	663	712	757	811
Sweden, non-priority mail	738	801	925	1,008	1,061

¹⁾ The consolidated accounts have been prepared in accordance with the prevailing IFRS regulations. Where applicable, figures for comparison have been restated for the most recent preceding year. In accordance with IFRS 16, figures for comparison have not been restated.

²⁾ Volumes produced eliminated for volumes between countries.





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