

Annual and Sustainability  
Report 2017

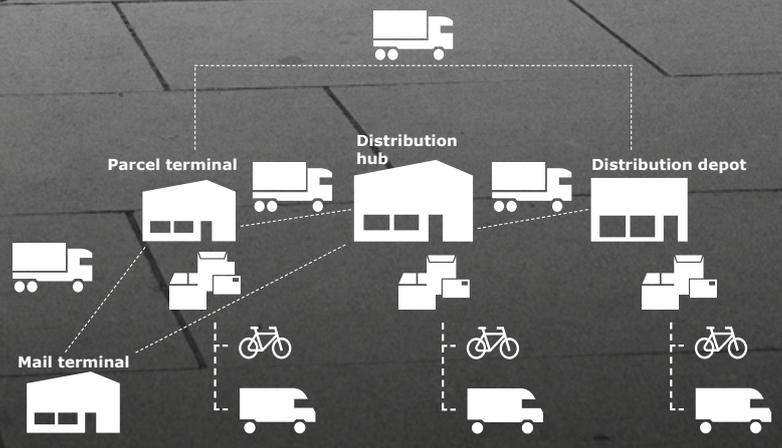


**postnord**



**Cover picture**

Janne Kristensen is a member of the team at the distribution hub at Hjørring, Denmark. On January 21, 2018, the changeover to the new production model in Denmark became fact. At the same time, Danish and international postal history was made. Building on the logistics network will lay the foundations for efficient and scalable distribution of letters and ensure a competitive logistics offering for the future.



# Sustainability throughout operations

To be able to conduct a sustainable operation that benefits customers, employees, owners and society, PostNord integrates sustainability aspects throughout the business. Operations are conducted with the focus on achieving the Group's goals and executing its strategy. In addition, a number of the UN's global sustainability goals apply to PostNord.



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



In PostNord's view, our operations may first and foremost affect these five global sustainability goals. For more information, see page 86.

### Sustainability Report according to GRI G4

PostNord reports on its sustainability work for 2017 according to the Global Reporting Initiative's (GRI) G4 Guidelines, Core. The GRI Index on pages 90-91 contains an overview of the aspects and indicators that form part of PostNord's sustainability reporting according to GRI. Information on the scope and delimitations of the report is provided on page 84. The Sustainability Report according to GRI comprises pages 4-17, 26-35 and 84-91.

### Sustainability report in accordance with the Swedish Annual Accounts Act

The Board of Directors hereby presents its Sustainability Report in accordance with the Swedish Annual Accounts Act. The report includes an overall description of the business model (pages 10-11), work on social issues, the environment and the supply chain (pages 13, 16-17 and 26), a description of policies and management (pages 32-35) and the outcome of management (pages 87-89).

### Auditing of the 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 2017 financial year. The Board of Directors' report comprises pages 6-12, pages 18-41 and the section on environmentally licensed operations on page 89. It has been audited as described in the Auditor's Report on pages 80-83. The Auditor's Report on the General Review of PostNord AB's Sustainability Report and Statement regarding Statutory Sustainability Report appears on page 92.

# PostNord in 2017 in Brief

PostNord is the leading supplier of communication and logistics solutions to, from and within the Nordic region. We ensure the provision of postal service to households and businesses in Sweden and Denmark. With our expertise and strong distribution network, we develop options for tomorrow's communication, e-commerce, distribution and logistics in the Nordic region. In 2017, the Group had around 31,000 employees and sales of just over SEK 37 billion. The Parent Company is a Swedish public limited company with Group headquarters in Solna, Sweden. Visit us at [postnord.com](http://postnord.com).

## PostNord Norway

Net sales, SEKm	<b>3,875</b> (3,789)
Adjusted operating income, SEKm	<b>24</b> (-31)
Number of parcels, millions	<b>17.2</b>
Number of distribution points, approx	<b>1,550</b>
Employees, FTE	<b>1,224</b> (1,330)

## PostNord Denmark

Net sales, SEKm	<b>8,720</b> (9,571)
Adjusted operating income, SEKm	<b>-654</b> (-625)
Number of letters, millions	<b>305</b>
Number of parcels, millions	<b>47.2</b>
Number of distribution points, approx	<b>1,500</b>
Employees, FTE	<b>8,645</b> (10,282)

## Germany

Number parcels, millions	<b>15.5</b>
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## PostNord Finland

Net sales, SEKm	<b>1,028</b> (984)
Adjusted operating income, SEKm	<b>8</b> (-15)
Number of parcels, millions	<b>8.3</b>
Number of distribution points, approx	<b>1,200</b>
Employees, FTE	<b>123</b> (173)

## PostNord Sweden

Net sales, SEKm	<b>22,671</b> (23,025)
Adjusted operating income, SEKm	<b>515</b> (824)
Number of letters, millions	<b>1,637</b>
Number of parcels, millions	<b>97.7</b>
Number of distribution points, approx	<b>2,000</b>
Employees, FTE	<b>19,550</b> (19,534)

## Direct Link

Net sales, SEKm	<b>1,028</b> (989)
Adjusted operating income, SEKm	<b>28</b> (27)
Employees, FTE	<b>230</b> (192)
Operations in the United States, United Kingdom, Germany, Singapore, Hong Kong and Australia.	

## PostNord Strålfors

Net sales, SEKm	<b>2,081</b> (2,240)
Adjusted operating income, SEKm	<b>161</b> (-151)
Employees, FTE	<b>769</b> (883)
Operations in Sweden, Denmark, Finland and Norway.	

## The Group

	2017	2016
Net sales, SEKm	<b>37,079</b>	38,478
Operating profit, SEKm	<b>-124</b>	-1,083
Adjusted operating income, SEKm	<b>338</b>	500
Net income for the period, SEKm	<b>-337</b>	-1,583
Cash flow from operating activities, SEKm	<b>1,361</b>	1,321
Return on capital employed, %	<b>-1.6</b>	-12.1
Return on capital employed, excl. items affecting comparability, %	<b>4.5</b>	5.6
Net debt ratio (net debt/equity), %	<b>3</b>	5
Financial preparedness, SEKm	<b>4,196</b>	4,927
Employees, FTE	<b>31,350</b>	33,278

“PostNord is the leading supplier of communication and logistics solutions to, from and within the Nordic region.”

## Issues in focus in 2017

- A consistently high level of quality – both perceived and technical. During the year, employees discussed, and made concrete proposals for, how they can help to raise the level of customer-perceived quality.
- Dialogue with the owners as to how the restructuring in Denmark should be financed led to a conditional solution in October. In parallel, the transition to financially sustainable production model in Denmark began.
- Need for a new system of postal regulation in Sweden.
- To listen to and act on the wishes and expectations of our customers and their customers.
- Systematic launch of several new customer- and recipient-oriented services.
- Development and support to leaders via “Leading Change” program.

4.3  
billion  
mail items

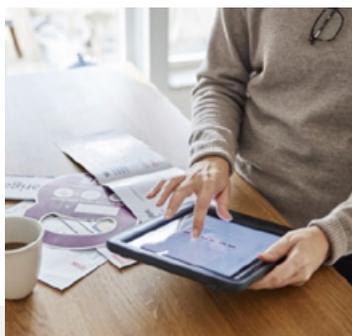
of which 1.9 billion letters and 2.4 billion unaddressed mail items were delivered by PostNord in 2017.

154  
million  
parcels

were delivered by PostNord during the year, an increase of 9% from 2016.

6,250  
distribution  
points

in the Nordic region offer high availability and convenient opening hours for recipients.



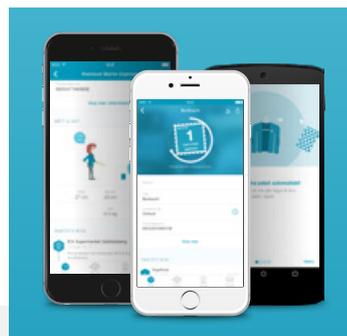
### Rising pace of digitization

- Digitization is leading to lower mail volumes.
- Over the year, the Group's total mail volumes declined by 9%; 18% in Denmark and 7% in Sweden.



### Increasingly consumer-driven logistics market

- The total amount spent on online shopping by Nordic e-commerce consumers in 2017 was estimated at SEK 209.6bn.
- E-commerce represents approximately 10% of total retail sales.
- PostNord's e-commerce related B2C volumes rose by 14%.



### High availability and increased flexibility

- During the year, several new services offering increased flexibility for recipients were launched. For example, home delivery in the evening was made standard. Saturday deliveries to partner outlets was introduced in Sweden – already in operation in Denmark.
- The PostNord app, which has around 1.5 million users, is very well-used and popular. In addition, it has won awards for its design.

# Customer trust and employee commitment are our top priorities

Quality improvement actions, meeting the growing impact of digitization on the business, coming to an agreement on a financing solution for the restructuring in Denmark and to highlight the need for new Swedish postal services legislation, dominated the agenda for most of the past year.

In October, we received two very important decisions. First, our owners reached agreement on the financing issue. Second, the Swedish government took the decision to abolish the requirement for overnight delivery, replacing it with two-day delivery for stamped letters.

Adapting to changing needs in the world around us is in PostNord's DNA. However, the consequences of the rapidly rising pace of change in the past year have been difficult to anticipate. With our owners' decision and expressed support, we can now fully focus on meeting the challenges of digitization and on building the best logistics and communications business in the Nordic region - from the viewpoints of customers, recipients and employees.

## **We are dealing the challenge of trust through quality improvements, quicker responsiveness and innovative customer- and consumer-oriented services**

Without the trust of our customers and their recipients, we can neither achieve nor maintain an acceptable level of volume, income or profitability. "PostNord listens", now implemented throughout the Nordic region, has given us important feedback, which we have translated into concrete improvements. Despite this initiative and increased resources for other quality improvement actions, trust in PostNord has not developed along the lines I would have liked - on the contrary. I respect the fact that we cannot gain appreciation for the hard work that our employees perform every day if recipients and customers do not perceive that our quality and service matches their expectations. To obtain better insight, understanding and consensus regarding conditions and expectations, as of 2018 we will extend the scope of PostNord listens to further increase the involvement of our most important stakeholders, customers, recipients and employees.

I appreciate that we have met with a highly positive response to our more flexible and recipient-oriented parcel deliveries. With the FlexChange service, recipients can choose and change delivery method. Convenient evening home delivery is now standard in some cities and Saturday deliveries to partner outlets mean that even orders placed on a Friday will be delivered next day if the e-seller packs the parcel on the same day. The PostNord app, which has around 1.5 million downloads throughout the Nordic region, is very well-used and popular. Thanks to various collaborations, if no-one is at home we can, according to the recipient's stated wish, deliver to one of a range of locked areas, including multi-occupancy mailbox, trunk of a car or entrance hall in the home. During 2018, we will be launching several new exciting services offering

not only greater flexibility for recipients, but also business benefit for our corporate customers.

## **We are meeting the challenges of digitization and capacity utilization through restructuring and investment**

With hindsight, we have clearly underestimated the negative impact of digitization on mail volumes in Denmark, but have in fact slightly overestimated the volume loss in Sweden. At the same time, up to 2016 we were accurate in foreseeing the growth in e-commerce related volumes. However, in 2017 something happened that we had not taken into account in our calculations. Not only did "normal" e-commerce continue to post double-digit growth, but e-commerce volumes from above all China also absolutely rocketed. In that situation, our capacity was not sufficiently sized for the peak volumes we experienced in the last months of the year, despite our major investments in recent years in our terminal structure and vehicle park. The restructuring in progress in Denmark and Sweden is also designed to optimize utilization of our production capacity, and in 2018 several important investments in our infrastructure will enter service. For example, an impressive third-party logistics facility at Köge, Denmark, will become operational. In addition, new terminals at Köge, Örebro and Växjö will be placed in service later this year.

## **We are meeting the profitability challenge with further restructuring and a more harmonized service portfolio**

Distribution of letters and parcels to basically all households and businesses in the Nordic region are both infrastructure- and labor-intensive. The combination of price and pay rises with declining mail volumes is leading inevitably to a higher distribution cost per letter. If PostNord is to be competitive, cost-awareness at every stage is critical - and not just in our administrative functions. The rigorous restructuring that we are undertaking to create sustainable profitability while rebalancing the logistics/communication business mix is yielding results. We have also made great progress on the way to establishing a more homogeneous production platform and a harmonized Nordic offering. This makes it simpler for our customers and reduces our selling and service development costs. PostNord Strålfors continues to show strong profit growth. On an annualized basis, PostNord Norway and PostNord Finland have turned around their 2016 losses into profits. PostNord Sweden's results have declined partly because under Sweden's outdated postal legislation we have been



unable to fully offset the decline in mail revenue through cost adjustments. PostNord Denmark is meeting the far-reaching effects of digitization with perhaps the biggest restructuring ever carried out in a postal corporation. The Group's adjusted operating income was SEK 338m (500). Pending the European Commission's decision on the financing arrangement for the restructuring program in Denmark, no further terminations of employment for personnel with special employment conditions will take place. On the other hand, the transition to the new production model in the Danish business continues, and on January 21, 2018, the model for mail distribution was rolled out across the whole of Denmark. However, the impact on results will only be realized when we can reduce our staffing according to plan, which will take place once we have the go-ahead from the European Commission.

**We are meeting the sustainability challenge through a long-term and integrated approach to our responsibilities**

Rising awareness of the global sustainability challenge is to PostNord's advantage. For many years, we have been working on sustainability in a target oriented way and the Group's environmental target has been verified in line with Science Based Targets. PostNord has signed up to the UN's Global Compact and has been reporting in accordance with the guidelines of the Global Reporting Initiative since 2005. Last year, we were placed top in an international ranking of postal operators. Looking ahead, we intend to further integrate sustainability into our product and service development and to continue our work on ongoing audits of our supply chain. In all cases, the aim is to ensure that we achieve our goals - but also to help our customers achieve increasingly demanding aspirations and goals.

**We will strengthen belief in our future by clearly laying out PostNord's road ahead**

PostNord's challenge lies in anticipating and dealing with continued decline in the mail business and building a profitable and competitive logistics operation. Currently, our main competition comes from established postal and logistics operators, but going forward our business model will also come under the challenge of new players and modes of delivery. Overall, this means that PostNord must continue its transformation.

The regulatory easing that we benefited from in Denmark in 2016 has made possible the radical transformation now taking place there. With the measures to relax the regime in Sweden from January 1, 2018, we will be able to continue our adaptation to new volume levels in an orderly fashion. However, it remains a matter of urgency for decision-makers to continue to keep up with developments and be prepared to make further regulatory changes to maintain a decent postal service without government support.

Making sure that our employees both have full insight into our challenges and faith in the direction chosen will be crucial to our ability to achieve our long-term goals. I understand that it is easy to lose heart when you are questioned daily not only about our own, but also sometimes about our competitors', failings. For example, not many people know that PostNord is only responsible for delivering six out of ten letters in the Stockholm region.

In order to underpin belief in the future and commitment among our superb and loyal employees, we will become even more open and involving in the dialogue on challenges, expectations and results achieved. To conclude, I would like to sincerely thank all employees, customers and their recipients, partners and owners for our excellent working relationships and constructive dialogue!

Solna, February 2018

Håkan Ericsson  
*President and Group CEO*

## Consumer-driven logistics and communication markets

The driving forces in PostNord's markets may be summarized in brief as rapid growth in e-commerce, increased demand for cross-border logistics solutions and a continued digitization-driven shift from physical to wholly or partly digital communication.

### Increased demand for Nordic end-to-end solutions

The logistics market is driven above all by global growth and expanding international trade. The Nordic logistics market is closely correlated with GDP, but is also impacted by rising Web-based commerce. Commerce between the Nordic countries represents a significant portion of total commerce in the Nordic region. At the same time, Europe is the Nordic region's most important trading partner. The demand for Nordic end-to-end solutions and cross-border solutions to, from and within the Nordic region is rising. The market includes everything from home deliveries of parcels and road freight for heavy goods, to advanced logistics services such as third-party logistics (TPL).

The logistics market is characterized by higher demand for additional and increasingly advanced services, with recipients expecting more and more in terms of communication, conditions of delivery and flexibility. Recipients have high demands for fast delivery, preferably on the same day. The market is also characterized by tough competition and a close focus on costs, which has led to rising demand for outsourcing of logistics solutions, as more and more companies are opting to outsource all or parts of their supply chain.

In the past, the top competitors were global logistics operators such as Deutsche Post, via DHL, DB Schenker, Bring and a host of minor players with large or small positions in different service areas. As the market has developed, this has created an opportunity for new operators to gain a foothold in the logistics market. These new operators are not classic logistics enterprises. They are companies offering solutions based on the fact that information can be used and sold between sender and logistics operator, and between logistics operator and recipient.

**Position:** PostNord, with its own Nordic network and international partnerships, for example with DPD, has a leading position in the Nordic market in distribution and logistics, in which the e-commerce related logistics segment is showing rapid growth. The Group's logistics offering is largely harmonized within the Nordic region.

### Potential for growth in e-commerce remains strong

E-commerce is expected to continue to grow by more than 10-15% annually over the next few years. The basic driving force of e-commerce is convenience. Both e-retailers and recipients demand simplicity and availability. The major share of e-commerce purchases are still made from domestic companies. However, it is increasingly common for consumers to look for products beyond their country's borders. Sites in the United Kingdom, Germany, the United States and China, above all, attract Nordic consumers.

One of e-commerce's most important competitive factors is effective and seamless logistics. Delivery method, location, time and cost have become increasingly important to consumers at the time of purchase. Two powerful trends are the omni-channel concept, where the end consumer has the same purchasing experience irrespective of channel, and information logistics, which provides track-and-trace and control over deliveries in real time.

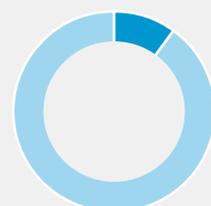
**Position:** Today, PostNord has a unique reach and a leading position as expert and partner to the majority of e-retailers in the Nordic countries. All-in-all, this represents further attractive opportunities for growth. About a third of the new agreements signed by PostNord are in the fast growing e-commerce segment.

### E-commerce in the Nordics

	Consumers who have bought online in an average month in 2017 (millions)	Average value per person who has bought online (SEK)
Sweden	3.6	1,927
Denmark	1.9	2,208
Norway	1.8	2,116
Finland	1.4	1,507

According to a survey conducted by TNS Sifo on behalf of PostNord for the period Feb. 2017-Jan. 2018.

### E-commerce - % of total retail sales



E-commerce in the Nordic region, 10%

E-commerce sales today represent around 10% of total shopping (including groceries) in the Nordic region, indicating that the potential is major.



### Patterns of communication changing

With the shift to digital communication options, mail volumes are decreasing. In the Danish market, the pace of digitization has been very high. This results from several factors coming together at the same time, not least legislation on digital communication from and to public sector agencies. In Sweden, digitization is still advancing less rapidly.

With digitization, the decline in mail volumes will continue. This changing market is a reality and a challenge to all postal corporations. Against that background, the regulatory conditions to enable postal corporations to run competitive and financially sustainable operations while meeting the changing needs of consumers and businesses for postal services will have to be continuously adapted to prevailing and future needs. Denmark passed new postal legislation in 2016. Following a review of Sweden's system of postal regulation, a new postal ordinance entered into force on January 1, 2018. Under the new regime, the requirement of overnight delivery was altered to two-day delivery. Digitization is also driving higher demand for combinations of physical and digital communication.

**Position:** PostNord provides the universal postal service in Denmark and Sweden and is the only player that reaches all households and businesses in the two countries. This capacity is a factor of strength with regard to the growth in e-commerce. While the overnight delivery requirement has been scrapped, PostNord offers an overnight service for businesses, organizations and public authorities needing to contact their recipients quickly. Via PostNord Strålfors, certain mail services are also offered in Norway and Finland. In addition, PostNord Strålfors' omni-channel solution gives the Group a strong position in combinations of digital and physical communication. Helping customers to achieve better market communication outcomes by combining analysis, segmentation and impact measurement with physical and digital advertising solutions in the Nordic region will be another growth and focus area going forward.

### Mail volumes

#### Sweden

Change, overall, during 2017	-7%
Change, overall, since 2000	-46%
Change, priority mail, since 2000	-60%

#### Denmark

Change, overall, during 2017	-18%
Change, overall, since 2000	-79%
Change, priority mail/Quickbrev, since 2000	-96%



# Active dialogue translating into more customer-oriented and sustainable solutions

PostNord's operations affect many different categories in society. By understanding and acting on the issues that are most important, we can establish the right priorities for delivering on the requirements and expectations of various stakeholders.



The categories that are most impacted by, or are most dependent on, PostNord's operations are customers and their recipients, employees, business partners, owners, the capital market and players in the community.

## Customers and recipients

PostNord strives to be the first choice for corporate and private customers, and their recipients, in the Nordic region. Corporate customers account for more than 90% of PostNord's sales, while at the same time private customers in many cases are the recipients of the mailings of corporate customers. Satisfaction among customers and recipients is critical to PostNord's ambition to be first choice.

**Dialogue and follow-up:** Customer meetings, customer service, drivers and mail carriers at delivery, PostNord's service partners, customer representatives, customer and corporate image surveys. PostNord listens provides immediate feedback from recipients that PostNord 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.

## Dialogue on customer quality

The 2017 employee dialogue focused particularly on customer needs and expectations, and perceived quality. By involving all employees, many concrete suggestions emerge for how small, simple actions can immediately be translated into practice to increase customer benefit. Examples include better returns handling, involving drivers more to learn from their day-to-day contacts with customers, and establishing closer collaboration between drivers and terminal workers.

## Employees

With around 31,000 employees (FTE), PostNord is one of the largest employers in the Nordic region. As a result, PostNord bears a great responsibility for offering a safe and attractive workplace providing for personal development.

**Dialogue and follow-up:** Performance appraisals, workplace meetings, employee dialogues, employee surveys, communication via various internal channels, dialogue with trade unions.

**Issues in focus:** Customers and quality, Group's goals and priorities, leadership and responsible restructuring, working conditions, health and safety, opportunities for development, workplace equality.

## Secure and safe transportation

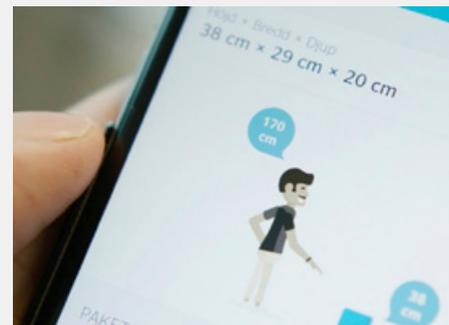
At PostNord, safety comes first, second and last. A secure work environment for drivers is important both to every individual employee and to customers. PostNord operates an advanced safety program, working closely with the police, our customers and industry organizations. Measures include immediate notifications of deviations, personal alarms, DNA anti-theft spray, specially adapted locking systems and surveillance cameras. These actions have sharply reduced the number of thefts during transportation and have attracted international attention through the capture of criminals during attempts to steal goods from trucks out on deliveries.

Watch the video of the capture on YouTube



## New services for increased benefit to customers and recipients

The dialogue with recipients via PostNord listens has delivered useful insights. The aim is to act quickly on the views expressed - whether regarding a particular service partner or a wished-for improvement to a service. During the year, PostNord launched services such as evening home delivery as standard and Saturday deliveries to a partner outlet in Sweden. The PostNord app is highly regarded and well used.



### Owners

PostNord is owned 40% by the Danish State and 60% by the Swedish State. The overall mission from our owners consists of ensuring the universal service obligation, while creating value and conducting the business in a sustainable way.

**Dialogue and follow-up:** Annual General Meeting (AGM), annual and sustainability report, interim reports, quarterly meetings.

**Issues in focus:** Development and performance of universal postal service, financing of restructuring in Denmark, financial stability, quality, employees, sustainability, digitization and other current challenges and opportunities.

### Capital market

PostNord finances its business partly through bonds. The confidence of the capital market is therefore important to the Group.

**Dialogue and follow-up:** Interim reports, annual and sustainability report, dialogue with analysts and lenders.

**Issues in focus:** Financial development and financial stability and preparedness, net debt ratio, cash flow, business model.

### Business partners

Business partners summarizes PostNord's relationships with partners outside the Group, for example suppliers

and partner outlets. Every year, PostNord procures goods and services for considerable sums and has more than 6,250 distribution points in the Nordic region.

**Dialogue and follow-up:** Meetings with suppliers, procurement, audits, continuous dialogue with service partners.

**Issues in focus:** Collaboration, reliability and delivery quality, information from PostNord as support in contacts between service partners and customers. Sustainability in the supply chain, PostNord's Code Of Conduct for Suppliers.

### Society

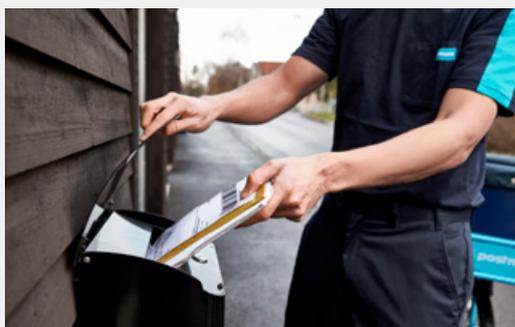
PostNord plays a key role in the business community and society by making it possible for businesses and private individuals to do business and communicate with each other every day. Operating a stable and profitable business in the long term, with a focus on the environment and social accountability, strengthens competitiveness and enables expectations regarding accountability to be met.

**Dialogue and follow-up:** Dialogue with public authorities, politicians, decision-makers and opinion-formers. Dialogue and collaboration with trade associations, advocacy organizations (for example, on rural issues), organizations for sustainable development and social accountability, and with students.

**Issues in focus:** Delivery quality, perceived quality, postal regulation, environmental impact, security and accessibility.

### Agreement between owners on financing

On October 21, PostNord's owners signed an agreement to make a capital contribution of SEK 2.2bn. The Danish State will contribute SEK 1,533m as a contribution towards maintaining the universal postal service. In addition, an SEK 267m equity contribution will be made by the Danish State and an equity contribution of SEK 400m by the Swedish State. The agreement remains conditional on approval by the European Commission.



### Students giving PostNord tips on sustainability issues

During 2017, PostNord worked with Sustainergies, a platform intended to facilitate collaboration between business and academia, through which students have the opportunity to be involved in sustainability in practice. In November 2017, Sustainergies and PostNord organized a workshop where around 30 students produced creative proposals for PostNord's future sustainability work in logistics. The students came up with several useful ideas about possible areas of collaborations with customers, opportunities in distribution and communication about sustainability issues.



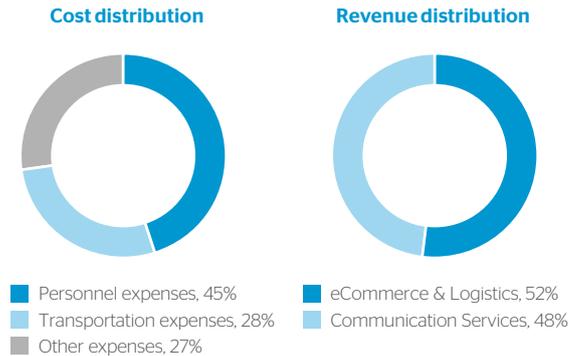
# Unique infrastructure enabling growth for businesses and society

With customers and their recipients at the center, PostNord is developing, adapting and managing its structural capital and resources to create value for its customers, their recipients and society.

## Unique infrastructure connecting all businesses and households

Through its unique infrastructure, PostNord offers communication and logistics solutions to, from and within the Nordic region. As customer needs are changing, the Group is developing its offering and at the same time adapting its utilization of resources.

The distribution of mail items to all households and businesses is a labor- and transport-intensive operation. Consequently, the costs involved represent more than 70% of the Group's costs. In order to address new communication patterns that are arising from the increasing trend of digitization, PostNord is undergoing a major process of change. PostNord's offering is being developed such as to respond to the needs of the growing e-commerce and logistics market, while at the same time mail volumes are declining. The Group's revenue from its eCommerce & Logistics offering is now greater than from Communication Services, which includes the traditional mail business.

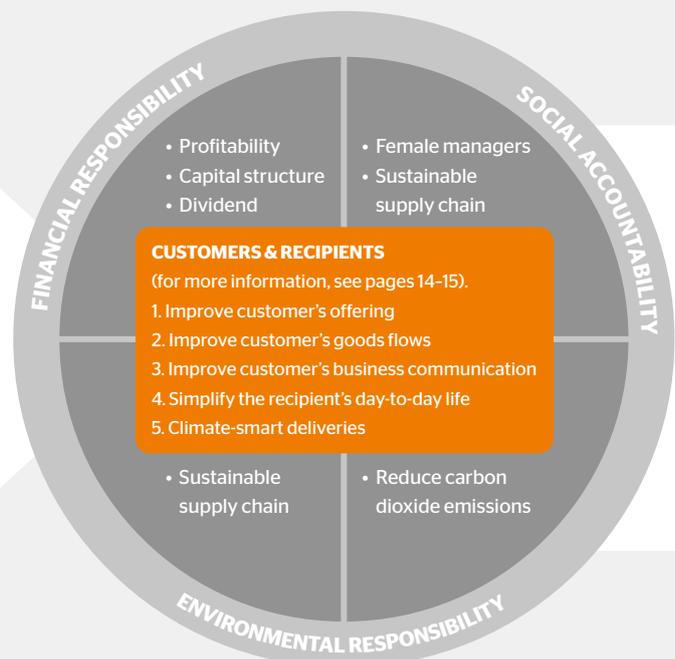


## With customers and their recipients at the center...

PostNord benefits from a unique capital structure enabling it to offer communication and logistics solutions to, from and within the Nordic region.

PostNord operates a clearly defined governance system and goal-focused monitoring of non-financial and financial targets in order to ensure sustainable development.

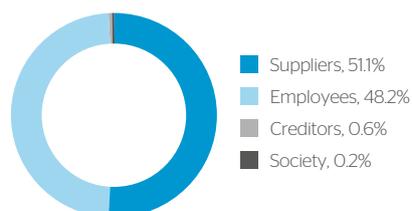
- Approximately 16,500 mail carriers and drivers reach every household and every business
- Efficient, modern terminal structure
- Approximately 17,700 vehicles, 27% electric-powered
- 6,250 distribution points in the Nordic region
- A common brand and harmonized offering in the Nordic region
- Sustainability integrated in all operations, a Group-wide Code of Conduct, certified business management system, environmental goals verified by Science Based Targets



### Important role in society

As a leading supplier of communication and logistics solutions to, from and within the Nordic countries, PostNord may be seen as part of the lifeblood of trade, industry and society in the region. Every day, PostNord's extensive presence makes it possible for businesses, public authorities and private individuals to do business, deliver merchandise and products and communicate with each other – wherever they are and whatever the distance. This also creates opportunities for businesses, not least e-commerce businesses and their customers in more sparsely-populated areas. These e-commerce businesses can deliver to a Nordic and a global market. Consumers gain access to a global offering of products.

### Value generated and distributed



The economic value generated is distributed to employees in the form of wages, salaries and other remuneration, to suppliers in the form of payment for products, to lenders in the form of interest payments, to citizens in the countries in which PostNord operates via tax payments, and to its owners when dividends can be paid. Total value distributed in 2017 was SEK 36,146m.

## ...we are developing, adapting and managing our resources

A coherent communication and logistics offering across the whole Nordic region is generating customer value and revenue for investment, service development and return on capital.

- 4.3 billion mail items (of which 1.9 billion letters) and 154 million parcels delivered
- 803,000 ratings via PostNord listens
- New flexible, recipient-oriented delivery solutions
- Approximately 1.5 million users of the PostNord app
- Sending and collecting parcels simple for businesses and private individuals
- Competitive solutions for growing e-commerce sector



# Work on building the best logistics and communications business in the Nordic region continues

With an intensified focus on the future, the targeted work on the Group's most important strategic priorities continues.

Since the merger of Posten AB and Post Danmark A/S in 2009, the market and the conditions affecting the business have altered dramatically. Starting from a clear strategy, PostNord has been established as a competitive logistics player with a strong focus on the growing e-commerce sector. At the same time, considerably lower mail volumes have necessitated radical restructuring of the organization to ensure that a good postal service in Sweden and Denmark is maintained. In parallel, initiatives within the Group are under way to develop the communications business, partly through development of digital services and channels and partly via different combinations of physical digital communication. The Group's strategy is underpinned by ten priorities.

## Develop

- Leader within e-commerce
- Innovative digital services and channels
- Leading in sustainability

## Reposition

- Winning the hearts and minds of customers, consumers and employees
- Harmonized product portfolio
- Growth in prioritized logistics segments

## Build

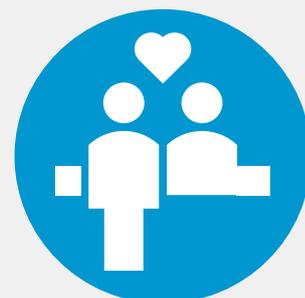
- Competitive cost level
- Stable and efficient IT operations
- Integrated and flexible production model
- Optimization of the physical mail business

## Events during the year

- Transition to a financially sustainable production model in Denmark.
- New postal ordinance in Sweden, paving the way to changes in production and new services, in effect in Sweden from January 1, 2018.
- Continued, intensified focus on quality improvement measures.
- Several customer- and recipient-oriented services were launched during the year, including evening home deliveries as standard and Saturday deliveries to certain service partners in Sweden.
- Further development of digital customer interfaces (recipient app/sender app) and flexible solutions such as deliveries to locked areas, cars, businesses, households, including services for returns.
- PostNord listens implemented throughout the Nordic region. A total of 803,000 ratings were noted during 2017.
- Continued harmonization of the Group's end-to-end Nordic offering.
- Continued reduction of the Group's administrative costs to a more competitive level.
- Implementation of the integrated production model in Sweden and Denmark going ahead on schedule.
- Continued reduction in Group's carbon dioxide emissions. PostNord's environment work ranked at the highest level, Gold, in the International Postal Corporation's (IPC) annual awards.
- To reinforce a delivery culture even during an ongoing restructuring process, the Group's approximately 1,500 leaders were trained in managing change and communicative leadership. An extended program was established at PostNord Sweden.

## Winning the hearts and minds of customers, consumers and employees

As of 2018, PostNord listens is an integrated part of the priority for improving PostNord's reputation and how PostNord is perceived and trusted by customers, consumers and employees. With a structured approach based on high quality, active listening, insight, communication and concrete actions, PostNord will meet the expectations of its most important stakeholders.



# Continuous employee dialogue improving understanding and commitment

PostNord is in the process of dynamically restructuring its organization. This is affecting all employees and placing high demand on leadership. Continuous dialogue with employees has a vital role in maintaining and developing commitment.

Dialogue with employees is maintained on a continuous basis. The outcome for the employee survey (FOCUS) indicates that employees trust their immediate superior, who they see as straightforward and honest. However, areas needing improvement are commitment and pride in the organization, where activities are conducted per country. Despite the continued intensive restructuring process to address the constant decline in mail volumes, above all in Denmark, outcomes were slightly higher than last year.

The restructuring of the Group to adapt the organization to lower mail volumes is continuously ongoing. PostNord's ambition is to act responsibly during staff reductions, working closely with the unions.

People's differences contribute to an attractive and dynamic workplace and improve the ability to meet, and maximize benefit from, the various needs of customers. The "Move - Change for Diversity" initiative is designed to add momentum to PostNord's work in diversity, where various activities have been carried out, for example in recruitment. The proportion of women at management levels 1-3 was 37% and at management levels 4-6 31%. Work in diversity is an integral part of PostNord's recruitment processes and a range of talent and development programs for managers and specialists are on going.

PostNord works systematically on the work environment. The focus is on creating a safe working environment through proactive efforts to minimize the risk of accidents at the workplace. As a result, sick leave is now falling after some years of an upward trend.

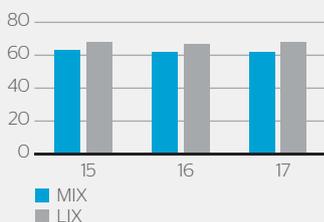
index **83** "men and women have equal opportunity at my workplace"

index **78** "at my workplace, we have a culture that promotes diversity"

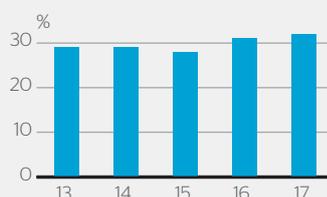
### Events during the year

- During the year, PostNord Denmark has had focus on preparations for the transition to the new production model, which went live on January 21, 2018. This is the biggest restructuring program ever, and employees are affected in many ways. To create efficient processes and sound finances, changes were made to working hours, workplaces and work processes.
- Within the scope of "Move - Change for Diversity", various initiatives were arranged, such as a Nordic mentorship program and roll-out of the diversity exercise "Diversity - Game of Possibilities".
- Employer Brand is strengthened via PostNord's social media presence, including in LinkedIn.
- In conjunction with the Swedish Public Employment Service and We Link Sweden, PostNord is engaged in a project aiming to help new Swedish citizens get established in the Swedish labor market.
- To secure future competence provision, talent programs for managers and specialists are being conducted. Within the Swedish organization, the "Panorama" leadership program aimed at women executives, progresses.
- The Me Too campaign has brought some very important issues into the spotlight. PostNord does not accept any kind of offensive behavior in the workplace. Should harassment or offensive behavior nevertheless occur, several options for reporting have been clearly outlined.

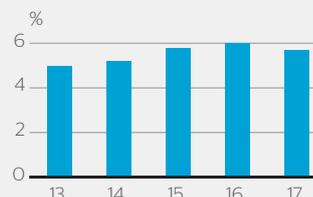
**Target:** Improve the Employee Index (MIX) and Leadership Index (LIX)  
**Outcome:** MIX 62 (62), LIX 68 (67)



**Target:** 40% female managers by 2020  
**Outcome:** 32% (31)



**Target:** Reduce sick leave levels  
**Outcome:** 5.7% (6.0)



# New consumer-oriented services and increased focus on recipient experience

PostNord's driving force is that business and private customers and their recipients should find that the offering meets their needs, and that the quality that PostNord delivers on the whole is in line with their expectations.

With PostNord, customers shall reach their recipients at the right time, securely and efficiently - whether it concerns a global logistics solution, an advertising campaign or a birthday greeting. Recipients shall be able to rely on mail items being delivered in the way they wish - whether to the mailbox, entrance hall, refrigerator, to a service partner or to the trunk of the person's car.

### 1. Improve customer's offering

Based on customer insight, PostNord helps business customers to identify the right target group, whether it is a case of finding new end-customers or retaining and developing business with existing customers. This enables customers to communicate more effectively and increase the impact of both digital and physical channels. It also creates scope for following up the effects and strengthening their offerings via loyalty programs.

### 2. Improve customer's goods flows

PostNord offers complete logistics solutions for the customer's shipments to, from and within the Nordic region. The customer therefore needs just one supplier for inbound deliveries and deliveries to the end-recipient. PostNord's offering includes functions for tracking the status of the shipment in the distribution chain, warehousing (TPL) and efficient handling of returns. Parcels are delivered directly to the recipient, to one of PostNord's own distribution points in the Nordic region, or to one of DPD's 20,000 distribution points in Europe.

### 3. Improve customer's business communication

Business communication on the recipient's terms builds on a successful transaction, reassures PostNord's customers and helps ensure that their end-customers stay loyal. PostNord can produce and distribute all forms of business communication, both in physical and digital format or in combinations of the two modes of delivery.

### 4. Simplify the recipient's day-to-day life

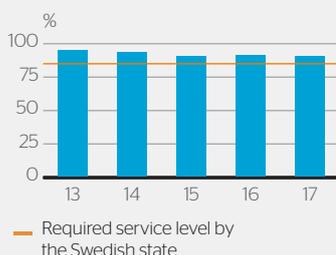
Recipients of mail items are more and more wanting to choose where their delivery is to be made - to the home, to work or even perhaps to the trunk of their car. PostNord is developing its services to meet these wishes. Traceability, notification by SMS message and track-and-trace via apps are other examples of popular services. PostNord's popular distribution points offer the most in-demand services, such as collection and dispatch of large items. PostNord makes high demands of its service partner network, for example in terms of opening hours.

### 5. Climate-smart deliveries

PostNord's environmental work and clear policy of cutting carbon dioxide emissions give an increasingly important competitive edge in its customer offering. More often PostNord also work closely with customers to adapt transport solutions for more environmentally correct solutions. Use of rail transport, alternative fuels and consolidating shipments to increase capacity utilization are some of the actions taken. PostNord also offers a number of services under the label "Klimatekonomiskt", in which PostNord and the customer work together to reduce the overall environmental impact of the shipments, for example via requirements on printed material, special transportation solutions and climate compensation.

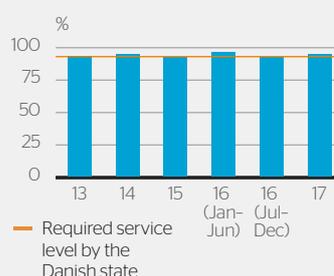
#### Quality, letters, PostNord Sweden

The outcome for 2017 was 90.4% (91.5). For further information, see page 20.



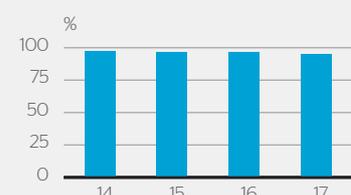
#### Quality, letters, PostNord Denmark

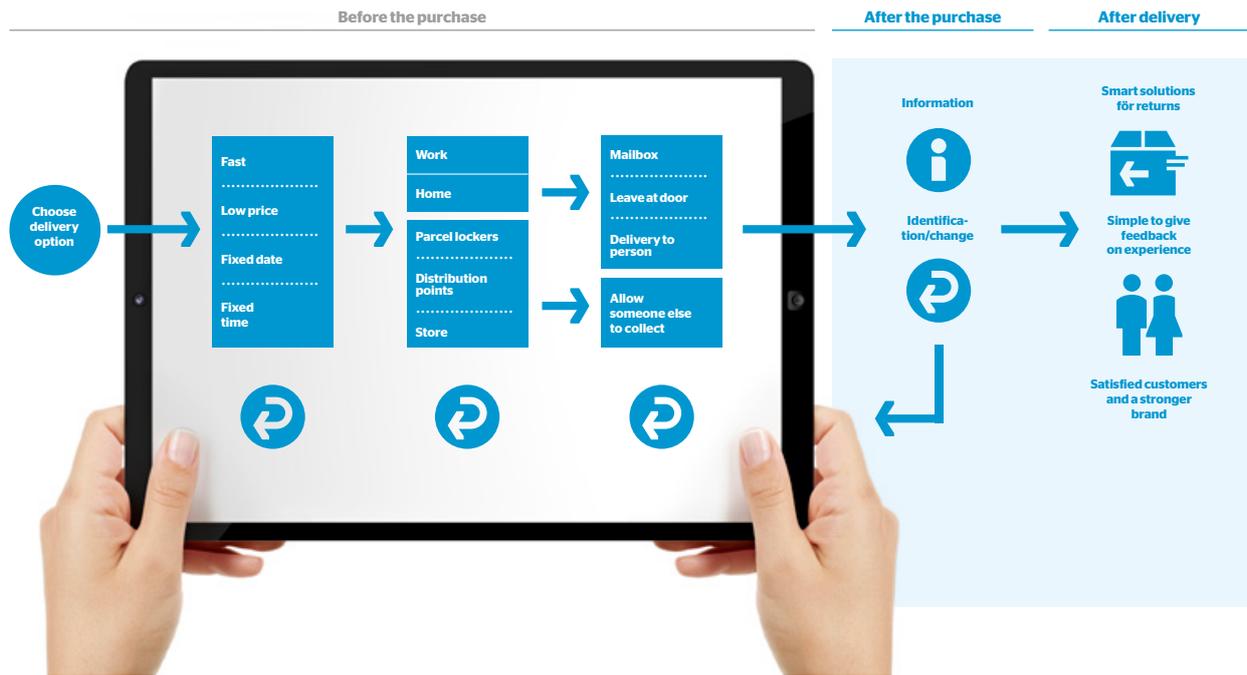
Quality in the standard Brevet service was 95.1%. For further information, see page 21.



#### Quality, parcels, PostNord Group

The Group's overall quality for parcels was 95.2% (96.2).





PostNord's part of the value chain begins when the customer chooses delivery mode at checkout on the e-seller's website. This is where expectations as to flexibility and reliability are formed. PostNord

is engaged in a wide-ranging development program to make life simpler for both e-commerce businesses and their end-customers. For example, PostNord's FlexChange service makes it possible

for the recipient to change delivery time and place while delivery is in progress. This increases convenience and options for the end-consumer and boosts the strength of the e-seller's brand.

### PostNord listens is getting results

PostNord listens, which was implemented in 2017 throughout the Nordic region, has quickly become an important tool for measuring and improving customer-perceived quality and customer satisfaction. The customer experience is measured for delivery to partner outlet/distribution point, home delivery, letter distribution and contact with customer service.

During 2017, a total of 803,000 ratings were recorded. For the two main services, aimed at the sharply growing e-commerce sector, delivery to partner outlet/distribution point (MyPack Collect) and home delivery (MyPack Home), a positive trend was noted during the year, as shown in the following data from Sweden and Denmark. Every week, a total of about 12,000-15,000 ratings are received

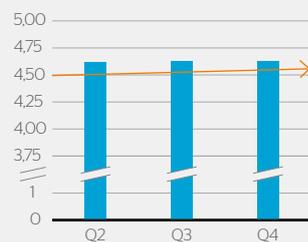
for MyPack Collect and around 4,000-5,000 for MyPack Home. Thanks to this feedback, changes have been made to the processes for home delivery and the number of distribution points increased.



803,000 ratings

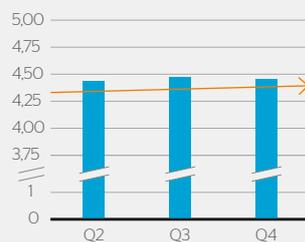
#### MyPack Collect Sweden

Recipients' rating (max. 5)



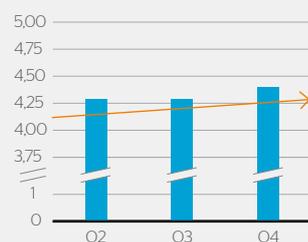
#### MyPack Collect Denmark

Recipients' rating (max. 5)



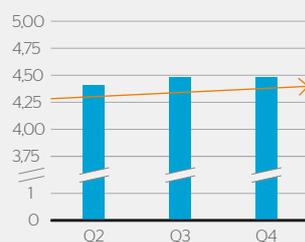
#### MyPack Home Sweden

Recipients' rating (max. 5)



#### MyPack Home Denmark

Recipients' rating (max. 5)



■ Average/quarter 2017  
 — Trend in 2017

# Targeted environmental work with focus on the climate

PostNord's environmental work focuses on reducing energy consumption in transportation and properties. The energy used shall to the highest degree possible be generated from renewable sources to minimize the Group's climate impact.

PostNord is one of the biggest logistics operators in the Nordic region, and carbon dioxide emissions from own and purchased transportation services represent the Group's major environmental impact. The overarching environmental goal is to cut carbon dioxide emissions by 40% by 2020, taking 2009 as the base year. To date, the Group's carbon dioxide emissions have decreased by around 32%. In 2017, the reduction was 8%. The reduction has been achieved through a targeted work in the most critical areas. Important actions during the year included raising the biofuel proportion of diesel, procuring green electricity in more parts of the organization, energy efficiency measures in buildings and merging locations. In Sweden, several fuel suppliers offer diesel made from biogenic sources. The biogenic component for own and procured transportation operations increased from around 17% to around 22% during the year. PostNord's integrated production model, based on merging mail processing and the handling of parcels and heavy goods, together with coordination of vehicle utilization, contributes in reducing emissions.

### Events during the year

- PostNord is involved in developing an electrified road between Arlanda Airport and PostNord's Roserberg terminal. An electrified rail powers, and at the same time charges batteries in, wholly electricity-driven trucks.
- In 2017, energy optimization measures in buildings and installation of LED lighting were carried out.
- In Denmark, the new Postal Services Act introduced in 2016 led to a reduction in the transportation requirement. In January 2018, the Danish operation implemented a new production model which will help to reduce carbon dioxide emissions.
- Legislation on biofuels is under discussion at EU and national levels. In PostNord's view, changes in conditions may have negative impact on the availability of biofuels at a competitive cost.
- The new Swedish Postal Ordinance, which entered into force on January 1, 2018, will reduce the need for air transportation and will lessen climate impact.

### Focus areas to reduce climate impact:

#### Higher capacity utilization

PostNord strives at all times to increase capacity utilization in its vehicles and to optimize routes.

#### Fuel-efficient driving

All PostNord drivers are trained in fuel-efficient driving. A program to install telematics systems delivering immediate fuel-consumption feedback to the driver began during 2017.

#### Higher biogenic component

PostNord is striving to increase the biogenic component, without using fuels or residual products from palm oil.

#### More electric vehicles

PostNord aims to electrify its transport operations as far as possible. Today, the electric vehicle fleet mainly consists of electric bicycles, three wheeled bicycles and small cars. Electric vehicles make up around 27% of the fleet.

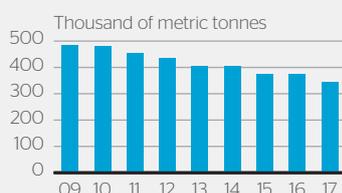
#### More rail transport, less air

Transportation by air accounts for 4% of the Group's total carbon dioxide emissions. Under the new Swedish Postal Ordinance, which allows two-day delivery for letters in Sweden, the volume of transportation by air will decline. PostNord's major sorting terminals are linked to the rail network and around 65% of mail volumes in Sweden are transported by rail between the terminals. In Norway, the major share of parcel and pallet volumes are transported by rail.

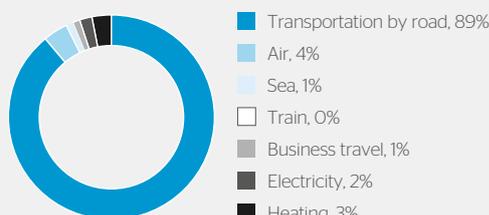
#### Energy-efficient buildings

To reduce the need for premises PostNord merges locations and conducts efficiency measures. Energy surveys, management by objectives and technology are the means used to reduce energy consumption. Actions include motion-sensitive lighting, LED technology, modern ventilation and upgrading of quick-closing doors.

**Target:** To reduce carbon dioxide emissions by 40% by 2020 from the 2009 level.  
**Outcome 2009-2017:** -32%



**Total carbon dioxide emissions by category**



**Carbon dioxide emissions per item, 2017**



Compared to 2016, the climate impact decreased per parcel and increased per letter.

## Sustainable supply chain

As a major actor in the logistics market, PostNord takes responsibility for ensuring that suppliers engaged meet the requirements of PostNord and the surrounding world. That way, PostNord also can contribute in building sound conditions and standards in the business sector.

PostNord often forms part of a long and complex supply chain, in which collaboration with suppliers is core. The suppliers that PostNord engages for road transportation are in many cases small haulers with few trucks and employees. PostNord's suppliers also include large, well-established operators in areas such as IT, staffing, air transport and rail transport.

The transport industry faces challenges in sustainability, primarily regarding emissions to air, but also regarding for example labor rights and occupational health and safety. An important issue concerns the conditions for drivers belonging to international haulers performing domestic transports. PostNord therefore works actively to ensure that suppliers accept and comply with the Group's Code Of Conduct for Suppliers and the specific requirements for road transportation. Requirements include working conditions offered by the suppliers to their drivers, environmental requirements relating to choice and use of fuels and Euro Class requirements on vehicles.

### Events during the year

#### Follow-up

Over the year, a Group-wide process was implemented for follow up on supplier compliance with PostNord's Code of Conduct for Suppliers. The process consists of a Web-based self-assessment, risk assessment and on-site audits of high-risk suppliers. Risk is determined on the basis of the outcome of the self-assessment, the risk category of the supplier and spend volume. Through the risk assessment, suppliers of road transportation were identified as an important group in the work on a sustainable supply chain.

In 2017, around 180 of the Group's suppliers were requested to carry out a self-assessment or underwent an on-site audit if they were assessed as high-risk.

The process for PostNord's Code of Conduct audits is based on SA 8000, a global standard for audit and certification of social accountability. Aimed at businesses and organizations irrespective of size, it focuses on human

rights, labor rights and working conditions. PostNord's audits consist of document review of for example wages and working hours, inspection of health and safety and interviews with management representatives and employees.

Over the year, 17 on-site audits were conducted by PostNord's own auditors, all of whom had undergone at least basic training in SA 8000 auditing, or by a third party.

Follow-ups are also conducted in the form of PostNord's own reviews of compliance with other contractual requirements.

As a result of on-site audits and self-assessments, areas for improvement were identified relating to working hours and overtime compensation, systematic environmental work and regarding the setting of requirements and follow-up of second tier sub-contract suppliers. If a supplier fails to remedy deviations within the period agreed, PostNord is entitled to terminate the contractual relationship.

#### Training

In 2016, purchasers and employees in sustainability functions at PostNord underwent a two-day course in sustainable supply chain. The course is part of our work on integrating sustainability into the purchasing process, and in 2017 it was also given to new employees in Group Sourcing.

During the year, three training courses were also held in Norway for suppliers of road transportation. The aim was to increase suppliers' knowledge of contractual implications and the Code of Conduct for Suppliers.

To reach out to more suppliers, PostNord developed an e-learning for suppliers regarding the Code of Conduct for Suppliers.

The course will be available at [www.postnord.com](http://www.postnord.com).

Every year, PostNord buys goods and services valued at approximately SEK 13 billion from several thousand suppliers. Around 500 of the latter account for 80% of the Group's total spend.

**Target:** PostNord's long-term goal is that by 2020, on the basis of a risk assessment, at least 80% of the Group's total spend will be with suppliers who accept and comply with the Code of Conduct for Suppliers.

**Outcome:** At year-end 2017, 71% of spend volumes were made from suppliers who had accepted the Code, and the process for checking compliance is in operation.



## The Group

PostNord is feeling considerable pressure from falling mail volumes caused by the rapid advance of digitization. At the same time, strong growth in e-commerce continues. PostNord is working intensively on restructuring the organization to meet the changing needs of the market.

### Net sales and income

PostNord's net sales decreased by 4%, excluding acquisitions, disposals and exchange rate effects. As a result of continued digitization, mail volumes declined by 9% overall; 18% in Denmark and 7% in Sweden. The Group's parcel volumes increased by 9%. Growth in e-commerce continues, with e-commerce related B2C volumes rising 14%. Over the full year, sales of the Group's other logistics services (third-party logistics, groupage cargo and pallet) increased by 5%.

Group operating income totaled SEK -124m (-1,083). In all, income takes into account items affecting comparability of SEK -462m (-1,583). Item affecting comparability in 2017 consist in their entirety of provisions for termination of employment of personnel with special employment conditions in Denmark. Pending the European Commission's decision on the financing arrangement for the restructuring program in Denmark, no further terminations of employment for personnel with special employment conditions will take place. On that basis, full provision for the program is not recognized in 2017. The items affecting comparability for the preceding year consisted primarily of impairment losses of SEK 1,186m on goodwill and property, plant and equipment related to the Danish business, and of the disposal of Strålfors' non-Nordic businesses. The Group's adjusted operating income was SEK 338m (500) for the full year. Growth in eCommerce & Logistics and ongoing cost adjustments failed to fully compensate for the considerably lower sales of products impacted by digitization.

Net financial items totaled SEK -12m (-25). Income taxes totaled SEK -201m (-475). The relatively high tax liability arises because deferred tax in connection with PostNord Denmark's deficit has not been recognized, since it is estimated that the tax loss carry-forward cannot be utilized within the foreseeable future. Net income for the year totaled SEK -337m (-1,583).

### Financial position and results

Equity totaled SEK 7,365m, compared to SEK 7,651m on December 31, 2016. The decrease of SEK 286m arises from the effect of income for the year and negative translation differences, while revaluation of the pension liability made a positive contribution.

The Group's net debt totaled SEK 238m (354). The interest-bearing liability consists of a long-term portion of SEK 3,556m (1,716) and a current portion of SEK 222m (2,029).

The debt ratio (net debt/equity) was 3% (5), which was somewhat below the Group's target of 10-50%. Return on capital employed (ROCE) was -16% (-12.1), as a result of the negative income for the year. Excluding items affecting comparability, the return on capital employed was 4.5% (5.6).

On December 31, 2017, the Group's financial preparedness totaled SEK 4,196m (4,927), comprising cash and cash equivalents of SEK 1,901m (1,577), short-term investments of SEK 295m (350) and an unutilized credit facility of SEK 2,000m (3,000), which expires in 2020.

Cash flow of SEK 1,361m (1,321) from operating activities, received positive contributions consisting of a retroactive credit of SEK 980m (0) from Postens Pensionsstiftelse (the Posten Pension Fund), regarding pension benefits paid for 2016, and a refund of preliminary special payroll tax in the amount of SEK 404m. A capital payment of SEK 522m to the Fund and settlement of provisions were negative factors in cash flow. Working capital showed a change of SEK -38m (-454).

Investments during the year totaled SEK 1,196m (1,182) and focused mainly on the integrated production model and IT development. Financial investments totaled SEK 589m (612). PostNord invests in commercial paper as a result of deposit charges imposed by the banks.

### Important events

#### January-March

- Implementation of a new production model in Denmark began. It is estimated that the restructuring costs will add up to around SEK 3bn throughout the restructuring period.

#### April-June

- The AGM voted to re-elect Jens Moberg, Mats Abrahamsson, Gunnel Duveblad, Christian Ellegaard and Anitra Steen as members of the Board. Måns Carlson, Jesper Lok and Peder Lundquist were elected to the Board for the first time. Jens Moberg was re-elected Chairman of the Board. Accounting firm KPMG AB was re-appointed.
- PostNord contracted a new term loan facility of SEK 1bn and extended a term loan facility of SEK 1bn. The loan facilities mature in September 2019 and were used to refinance MTN bonds of SEK 2bn, which matured in September 2017.

#### July-September

- In August, Charlotte Svensson started work as new Head of Business area Communication Services. In July, Thomas Backteman was appointed as new Head of Communications.

#### October-December

- The Swedish government decided that an amended Swedish Postal Ordinance would enter into force on January 1, 2018. Under the changes, the universal postal service's delivery requirements for letters sent with standard postage will change from overnight delivery to two-day delivery with a quality requirement of 95%.

Riksdagen, the Swedish Parliament, has also tabled certain changes to the Postal Services Act.

- On October 20, PostNord's owners signed an agreement to make a capital contribution of SEK 2.2bn. The Danish State will contribute SEK 1,533m towards maintaining the universal postal service. In addition, an SEK 267m equity contribution will be made by the Danish State and an equity contribution SEK 400m by the Swedish State. The agreement remains conditional on approval by the European Commission.

### Important events after the reporting period

#### *New production model in Denmark*

On January 21, 2018, the Danish business switched to a new production model to enable costs to be sharply reduced for mail distribution, via closer integration of mail and parcel distribution. The impact of the model will be given added impetus once the company can terminate the employment of personnel with what is called special employment conditions. However, this is conditional on EU approval of the financing arrangement.

#### *Changes to PostNord's Group Executive Team*

The following changes were made effective on February 1, 2018. Annemarie Gardshol became the new Head of PostNord Sweden. Annemarie Gardshol has most recently served as CEO of the PostNord Strålfors Group. The former Head of PostNord Sweden, Anders Holm, is to become Head of Corporate Clients, International Line-hauls and Customs Clearance, as well as of PostNord Finland, and remains a member of the Group Executive Board. Ylva Ekborn takes over as new CEO of the PostNord Strålfors Group and joins the Group Executive Board. Ylva Ekborn has most recently been serving as CEO of PostNord Strålfors Sweden. Finn Hansen will retire during the year, as announced earlier, and will therefore leave PostNord's Group Executive Team. Until further notice, the person in PostNord's Group Executive Team responsible for HR issues will be Jan Starsjö, the Group's Head of Strategy and Sales Processes.

#### *Welcome clarification from the Customs Agency in Sweden*

On January 18, the Customs Agency clarified the way that mail order shipments from third countries are to be treated, to the effect that VAT will be charged from the first krona for such shipments. PostNord and the Customs Agency are in dialogue as to what form the procedure will take.

#### *Board chairman Jens Moberg has declined to stand for re-election to the Board of Directors.*

Jens Moberg has informed the Group's owners - the Swedish and Danish States - that he will not be standing for re-election at the AGM, to be held on April 26, 2018. Jens will remain as Board chairman until the 2018 AGM.

RESULTS, SEKm <sup>1</sup>	2017	2016	%
Net sales	37,079	38,478	-4 <sup>3)</sup>
of which, Communication Services <sup>2)</sup>	17,725	19,891	-10 <sup>3)</sup>
of which, eCommerce & Logistics <sup>2)</sup>	19,354	18,587	3 <sup>3)</sup>
Operating income (EBIT)	-124	-1,083	
Operating margin (EBIT)	-0.3%	-2.8%	
Items affecting comparability, net	-462	-1,583	
Adjusted operating income (EBIT)	338	500	
Adjusted operating margin (EBIT)	0.9%	1.3%	
Pre-tax income	-136	-1,108	
Net income for the year	-337	-1,583	
Earnings per share, SEK	-0.17	-0.79	
Cash flow from operating activities	1,361	1,321	

<sup>1)</sup> For definitions, see Note 32, page 71.

<sup>2)</sup> Figures presented for comparison are restated to reflect the impact of adjustments to the organization.

<sup>3)</sup> Changes excluding acquisitions/divestments and exchange rates.

For further information on developments in PostNord's country organization/operating segments, see pages 20-23 and Note 4.

Net debt, SEKm	Dec. 31	
	2017	2016
Interest-bearing liabilities	3,778	3,745
Pensions and disability pension plans	-1,145	-1,201
Long- and short-term investments	-494	-613
Cash and cash equivalents	-1,901	-1,577
<b>Net debt</b>	<b>238</b>	<b>354</b>

### Parent Company

The Parent Company conducted very limited operations, in the form of intra-Group service. At December 31, it had three employees. No net sales were recognized during the year. Operating expenses totaled SEK 42m (35). Financial items totaled SEK -66m (-107). Of financial items, dividends from subsidiaries accounted for SEK 0m (0). Net income for the year totaled SEK -4m (3).

### Proposed appropriation of the Company's net income

The Board of Directors proposes that unappropriated earnings of SEK 3,623,073,736 be distributed as follows:

SEK	
To be carried forward	3,623,073,736
<b>Total</b>	<b>3,623,073,736</b>

### Dividend

**Target:** 40-60% of net income for the year

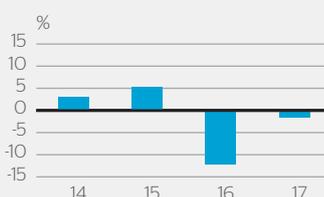
**Outcome:** SEK 0m (proposed) (0)

In view of the Company's continued restructuring needs, the Board of Directors proposes that no dividend be paid in respect of the 2017 financial year.

### Profitability

**Target:** Return on capital employed 10.5%

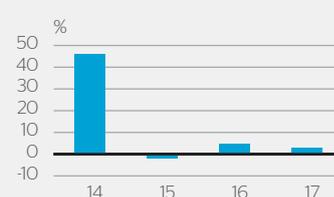
**Outcome:** -1.6% (-12.1)



### Capital structure

**Target:** Net debt ratio 10-50%

**Outcome:** 3% (5)



# PostNord Sweden

PostNord Sweden offers a comprehensive range of distribution solutions in communication, e-commerce and logistics for private and corporate customers. PostNord Sweden is responsible for maintaining the universal postal service and has a nationwide network of partner outlets offering high availability and generous opening hours.



During the year, several new services were launched, including fast home deliveries from retailers to the end-consumer, as well as Saturday and evening deliveries as a new standard for home deliveries. PostNord Sweden also trialed indoor deliveries for recipients who are not at home. These services, combined with PostNord Sweden's business communication offer-

ing, enable our business customers to reach their recipients cost-efficiently and in the way that suits them best. The offering in direct marketing consists of market and customer analyses, direct mail and digital advertising services via partnerships.

To meet the rising demand for both new and more complex cost-efficient end-to-end solutions in logistics, PostNord Sweden has in recent years bolstered its offering in consignment goods, mixed cargo groupage and third-party logistics solutions (TPL). PostNord Sweden provides climate economic services.

## Events during the year

- Under Sweden's new Postal Ordinance, the requirement of overnight delivery was altered to two-day delivery as of January 1, 2018. PostNord has adapted its service offering and postal rates accordingly. A facility will still be available to business customers for sending letters for overnight delivery within and between a large number of post code areas. Certain changes have also been approved in the Postal Services Act, to enter into force in April.
- Launch of several new services, such as evening home delivery and Saturday deliveries to partner outlets. PostNord's award-winning app is popular with its users.

- Implementation of the integrated production model, in which the mail and logistics operations are being integrated, continues on schedule. During the year, it was installed at the following locations: Ånge, Halmstad, Borås, Nässjö, Varberg, Vimmerby, Västervik, Bålsta, Järfälla and Åkersberga.
- An agreement was signed with one of Europe's largest groupage cargo networks, CargoLine.

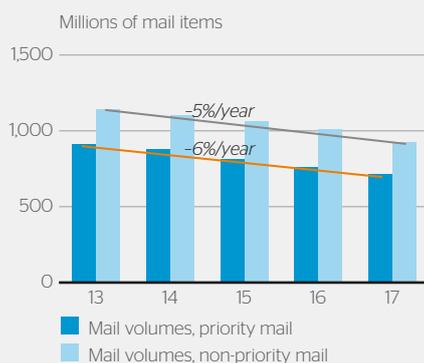
## Delivery quality

The requirement set by the Swedish state has been that at least 85% of priority letters should be delivered to the recipient on the next working day, and 97% within three days. The outcome for 2017 was 90.4% (91.5) next day and 99.7% (99.7) after three days. As of January 1, 2018, the quality measure is the percentage of letters arriving after two days. According to that measure, quality in 2017 was well above the 95% stipulated by the new ordinance. The outcome for parcels was 94.3% (95.7). Work on assuring satisfactory long-term quality for both parcels and letters continued during the year. Suitably adapted processes and routines will be key factors in achieving goals established, together with an adequate infrastructure and cost-efficient staffing. These areas were focused on closely in 2017.

## Finance

Net sales totaled SEK 22,671m (23,025). Communication Services reported a 6% decrease in sales as a result of a 7% decline in mail volumes. Like-for-like sales for eCommerce & Logistics increased by 6% mainly through continued growth in e-commerce and in other logistics operations. Operating income totaled SEK 515m (824). Adjusted operating income totaled SEK 515m (847). The lower income resulted mostly from declining mail revenues that could not be fully offset via cost adjustments and extra resources for assuring quality.

## Mail volumes



SEKm, unless otherwise indicated	2017	2016
Net sales	22,671	23,025
of which, Communication Services (external)	11,329	12,076
of which, eCommerce & Logistics (external)	10,365	9,869
of which, internal	976	1,081
Operating income (EBIT)	515	824
Operating margin, %	2.3	3.5
Items affecting comparability, net	-	-23
Adjusted operating income (EBIT)	515	847
Adjusted operating margin, %	2.3	3.7
Priority mail, millions	712	756
Non-priority mail, millions	925	1,008
Average number of employees (FTE)	19,550	19,534
Employees at end of period	19,617	20,272

# PostNord Denmark

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

During the year, a wide-ranging restructuring program of the business into a financially sustainable production model began.

PostNord Denmark's end-to-end offering in business communication enables our customers to reach their customers – the recipients – cost-efficiently and in the way that best suits the recipient. The offering in direct marketing consists of market and customer analyses, addressed direct mail and digital advertising services via partnerships. PostNord Denmark also continues to consolidate its position in the logistics market. To meet increased demand for new and more complex cost-efficient end-to-end solutions in logistics, new solutions are continuously under development within consignment goods, mixed cargo groupage and third-party logistics solutions (TPL). PostNord Denmark also provides climate-economy services.

## Events during the year

- The restructuring into a profitable communication and logistics business for all parts of the customer's value chain is under way via the implementation of a new production model.
- A new parcel terminal at Herning was inaugurated to meet growth in e-commerce driven logistics.
- A new TPL warehouse and an additional parcel and goods terminal at Køge progressed according to plan and will become operational in the first half of 2018.
- As part of the restructuring process, PostNord Denmark will no longer offer unaddressed direct mail and service logistics from the beginning of 2018.
- Growth in e-commerce related volumes was adversely affected by changes in rules for customers' treatment of VAT on services procured from PostNord Denmark.
- PostNord Denmark continued to launch new, flexible digital user services during the year. Examples include FlexChange, Collect In-Store and a facility for agreeing delivery arrangements via a call by the mail carrier or driver if the recipient is away from home at delivery.

## Delivery quality

Delivery quality for the standard Brevet service was 95.1% (93.0), 2.1 percentage points higher than the Danish government's quality requirement of 93% for letters and parcels. The outcome for Quickbrev was 93.4% (89.9), while delivery quality for parcels was 96.2% (96.7). During the year, improvements were introduced to deliveries of parcels and Quickbrev. Two new sorting terminals, in Taastrup and Aalborg, were opened.

## Finance

Excluding acquisitions and exchange rate effects, sales were 9% lower. In Communication Services, like-for-like sales decreased by 22%, with mail volumes falling 18%. Like-for-like net sales for eCommerce & Logistics rose 6% mainly through growth in heavy logistics. Operating income totaled SEK -1,115m (-1,910). Items affecting comparability amounted to SEK -462m (-1,284). Item affecting comparability for the year consisted of provisions for termination of employment of personnel with special employment conditions. The result for 2016 was affected by impairment losses of SEK 1,186m, on goodwill and property, plant and equipment related to the mail business. Adjusted operating income totaled SEK -654m (-625). Income was affected by lower mail revenues could not be offset via sufficient adjustment of the costs arising in the mail business.

Work on installing a financially stable production model to create the conditions for profitability at PostNord Denmark within a few years is in progress. The financing for termination of employment for personnel employed under special employment conditions is conditional on a decision by the European Commission. Pending this decision, no further termination of employment for such personnel will take place. However, the process of installing the new production model continues, and the impact on income will emerge once staffing levels are reduced according to plan.

## Mail volumes



SEKm, unless otherwise indicated	2017	2016
Net sales	8,720	9,571
of which, Communication Services (external)	4,177	5,410
of which, eCommerce & Logistics (external)	4,070	3,733
of which, internal	475	430
Operating income (EBIT)	-1,115	-1,910
Operating margin, %	-12.8	-20.0
Items affecting comparability, net	-462	-1,284
Adjusted operating income (EBIT)	-654	-625
Adjusted operating margin, %	-7.5	-6.5
Priority mail/Quickbrev, millions	40	101
Non-priority mail, millions	265	272
Average number of employees (FTE)	8,645	10,282
Employees at end of period	8,069	9,313

## PostNord Norway

In Norway, PostNord is among the country's largest logistics companies, with a strong position in parcels, e-commerce logistics, mixed-cargo groupage and consignment goods. The year was characterized by robust growth and improved profitability.

PostNord Norway remains focused on developing the cost-efficiency and flexibility of its operations to further consolidate its position in the Norwegian logistics market, which remains dominated by tough competition and price pressure. At the same time, the offering is being expanded to meet customers' expectations and to exploit the new opportunities created via deregulation of Norway's postal market and the continued growth in e-commerce. Via its extensive network of distribution points, PostNord has a strong position in the B2C market, which is an important part of the offering to the steadily growing e-commerce segment. To meet the demand from the segment, efficient and more consumer-oriented logistics services are being developed on an ongoing basis.

### Events during the year

- Structural adjustment in the Thermo business, in which unprofitable customer agreements were terminated.
- Rapid growth and new flexible services for the strongly growing e-commerce sector.
- PostNord listens was launched, resulting a number of measures designed to improve perceived quality among customers and their recipients.

### Delivery quality

The overall outcome for delivery quality in parcels was 96.2% (97.3), and for B2C 97.5% (98.1). The deterioration compared to the preceding year was mostly due to many delays in road and rail shipments caused by periodically poor weather conditions. In addition, a number of maintenance tasks on the country's roads were carried out, causing further delays. The record-high parcel volumes in the weeks after Black Friday in late November also affected the quality outcome.

### Finance

Excluding exchange rate effects, net sales were on a par with the preceding year. This was attributable to structural adjustment in the Thermo business, in which unprofitable customer agreements were terminated. Operating income totaled SEK 24m (-36). Adjusted operating income totaled SEK 24m (-31). The improvement arose primarily through cost adjustments, terminated customer contracts at Thermo and strong volume growth in parcels.

SEKm, unless otherwise indicated	2017	2016
Net sales	3,875	3,789
of which, Communication Services (external)	46	36
of which, eCommerce & Logistics (external)	3,195	3,298
of which, internal	633	455
Operating income (EBIT)	24	-36
Operating margin, %	0.6	-0.9
Items affecting comparability, net	-	-5
Adjusted operating income (EBIT)	24	-31
Adjusted operating margin, %	0.6	-0.8
Average number of employees (FTE)	1,224	1,330
Employees at end of period	1,147	1,164

## PostNord Finland

In Finland, PostNord mainly offers logistics services to business customers and e-commerce logistics for distribution of parcels to individual customers. The year was characterized by growth and improved profitability.

PostNord Finland is striving to strengthen its position and expand in the Finnish logistics market, which is characterized by tough competition. Against this background, PostNord is developing its business and its offering of competitive end-to-end solutions, to meet changes in demand and so create growth.

With its extensive network of distribution points, PostNord Finland has a strong position in the market for B2C volumes, an important strength in the offering to the steadily growing e-commerce segment. To meet the demand from the segment, PostNord Finland is also focusing on developing efficient and more consumer-oriented logistics services. As well as offering parcels, pallets and mixed-cargo groupage in the relatively fragmented logistics market, PostNord Finland is also among the leading players in healthcare logistics in Finland.

### Events during the year

- MyPack Home was launched in the second quarter of 2017. The service is expected to help drive the continuing growth in e-commerce related volumes, both domestic and international.
- Demand for the healthcare logistics offering is continuing to show positive growth.
- PostNord listens was launched, resulting a number of measures designed to improve perceived quality among customers and their recipients.

### Delivery quality

Delivery quality for parcels was 94.3% (92.8). The outcome for quality over the year was affected by technical problems in the production system, as well as by high volumes in the fourth quarter, partly under the impact of Black Friday. Improvement measures are under way on an ongoing basis, which has helped boost quality compared to previous years.

### Finance

Excluding acquisitions and exchange rate effects, net sales increased 3% as a result of growth in B2B and B2C. Operating income totaled SEK 8m (-15). The improvement was attributable to increased volumes, cost adjustments and lower leasing costs, but also reflected the fact that 2016 was charged with integration costs arising from the acquisition of the company Uudenmaan Pikakuljetus Oy (UPK).

SEKm, unless otherwise indicated	2017	2016
Net sales	1,028	984
of which, Communication Services (external)	12	16
of which, eCommerce & Logistics (external)	694	698
of which, internal	322	270
Operating income (EBIT)	8	-15
Operating margin, %	0.8	-1.5
Items affecting comparability, net	-	-
Adjusted operating income (EBIT)	8	-15
Adjusted operating margin, %	0.8	-1.5
Average number of employees (FTE)	123	173
Employees at end of period	136	135

## PostNord Strålfors

With a clear focus on the Nordic market, PostNord Strålfors offers communication solutions in print, distribution and digital. The year was characterized by strong income growth, increased efficiency and growth in digital.

Consumers have different preferences, attitudes and stages of digital maturity – and want to be able to choose how businesses and public authorities communicate with them. Against that background, an ability to offer solutions that make communication possible on the terms of recipients is becoming more and more important.

PostNord Strålfors is a strong player in customer communication. Its core competence lies in handling major data volumes and distributing them to the right person, via the right channel, at the right time. Customer value consists of a modern, effective and smart way of reaching out to customers and at the same time being able to engage in personal dialogue via all relevant channels, physical or digital. Through smarter communication, PostNord Strålfors strengthens customer loyalty, increases sales and improves efficiency for its customers.

### Events during the year

- With the establishment of headquarters for PostNord Strålfors in Solna, both cooperation and synergies with PostNord's other operations were expanded. Certain areas were also integrated into PostNord's activities.
- Integration of PostNord Scanning at PostNord Strålfors was an important step. The legal mergers were completed on July 1, 2017, and the operational merger of operations took place during the third quarter. As a result, PostNord's offering in input and output services has now been brought together under a clearly defined responsibility to deliver an attractive and integrated customer offering.
- In October 2017, PostNord Strålfors transferred to PostNord's business management system and ISO 9001 and ISO 14001 certificates.
- To optimize and streamline the print business, production in Brøndby, Denmark, was relocated to the production unit at Ljungby, Sweden, and a new production facility in Rosersberg, Stockholm, was established.
- WeMail continued to operate successfully and is now established as a product with positive growth.

### Finance

Net sales, excluding disposals and exchange rate effects, sales decreased by 3%. Digital services are growing strongly but are not compensating sales-wise for the lower demand for physical print volumes in the wake of digitization.

Operating income totaled SEK 161m (-151). Income in the preceding year was charged with items affecting comparability totaling SEK -275m in connection with the disposal of the non-Nordic business. Adjusted operating income totaled SEK 161m (124). The improvement was due to cost adjustments and growth in digital services.

SEKm, unless otherwise indicated	2017	2016
Net sales	2,081	2,240
of which, Communication Services (external)	1,935	2,124
of which, internal	146	116
Operating income (EBIT)	161	-151
Operating margin, %	7.7	-6.7
Items affecting comparability, net	-	-275
Adjusted operating income (EBIT)	161	124
Adjusted operating margin, %	7.7	5.5
Average number of employees (FTE)	769	883
Employees at end of period	788	691

## Direct Link

With the Nordic region as its main focus, Direct Link offers global distribution solutions to 192 countries.

Outside the Nordic region, PostNord has an established presence via Direct Link, which mainly offers global delivery of goods via its local companies in Australia, China, Germany, Hong Kong, Singapore, the United Kingdom 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 global deliveries of goods, chiefly via postal services, but the offering also includes market analysis, direct marketing, fulfilment, customs clearance and returns management.

### Finance

Sales excluding exchange rate effects increased by 2%. The increase resulted from growth in APAC (Asia-Pacific) and Europe, which offset decreased sales in the USA. Operating income totaled SEK 28m (27).

SEKm, unless otherwise indicated	2017	2016
Net sales	1,028	989
of which, Communication Services (external)	1,028	989
of which, internal	0	0
Operating income (EBIT)	28	27
Operating margin, %	2.7	2.7
Items affecting comparability, net	-	-
Adjusted operating income (EBIT)	28	27
Adjusted operating margin, %	2.7	2.7
Average number of employees (FTE)	230	192
Employees at end of period	225	197

# Multi-year review

SEKm, unless otherwise specified <sup>1)</sup>	2017	2016	2015	2014	2013	2012	2011 <sup>3)</sup>	2010 <sup>3)</sup>	2009 <sup>3)</sup>
PostNord Group <sup>2)</sup>									
Net sales	37,079	38,478	39,351	39,950	39,533	38,920	39,466	41,669	44,633
Other operating income	324	263	765	632	233	253	274	289	249
Operating expenses	-37,527	-39,824	-39,552	-40,247	-39,114	-38,669	-38,167	-40,589	-44,605
Operating income (EBIT)	-124	-1,083	564	351	662	511	1,571	1,375	284
Operating margin (EBIT), %	-0.3	-2.8	1.4	0.9	1.7	1.3	4.0	3.3	0.6
Total operating income (EBITDAI)	1,193	1,737	2,436	2,198	2,310	2,410	3,237	3,292	2,298
Operating margin (EBITDAI), %	3.2	4.5	6.2	5.5	5.8	6.2	8.1	7.8	5.1
Net income for the period	-337	-1,583	278	176	306	247	1,225	1,031	2,414 <sup>4)</sup>
Cash flow from operating activities	1,361	1,321	1,585	670	1,657	1,825	1,634	1,824	n. a.
Net debt	238	354	-171	3,672	1,624	4,299	578	-728	-1,384
Net debt ratio (net debt/equity), %	3	5	-2	46	18	37	5	-6	-10
Return on capital employed, %	-16	-12.1	5.4	31	6.0	4.4	13.5	5.1	2.1
Investments	1,196	1,182	1,109	1,690	2,241	2,331	1,957	1,277	-
Dividend, total *proposed	0*	0	0	0	129	103	368	1,000	1,440
Average number of employees (FTE)	31,350	33,278	35,256	37,407	39,305	39,713	41,714	44,060	47,625
Number of employees at end of period	39,789	39,929	42,111	44,859	47,667	49,297	48,568	51,405	51,981
of whom, temporary employees	8,992	7,272	7,292	8,793	10,180	10,473	9,871	9,906	11,312
Volumes, millions									
Group total, parcels <sup>5)</sup>	154	142	132	120	111	105	98	100	97
Denmark, priority mail/Quickbrev	40	101	201	237	278	320	411	602	680
Denmark, non-priority and business mail	265	272	259	308	337	365	366	283	305
Sweden, priority mail	712	757	811	880	912	925	980	1,045	1,088
Sweden, non-priority mail	925	1,008	1,061	1,103	1,144	1,198	1,251	1,266	1,245

<sup>1)</sup> See definitions, Note 32, page 71.

<sup>2)</sup> Figures prior to 2012 have not been restated to reflect the requirements of IAS 19, Revised, Employee Benefits.

<sup>3)</sup> Figures for 2009 are based on a compilation of the results for Posten AB and Post Danmark A/S.

<sup>4)</sup> Includes a capital gain of SEK 2,002m on the sale of Post Danmark A/S's share in Belgium's bpost (formerly De Post-La Poste) in July 2009.

<sup>5)</sup> Volumes produced eliminated for volumes between countries

## Group net sales and operating expenses



<sup>1)</sup> Figures for 2009 are based on a compilation of the results for Posten AB and Post Danmark A/S.

## Group operating expenses



<sup>1)</sup> Figures for 2009 are based on a compilation of the results for Posten AB and Post Danmark A/S.

<sup>2)</sup> Excluding restructuring costs.

## Comments on the multi-year review

Since 2009, PostNord has met challenges in the guise of growing digitization, increased competition and new customer demands. Over the years, the organization has undergone robust restructuring and synergies in above all administration, IT and purchasing have been realized. At the same time, investments have been made in modern infrastructure and product development.

On April 1, 2009, the Swedish and Danish governments announced their decision to merge Post Danmark A/S and Posten AB. Between the time when the initial discussions began and when the merger was announced, the full force of the global financial crisis hit in 2008. To the new Group, the result was that the merger would take place at the same time as demand for distribution services was collapsing through the effects of the economic downturn, but also as a result of the rapid pace of digitization. The establishment of a prominent player with an attractive and competitive Nordic communication and logistics offering would lay the foundations for long-term value creation and secure provision of the universal service in both Denmark and Sweden. Our strategy has been clear and consistent in terms of our ambition to grow in logistics. A market with lower margins that is benefiting from the powerful expansion in e-commerce. Over the years, PostNord has gained an increasingly strong position as expert and partner serving this growing segment, in particular via its more than 6,250 distribution points in the Nordic region and access to 20,000 distribution points elsewhere in Europe. In 2017, new flexible and recipient-oriented services were launched, including evening home deliveries as standard and deliveries to partner outlets on Saturdays.

### **Robust restructuring driven by growing trend of digitization**

Over the years, PostNord has met a steady decline in mail volumes through continuous adaptation and transformation of the business. In Sweden, volume losses have been around 4-7%, but in Denmark have risen to 20% through the transition by government agencies to digital communication with both citizens and businesses.

Since 2009, the Group's income has decreased by around SEK 7.5 billion, operating costs have fallen by some SEK 7.1 billion and the number of employees has been reduced by approximately 16,000.

The rapid pace of digitization in Denmark has led to major impairment losses and accelerated the need for robust restructuring of the business. Implementation of a financially sustainable production model has begun. As a result, PostNord will be first in the world to create a financially sustainable mode of production totally based on coordinating use of infrastructure and transportation networks for the expanding logistics business alongside the shrinking mail business. Building on the logistics network will lay the foundations for efficient and scalable distribution of letters and ensure a competitive logistics offering for the future. The new production model will require approximately 3,500-4,000 full-time employees to be shed, enabling large parts of the mail infrastructure for the mail business to be phased out. It is estimated that the restructuring costs will add up to around SEK 3 billion during the restructuring period. On October 20, 2017, the Swedish and Danish governments concluded an agreement on financing for the restructuring, which requires approval by the European Commission.

Out of what in 2009 consisted basically of two postal operators, we are now continuing to build the leading logistics and communication business in the Nordic region.

- Total profits 2009-2017 approximately SEK 4 billion.
- Total dividends just over SEK 3 billion.
- Total investments around SEK 13 billion.
- The average number of employees (FTE) has fallen from approximately 47,000 to around 31,000.
- Since 2009, the total volume of priority mail has fallen by 74%, of which 94% in Denmark and 35% in Sweden.
- The total volume of parcels has increased by 59% since 2009.

# Risk management

PostNord operates in an international market characterized by changes in several different areas. Structured preparedness is necessary to best adapt and optimize the business, and to take advantage of various opportunities, while at the same time minimizing risks and 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, systematic and value-creating way.

## Organization of and responsibility for risk management

PostNord's Board of Directors and Group Executive Team bear overall responsibility for ensuring that the Group's risks are managed. The responsibility within the country organizations, business areas, Group functions and subsidiaries lies with the manager concerned. The Group's risk management function is responsible for developing and establishing Group-wide procedures and methods for effective risk management. It is also responsible for consolidating risk information as material for reporting on risks and risk-control measures to Group Management, Audit Committee and Board of Directors.

## The risk management process

Risk management is delegated and integrated into the operational organization and the risk management process forms an important constituent of the Group's business planning. As part of the ongoing organizational follow-up, the country organizations, business areas, Group functions and subsidiaries report on risks identified and risk-control measures to Group Management.

## Material risks

### *Changing market conditions*

PostNord is affected by changes in customer behavior, changes in market demand and the growth in digitization, which are 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. PostNord manages the consequences of changes in market conditions through harmonization and development of new services, restructuring and integrating production and measures for necessary rationalization and streamlining of the business.

### *Regulatory risks*

PostNord is tasked with providing the universal postal service throughout Sweden and Denmark, and the system of postal regulation affects both the Group's competitive situation and its ability to perform the universal service obligation on reasonable terms. PostNord manages regulatory risks via close monitoring and analysis of the external situation, and by continuously adapting the business. PostNord complies with and adapts to changes in regulatory requirements regarding information security and data storage.

### *Stability and delivery quality in IT*

Efficient production via large-scale and complex distribution environments, development of digital services in both logistics and communication, management of high volumes of information and data, and new, cyber-related risks place huge demands on stable, secure and cost-efficient IT systems. Against that background, improvements and investments in IT and management of related risks represent one of PostNord's most important Group priorities.

### *Production quality*

The rapid adjustments needed to address the lower volumes in the mail business and the parallel expansion in the logistics business may have short-term impact on production quality. PostNord has established several initiatives to manage risks relating to quality, including the PostNord listens program, increased staffing in certain areas and development of recipient-based digital services.

### *Financial risks*

PostNord needs a stable cash flow and access to external financing for investments in restructuring programs and for refinancing of loans. The focus is on capital efficiency, business planning, follow-up of cash flow from operating activities and prioritization of investments that improve PostNord's cash flow. Interest rate risks, the Group's limited currency risks and other financial risks are managed via financial instruments that are used in accordance with the Group's financial policy. See also Note 27.

### *Sustainability*

PostNord's work on risk management includes assessment, analysis and follow-up of sustainability risks. The areas identified as most important are environmental, social aspects including PostNord's accountability as employer and human rights, business ethics, response to and prevention of corruption, competition on equal terms and sustainability in the supply chain.

For more on PostNord's policies, controls and follow-up, see pages 32-35 and 87-89.

## Risk financing

PostNord takes a holistic approach to management of strategic, financial and operational risks in order to maintain good financial capability and flexibility for managing risks possibly affecting cash flow.

Standard insurance policies are used to manage low-frequency operational risks with major potential impact on the Group's cash flow, income and asset values. PostNord uses Group-wide insurance plans to cover material risks associated with the Group's operations, combined with insurance policies for specific business risks and local insurance policies required under legislation and collective bargaining agreements.

The Group aims at any one time to maintain sufficient financial preparedness to create scope for restoring and returning to normal internal or external financing for the Group in the event of outcomes from uninsurable strategic, financial and operational risks. Financial preparedness comprises cash and cash equivalents, short-term financial investments and unutilized committed credit lines.

# 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% by the Danish State and 60% 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 the Directors and the President and Group CEO, assisted by the Group Executive Team.

The owners nominate the Chair of the Board 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.

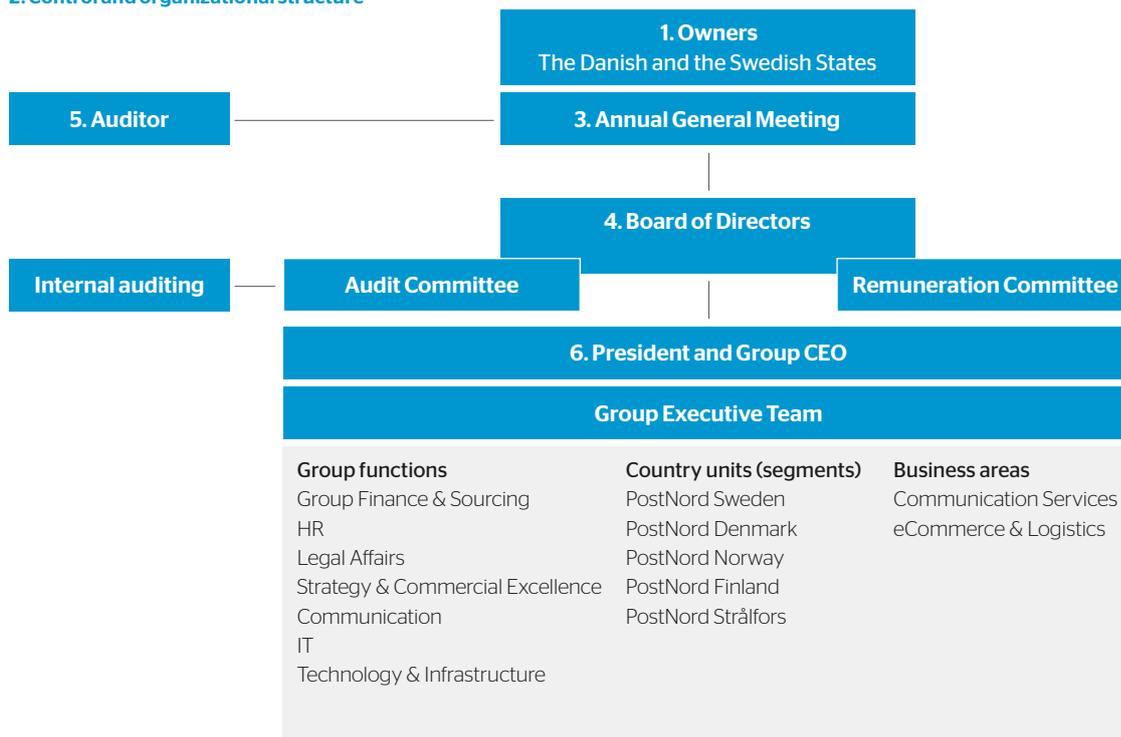
The Board of Directors has the overall responsibility for the organization and administration of the Company through continuous monitoring and control of operations. The Chair of the Board oversees the work of the Board. The Audit and Remuneration Committees assist the Board in its work.

PostNord's President and Group CEO is responsible for and oversees the day-to-day management of the Group based on the Board's guidelines and instructions. The President and Group CEO is assisted by the Group Executive Team.

The Company's external auditor is elected by the AGM and examines the Annual Report and Consolidated Financial Statements, the administration by the Board and the CEO, and produces an auditor's report. PostNord's internal audit function evaluates the Company's internal governance and control.

The Group's operational structure differs from its legal structure. As a main principle, organization and governance are based on the operational structure, in which the country organizations are responsible for optimizing marketing and sales activities, production structure and organization across all business areas. The second level is made up of the business areas. The business areas are responsible for marketing and service development in their particular field throughout the Nordic region, across the boundaries of the country organizations. Postal licenses, however, are tied to the legal structure; this means that formal responsibility for compliance with the conditions of the licenses follows the legal structure.

## 2. Control and organizational structure



### Internal and external regulations

PostNord falls within the remit of a number of internal and external regulations, including:

#### External regulations

- The Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance.
- The Swedish State's ownership policy and guidelines for State-owned companies and the Danish State's ownership principles (the State as shareholder).
- NASDAQ Stockholm's regulations for issuers.
- International Financial Reporting Standards, IFRS.
- The UN Global Compact.

#### Postal regulations

- The UPU Convention, the EU's 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 32-33).
- Delegated authorities for PostNord AB.
- Operational governance
- Framework for internal governance and control of financial reporting.
- Guidelines for determining terms of employment for senior executives.

#### Articles of Association

PostNord's Articles of Association govern, for example, where the Board of Directors is domiciled, the limits for 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 did 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](http://www.postnord.com).

### Deviations from the Swedish Code of Corporate Governance

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

- Deviation from section 2 Nominating committee - requirement for a nominating committee. PostNord does not have a nominating committee, as the nomination and appointment of Board members is performed in accordance with the principles agreed upon by the owners. Nominations are made through 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 also do not apply.
- Deviation from section 4.5, requirement for Board members' independence from 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 only has two owners and an account of the independence of the Board members is thus of no relevance.

### 3. Annual General Meeting

Under the provisions of the Swedish Companies Act, the AGM is the Company's ultimate decision-making body. The Swedish Ministry of Enterprise and Innovation and the Danish Ministry of Transport vote on behalf of the Swedish and Danish States, respectively, at PostNord's Annual General Meeting. Each State nominates four Board members in the Company. The AGM appoints Board and auditor, resolves on 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 ownership policy of the Swedish State. Notice of the Annual General Meeting is sent by mail to shareholders and is advertised in the daily press, through information in 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.

#### Annual General Meeting 2017

The 2017 AGM was held on April 27, 2017. 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 2016 financial year. The AGM also adopted guidelines for remuneration to senior executives and remuneration to Board members and the auditor. Jens Moberg was re-elected Chairman of the Board. The AGM re-elected Mats Abrahamsson, Gunnel Duveblad, Christian Ellegaard and Anitra Steen. As Torben Janholt and Magnus Skåninger declined re-election and Mette Grunnet resigned from the Board in February 2017, Jesper Lok, Peder Lundquist and Måns Carlsson were elected to the Board as new members. Accounting firm KPMG AB was re-elected as 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](http://www.postnord.com).

#### Annual General Meeting 2018

PostNord's 2018 AGM will take place on April 26, 2018 at PostNord's Group headquarters at Terminalvägen 24, Solna, Sweden.

#### Proposed guidelines for remuneration to senior executives

The Board proposes that the AGM adopt guidelines for remuneration to senior executives. The proposals are in essence unchanged from the guidelines that the AGM voted on in 2017 and are summarized in Note 5.

### 4. Board of Directors

The Board of Directors exercises overall responsibility for the organization and management of the Company via regularly monitoring the business and ensuring appropriate organization, management, guidelines and internal controls. The Board adopts strategies and targets and takes decisions on major investments, acquisitions and divestments of operations.

### Composition of the Board

According to 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 regarding the composition of the Board is that the representation of each gender on the Board shall be at least 40%. The female/male distribution of PostNord's Board of Directors was 25%/75% in 2017 (ordinary members elected at the AGM).

### The work of the Board

#### Work procedures

The Board of Directors adopts rules of procedure annually. These govern matters such as the Chair's duties, information to the Board of Directors and the roles and responsibilities of the President and Group CEO and Board members. There is no division of the work of the Board between Board members, other than that performed 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.

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 dialogue with the CEO and ensuring that other Board members receive the information and documentation necessary to ensure high quality discussions and Board decisions. The Chair oversees evaluation of the Board's and the CEO's work. The Chair also represents the Company in issues of ownership.

#### Board meetings and issues in 2017

In 2017, the Board met on 15 occasions, including the statutory first meeting and one per capsulam meeting. 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 on an ongoing basis addressed reports from the Audit and Remuneration Committees, as well as reports on internal control and financial activities. During the year, close focus remained on restructuring of the Danish business and dialogue with the owners on financing. The Board of Directors also focused on quality and image issues. The Company's auditor delivered an account of the year's auditing activities and these issues were discussed.

### Board Committees

#### The Audit Committee

The Audit Committee is tasked with preparing the Board for performing its duties of supervising and assuring the quality of the Group's financial reporting. The Committee supervises the effectiveness of the Company's internal governance and control, as well as risk management systems and processes with regard to financial reporting. The Committee's rules of procedure are established by the Board. The Audit Committee has no decision-making power. The Committee also assists the owners in selecting an auditor.

The Audit Committee shall regularly review the auditor's reports and determine whether the auditors are performing their task independently, objectively and cost-efficiently. The Audit Committee, in consultation with the Group Executive Team, is the instructing body for the internal audit and its monitoring of internal governance and control, and remains apprised of internal audit reports.

### Board of Directors attendance, 2017

Director	Board meetings	Audit Committee	Remuneration Committee
Jens Moberg	15/15	-	2/2
Mats Abrahamsson	15/15	-	2/2
Måns Carlson <sup>1)</sup>	10/10	3/3	-
Gunnel Duveblad	15/15	7/7	-
Christian Ellegaard	15/15	7/7	1/1
Jesper Lok <sup>1)</sup>	7/10	2/3	-
Peder Lundquist <sup>1)</sup>	10/10	2/3	-
Mette Grunnet <sup>2)</sup>	0/2	0/1	-
Torben Janholt <sup>3)</sup>	3/5	-	1/1
Magnus Skåninger <sup>3)</sup>	5/5	4/4	-
Anitra Steen	14/15	-	2/2
Kristofer Björklund <sup>4)</sup>	5/10	-	-
Lars Chemnitz <sup>5)</sup>	11/12	-	-
Bo Fröström <sup>6)</sup>	4/5	-	-
Johan Lindholm	15/15	-	-
Sandra Svensk <sup>7)</sup>	3/3	-	-

<sup>1)</sup> Elected at AGM in April 2017

<sup>2)</sup> Resigned from Board in February 2017

<sup>3)</sup> Resigned at AGM in April 2017.

<sup>4)</sup> Resigned in August 2017.

<sup>5)</sup> Resigned in October 2017

<sup>6)</sup> Elected in August 2017

<sup>7)</sup> Elected in October 2017

The Committee is made up of at least three Board members and meets at least four times per year. The Company's external auditor participates in meetings at which the annual accounts, annual report and auditor's report are presented, as well as when needed for assessment of the Group's financial position. The Chair of the Committee is responsible for regularly apprising the Board of the Committee's activities.

During 2017, the Committee's members were Gunnel Duveblad (Chair), Christian Ellegard, Måns Carlson, Jesper Lok and Peder Lundquist. The Committee met a total of seven times. The topics discussed include the following:

- The Group auditor's report on the year-end report and interim report and on audits of the end-of-period accounts.
- Review of financing proposals and financing simulations.
- Review of finance policy.
- Monitoring of the Company's financial reporting and process, as well as recommendations and proposals as regards ensuring the reliability of the financial reporting.
- Monitoring of the financial control system, with respect to 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.
- Procurement and assessment of external auditors.
- Proposals and recommendations for the AGM's resolution on election of auditors.

#### *The Remuneration Committee*

The Remuneration Committee is tasked with preparing and presenting proposals to the Board regarding remuneration and other terms of employment for the Company's management. The Remuneration Committee has no decision-making powers.

The Remuneration Committee is made up of at least three members. The Chair of the Board of Directors chairs the Committee. The Committee shall meet when warranted. The Chair of the Committee is responsible for regularly apprising the Board of the Committee's activities.

During 2017, the members of the Committee were Jens Moberg (Chair), Mats Abrahamsson, and Anitra Steen. The Committee met in total on two occasions.

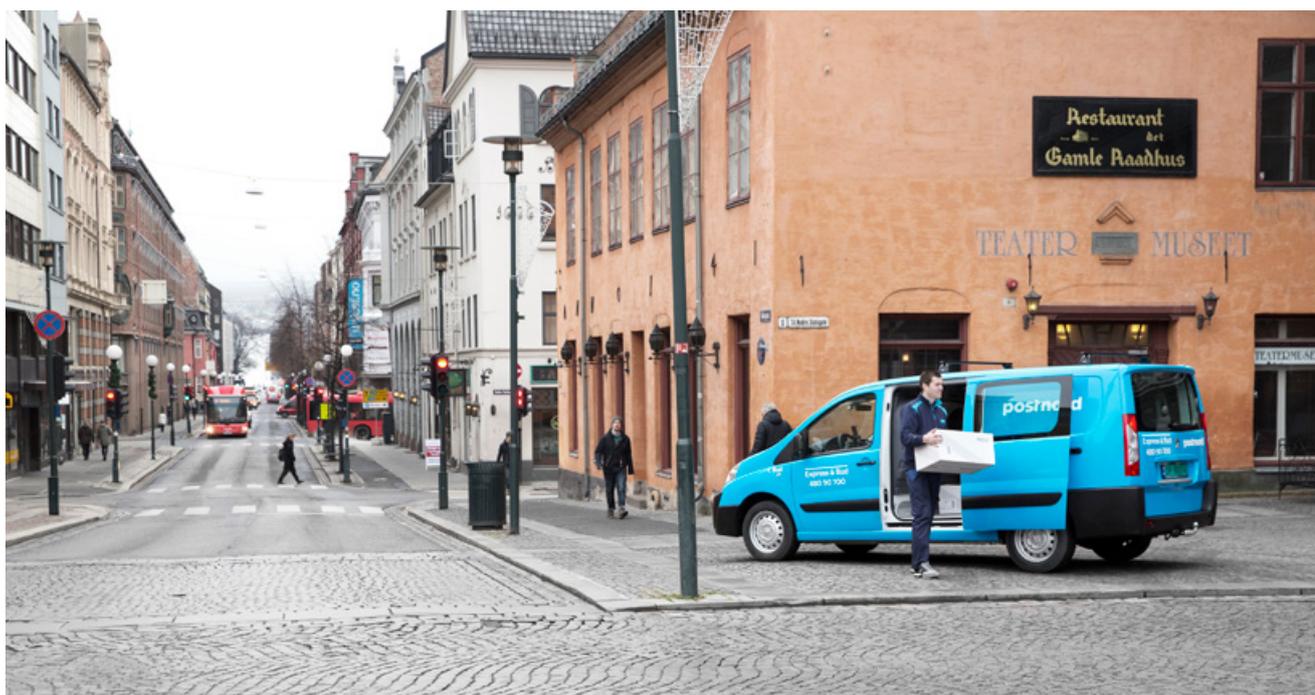
The topics discussed include the following:

- Remuneration and other provisions for senior executives.
- Pension provisions for senior executives.
- Remuneration to members of the Group Executive Team.
- Evaluation of goal attainment and potential, together with succession planning for senior managers.

#### **Evaluation of the work of the Board of Directors**

The Board of Directors is required to ensure, in accordance with the Board's Rules of Procedure, that the work of the Board is reviewed once a year via a systematic and structured process in order to develop the work procedures and efficiency of the Board and its members.

Areas to be further evaluated include, for example, whether the right issues are addressed by the Board, the integrity of supporting documentation and how accurately decisions and discussions are recorded in the Board minutes. During 2017, external consultants were engaged in connection with the Board evaluation. The evaluation took place in the form of questionnaires to the Board, CEO and some members of the Group Executive Team. The findings of the review were presented by the external consultant at the Board meeting in December and were discussed by the Board. In addition, the Chair of the Board communicated the findings to the Company's owners at a meeting.



### Remuneration to the members of the Board of Directors

Remuneration for Board members was determined by the 2017 AGM. Remuneration for each elected Board member for the period through the next AGM is SEK 290,000, while the Chair's remuneration is SEK 670,000. The fee for the work of the Audit Committee is SEK 55,000 for members and SEK 70,000 for the Chair. The fee for the work of the Remuneration Committee is SEK 25,000 for members and SEK 37,500 for the Chair. Board and Committee member remuneration is not paid to members employed by the Government Offices of Sweden or by any of the Danish ministries. A fee comprising the equivalent of a Swedish base amount (SEK 44,800) shall be paid to Swedish employee representatives and their deputies who take part in Board meetings.

### 5. Auditors

PostNord's 2017 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 participated in a number of Audit Committee meetings. In 2017, the Board met with the auditor at one Board meeting. No member of Group Management attended the meeting. The Board members have thus had the opportunity to ask the auditor questions. See also Note 7, Fees and reimbursement of expenses to auditors.

### 6. President and Group CEO and Group Executive Team

The Board of Directors is responsible for appointing and dismissing the President and Group CEO. The CEO appoints, and is assisted by, the Group Executive Team.

The President is responsible for day-to-day administration of the Company according to the Board's guidelines and directions. The relationship between the Board of Directors and the CEO is governed by the Board's rules of procedure and the instructions to the CEO.

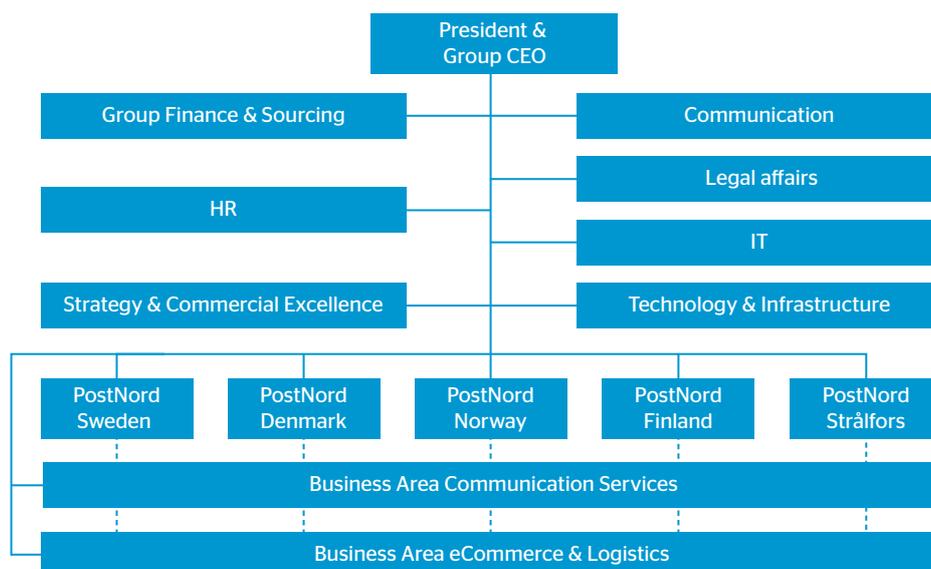
The CEO is accountable to the Board for the day-to-day running of the business and is responsible for implementing the strategic direction set by the Board. Alongside the Board, the Group Executive Team is the Group's decision-making body and is jointly responsible for ensuring that the Group's business develops in line with the strategic direction established by the Board of Directors. The CEO oversees the work of the Group Executive Team.

The Board continuously evaluates the CEO's work by monitoring the business's progress toward set targets. A formal evaluation is performed once per year and is discussed with the CEO.

#### Remuneration at PostNord

Decisions on terms of employment and remuneration for the President and Group CEO are taken by the Board of Directors. The Board addresses remuneration issues via 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, Employees, personnel expenses and remuneration to senior executives, in the consolidated financial statements. Guidelines on remuneration to senior executives adopted by the 2017 AGM are available in their entirety at [www.postnord.com](http://www.postnord.com) under Corporate Governance.

### PostNord - organization



## Our values

### *Reliable*

PostNord keeps its promises and delivers everywhere, securely, at the right time and to the right place.

### *Business partner*

PostNord is a professional business partner to its customers and helps them solve their communication and logistics challenges.

### *Accessible*

PostNord is always close to its customers, listens to them and takes an active interest in the challenges they meet.

### *Sustainable*

PostNord creates value for its customers and owners, is a socially responsible company and works actively to reduce the environmental impact of its activities.

## Our mission

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

## Our vision

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

PostNord adheres to several external regulations, including the OECD's Guidelines for Multinational Enterprises (oecd.org), the UN's Guiding Principles on Business and Human Rights (ohchr.org) and the UN Global Compact (unglobalcompact.org). PostNord signed up to the Global Compact in 2010. The Global Compact is based on ten principles, which in turn are based on the UN Universal Declaration of Human Rights (un.org), the ILO Declaration on Fundamental Principles and Rights at Work (ilo.org), the Rio Declaration on Environment and Development (unep.org), and the UN Convention against Corruption (unodc.org). These regulations are reflected in PostNord's Code of Conduct.

The Code of Conduct (the Code) incorporates the Group's shared principles and policies in for example quality and security, human rights, diversity and equal opportunity, sustainability in the supply chain, social commitment and sponsorship, business ethics, including conflicts of interest and competition, and work on environmental issues. The Code is discussed at annual employee performance meetings and at recruitment. The Code is to be observed by all employees. Managers have a particular responsibility to set a good example and create the right conditions for employees to act as a role model and a good ambassador for PostNord. The Code is linked to PostNord's whistleblower system, the special reporting procedure that may be used anonymously. Employees can always raise ques-

tions regarding the Code with their immediate manager. Questions about the Code may also be addressed to the PostNord corporate functions for Sustainability, Human Resources or Legal Affairs. During the year, an e-learning course with instruction in the Code of Conduct was developed.

PostNord also observes a Code of Conduct for Suppliers based on the principles in the Code of Conduct and applicable to all purchasing categories throughout the Group. The Code of Conduct also entitles PostNord to verify compliance with the Code's requirements, and to terminate the agreement if deviations identified are not remedied within the period agreed. During 2017, an e-learning course with instruction in the Code of Conduct for Suppliers was developed. The e-learning for suppliers and both codes are available at [postnord.com](http://postnord.com).



### Governance for accountability and sustainability throughout operations

One of the Group's strategic priorities is to integrate sustainability aspects into everything we do and to ensure that PostNord is a leader in the sector. PostNord should conduct a sustainable business, in other words it should act as a responsible business that benefits all stakeholders. Activities are controlled and followed up using non-financial and financial targets set according to stakeholder expectations and approved by the Board of Directors. Certain financial targets are established by the owner via AGM resolutions. This means that social, economic and environmental parameters must be taken into account in strategic and operational activities.

As well as complying with the law, directives and general regulations in the sector, PostNord must observe the Swedish State's ownership policy and guidelines for State-owned businesses. This includes the pursuance of 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.

Control of PostNord's work on sustainability is exercised from PostNord's highest level of management, the

Group Executive Team, in which the Head of Group HR and Sustainability had overall responsibility for sustainability issues, including the environment, in 2017. As of January 1, this responsibility was transferred to the Chief Communications Officer. The Group's environmental working group consists of representatives of the sustainability section and the Group's country organizations. The function of the working group is to ensure that work on strategic environmental issues is carried out, and to share experiences and positive examples in the Group.

The responsibility for driving forward Group-wide efforts in sustainability in the supply chain falls to Group Sourcing. The function is responsible for the strategic control and follow-up on the Group's work in sustainability in the supply chain. During the year, work on requirement specification and follow-up of compliance in the supply chain progressed. For example, a reference group made up of suitable representatives of Group functions and country organizations were linked to Group Sourcing's work on sustainability in the supply chain. Outcomes for the strategic sustainability targets (lower carbon dioxide emissions, women in management positions and sustainability in the supply chain) are followed up quarterly through reporting to the Group Executive Team and the Board.

### Code of Conduct, Code of Conduct for Suppliers and other policies in responsible governance

The Code of Conduct clearly defines PostNord's fundamental approach within the most important areas and is binding on all subsidiaries and all employees in all parts of PostNord. The Group's quality policy, environmental policy, health and safety policy, road safety policy and anti-corruption policy form separate sections of the Code of Conduct.

*The Code of Conduct comprises the following areas:*

- Customers and quality assurance
  - Security and business continuity
  - Secure, reliable information management
  - Road safety
- Working conditions
  - Basic human rights
  - Occupational safety and health
  - Diversity and equal opportunity
  - Opportunities for development
- Business partners and social commitment
  - Sustainability in the supply chain
  - Coordinated purchasing
  - Societal commitment and sponsorship
- Environment
  - Systematic and transparent environmental work
- Business ethics
  - Inappropriate influence
  - Conflicts of interest
  - Duty of information disclosure and use of insider information
- Responsibility, implementation of and compliance with the Code
- Reporting of incidents - whistleblowing

*PostNord's Code Of Conduct for Suppliers comprises:*

- Health and safety
- Labor law and human rights
- Environmental work
- Anti-corruption
- A supplementary code, with requirements aimed at suppliers of road transportation is also available.

*Other policies in responsible governance:*

- Enterprise risk management policy
- Finance policy
- Tax policy
- Diversity policy
- Instructions on external benefits and business entertainment
- Trade sanctions policy
- Competition law policy
- Procurement policy
- Travel policy
- Instructions on PostNord whistleblower procedure
- Policy and instructions on information security
- Information and insider information policy
- PostNord security & business continuity policy

### Code of Conduct

PostNord's Code of Conduct, adopted by the Board in 2014, was updated in spring 2016. It sets requirements for how the Group must act in the areas of sustainable enterprise that are relevant to PostNord. The Code supplements applicable law and external regulations and is the starting point for all relevant intra-Group policies and regulations. The Code applies to all Group employees and relevant parts of the Code are also to be incorporated into agreements with business partners. Ultimate responsibility for compliance rests with the Group Executive Team. However, all employees are responsible for complying with applicable rules, including both laws and other mandatory external and internal rules. PostNord's managers have a specific responsibility for setting a good example and ensuring that their employees are aware of and understand the rules that apply to the business.

### Anti-corruption

PostNord shall be a good player in the community, and so it is especially important that the business should be characterized by good business ethics. PostNord has a zero tolerance policy on corruption. The Code of Conduct includes rules, for example, on handling of conflicts of interest, sponsorship and cooperation. All forms of market activity and business entertainment must comply with generally accepted principles and applicable industry practice, wherever these involve stricter requirements than those of the law.

A Group-wide instruction supplementing the Code of Conduct specifies the circumstances in which external benefits and business entertainment may be offered and accepted by PostNord. The rules apply to all employees and sub-contractors and are based on parts of the Swedish Code of Business Conduct, administered by the Swedish Anti-Corruption Institute (IMM). The instruction is supported by material for a training program. Typically, purchasers and salesmen run a higher risk of becoming involved in corruption. PostNord offers special training in topics such as anti-corruption legislation, aimed at employees in these categories.

### Tax

Public authorities, investors and society are demanding more transparency from companies as to how and where they pay tax. The Swedish State's ownership policy lays down that State-owned enterprises are expected to act responsibly in the area of tax. As a major player in the Nordic region and one of its biggest employers, PostNord pays substantial amounts in various statutory taxes. In 2017, PostNord's Board of Directors adopted a tax policy to be applied by PostNord AB and its subsidiaries.

According to the policy, PostNord is to operate in accordance with all applicable laws and regulations in the countries where operations are conducted, and is to comply with relevant international guidelines. Furthermore, the Group strives to develop mutually respectful relationships with national tax authorities, based on insight and trust, and conducts its tax affairs in a transparent way.

PostNord also strives for low tolerance regarding tax risk and does not employ controversial tax arrangements.

### Competition on equal terms

The Code of Conduct emphasizes how important it is to respect PostNord's special compliance program regarding competition law. During the year, PostNord sales personnel and major account executives, together with employees in Sweden, Denmark, Finland and Norway with special duties in the compliance program relating to competition law, received training in competition law. This training is given on a regular basis.

### Follow-up of compliance

One of the ways in which compliance at PostNord is followed up is via PostNord's special reporting (whistleblower) procedure, which allows anonymous reporting in the event of suspicions of certain types of violation. The system is accessed via PostNord's Group intranet and [www.postnord.com](http://www.postnord.com). During the year, no case arose in which a subsequent investigation indicated any serious breach of PostNord's Code of Conduct. However, more than ten individuals were dismissed from the Group for non-compliance with the Code. PostNord checks systematically on compliance with legislation in the work environment and environmental sectors. In 2017, PostNord was not subject to any legal judgments with binding effect where serious breaches of the law on the part of PostNord were established. However, damages of SEK 0.4m were paid as a result of failings identified in the work environment. PostNord was not subject to any fines in connection with violations of environmental legislation or other external environmental regulations. The same applies to anti-corruption and competition law. However, in May 2017 the Danish Competition and Consumer Authority issued a final ruling that Post Denmark had abused its dominant position in the market for magazine post in the 2007-2009 period.

### Certified management system

PostNord's business management system incorporates governing documents and process descriptions. The system is certified under the standards on Quality (ISO 9001) and Environment (ISO 14001) for Group functions, business areas, PostNord Sweden, PostNord Denmark and PostNord Strålfors. PostNord Sweden and PostNord Denmark are also certified under the standard on Occupational Health and Safety (OHSAS 18001) PostNord Norway has its own certified business management system for quality and the environment. Certification of the business management system involves regular internal evaluations and external audits, which form an important part of the striving for improvement.

### Diversity and workplace equality

PostNord bases its diversity and equality policy on the assumption that differences among people make a workplace more dynamic and attractive. Managers shall serve as role models in this work and actively promote equality

and diversity, according to the Group-wide guidelines on equality and equal treatment plans. The objective is to underpin a common strategic direction, level of ambition and long-term structured program to promote equality and diversity

The initiative "Move - Change for Diversity" aims to bring diversity issues into the spotlight throughout the Group. An active diversity and equality program helps to ensure that both organization and management groups better reflect the world outside and our customers. The manager concerned is responsible for the equality issue in the recruitment process and for equality and diversity activities in general, with support from the HR function.

PostNord does not tolerate any kind of offensive behavior in the workplace. Should harassment or offensive behavior nevertheless occur, several options for reporting have been clearly outlined.

### Competence provision

PostNord has an overarching competence provision plan for up to 2020. The plan is reviewed annually. An assessment of competence requirements based on the Group's strategy and business plan is in progress as part of the annual business planning process. Where necessary, the findings will lead to an action plan.

### Environment

The Group's environmental aspects are regularly reviewed and assessed. Instructions on practical management of PostNord's environmental impact are part of the business management system, for example actions to be taken in incidents that may affect the environment, chemicals handling and waste management. The instructions are based on the precautionary principle. When businesses are established or relocated, and when new products and services are developed, environmental impact assessments are performed in part to minimize environmental risks. The Group's environmental work is evaluated internally through internal controls and evaluations for example.

### Suppliers

PostNord's sustainability requirements for suppliers are detailed in PostNord's Code of Conduct for Suppliers, which is based on the requirements in the Group's Code of Conduct. Where necessary, PostNord also makes product- or service-specific demands in addition to the Code of Conduct for Suppliers. In November 2016, the Code was updated with the addition of PostNord's Code of Conduct for Suppliers of Overland Transport. The aim is to simplify and clarify PostNord's requirements for all suppliers, including specific requirements that PostNord makes of suppliers of overland transport services. The Code of Conduct for Suppliers is available at [www.postnord.com](http://www.postnord.com).

### Safety and continuity

To ensure that letters and parcels are delivered on time to the right recipient, PostNord works systematically on both preventing and countering crime, and ensuring resilience

to disruptions and breakdowns. In 2017, resources were again invested in raising security awareness and strengthening security provision in our production facilities and fleet. More crimes, which have attracted international attention through their modus operandi, have been successfully solved via systematic investigation, and followed by prosecution. The total number of crimes against the Group, including theft and fraud, was reduced in 2017.

During the year, a capability for statistical security analysis was established in the Group, which alongside delivery data for earlier years in the same project, made a measurable contribution to preventing crime and improving delivery quality. In addition, new functionality will be brought in to enable trends and specific crimes to be anticipated. This capability is based on the concepts of "business intelligence" and "big data".

PostNord's business continuity management program adheres to the ISO 22301 standard and efforts are in progress to review and adapt our capacity to maintain deliveries in the event of disruptions and breakdowns of various types. During the year, advanced system support was procured and developed in conjunction with the supplier. This will enable efficiency improvements and snapshots of the continuity analyses for the Group's critical deliveries and their mutual dependencies. The Group function and its activities underwent external auditing during the year, with good results on all points.

### Information security and privacy protection

As one of the Nordic area's leading players in communication services, the PostNord Group bears an important responsibility for guaranteeing information 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.

During the year, a systematic program of security-enhancing measures was completed on schedule, including adaptation of security measures in line with the requirements of the General Data Protection Regulation. This work was performed in conjunction with external partners and will help PostNord to maintain a balanced level of information security for the organization's information assets.

In 2017, no complaints were received from public authorities regarding the treatment of personal data. However, two known incidents regarding customer and personal data occurred in Denmark. In the first, customer data was revealed through an error by a sub-contract supplier/sub-processor, and in the second a mailing of letters was addressed wrongly. Actions were taken to ensure that as far as possible these types of incident will not happen again.

## 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 to perform its duty of assuring the quality of the Company's financial reporting. The Committee oversees the effectiveness of the Company's internal governance and control, as well as risk management systems and processes concerning financial reporting. The work is performed via regular meetings with PostNord's management and external auditors, and via examination of accounting principles applied and at adoption of new accounting standards or valuation matters.

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. The document describes the organization and deals with issues such as general internal division of roles and responsibilities. The governing principles consist most importantly of management by objectives and decentralized profit center responsibility. The document is linked to the Group's delegated authority procedure. 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.

The Group's operational structure differs from its legal structure. As a main principle, organization and governance are based on the operational structure. The PostNord Group runs its business in the form of a matrix organization. The matrix organization comprises segments made up of country organizations (CO), Sweden, Denmark/Germany, Norway, Finland and Strålfors, together with two business areas (BA), BA Communication Services and BA eCommerce & Logistics. The organization also includes Strategy & Commercial Excellence and Group functions.

### Governing documents

PostNord's delegated authority procedure and other governing documents are intended to facilitate and ensure compliance. The delegated authority procedure, which applies to all companies in the Group, is mandatory and governs the right of decision within the Group. The delegated authority procedure is based on the division of responsibilities, adopted by the Group Board of Directors in its rules of procedure, between the Board of Directors and President/Group CEO. Its aim is, through delegation of authority, to ensure effective internal governance and control. The Group Board of Directors' rules of procedure define the matters that require decision by the Board of Directors. The President's areas of authority comprise everything not subject to decision by the Board, under the law or the Board's rules of procedure (or specific Board decisions). See also page 31.

### Risk assessment

Management and managers in segments (the country organizations), the business areas and for Group functions are responsible for identifying and managing risks within their respective areas of responsibility. This takes place within the framework of the Group's organization-wide risk management process and via regular follow-up and business review 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, page 26.

### Control activities

Governing documents and processes concerning accounting and financial reporting are updated by the Group's Finance function in the event of amendments 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, verification, reconciliation, manual and programmed checks and the division of duties and responsibilities in processes and routines. To a large extent, finance and payroll administration services are 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 Finance 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), the business areas and Group functions.

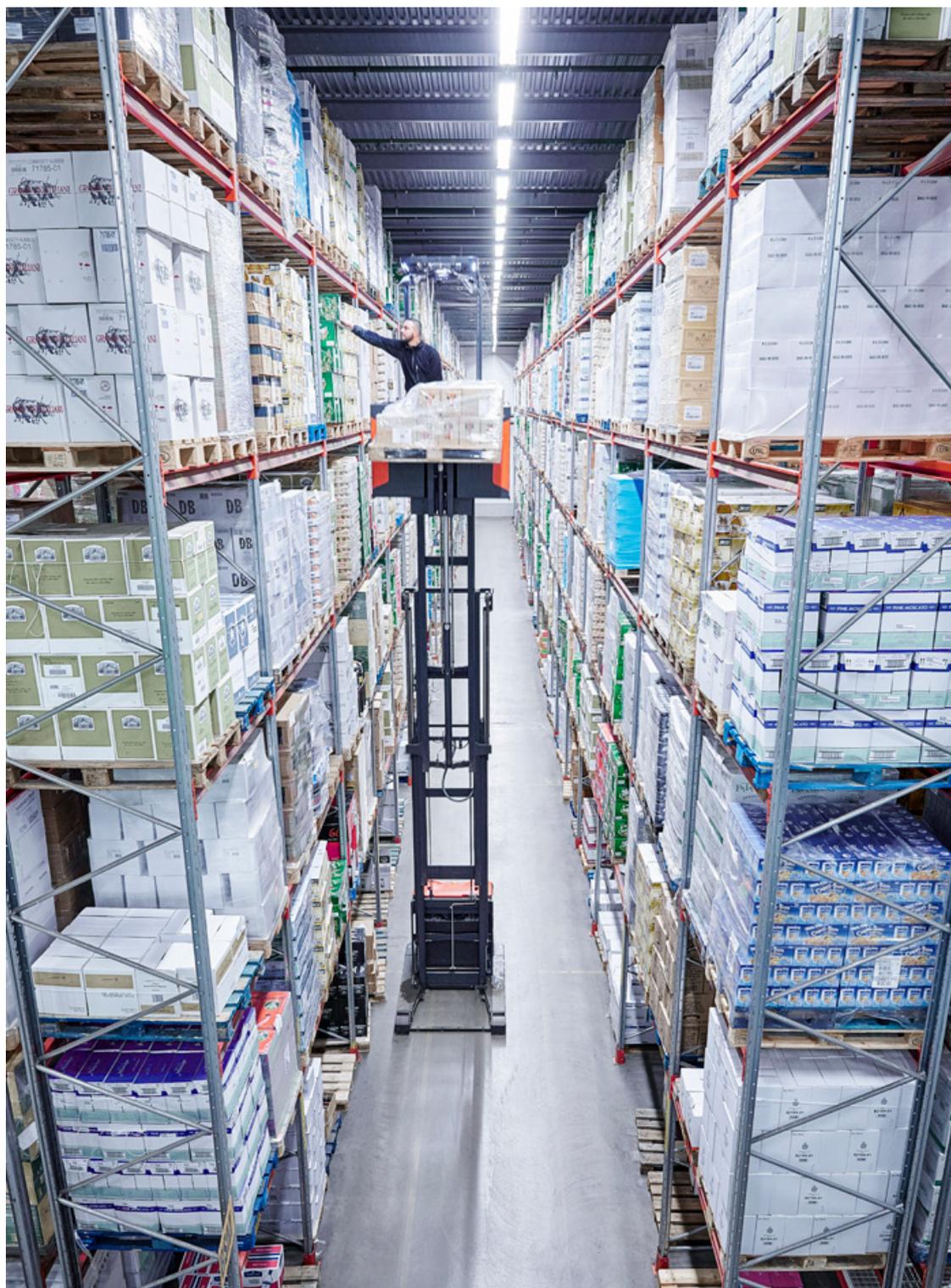
### Information

The Swedish State's ownership policy specifies guidelines for external reporting applicable to State-owned companies. As PostNord has issued listed bonds, the regulations governing listed companies are applied. The Group's governing financial reporting documents are updated continuously and are published via the Group's intranet, among 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 to the Group's external stakeholders is communicated through press releases and PostNord's website. Financial reporting is also addressed directly to the Danish and Swedish owners.

### Follow-up

- PostNord's business activities are reported and evaluated monthly, measured against business objectives for 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 conducted 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 up to ensure that measures are taken on the basis of the auditors' observations and recommendations.
- The Group's companies and Group functions conduct an annual self-assessment of the internal governance and control of financial reporting. Results are compiled by the Group's Finance function and presented to the Audit Committee and to the Group's country organizations and Group functions.
- In 2017 and 2016, certain sections of the reports that the Group's companies and units presented in the self-assessment were subject to verification via a limited review by the Group's external auditors.



## Board of Directors



### Jens Moberg

Born 1962.  
Graduate Diploma in Business Administration.  
Chair of the Board since April 2013.  
Chair of the Remuneration Committee since April 2013.  
Previous experience includes positions at IBM Denmark and subsequently at Microsoft Corporation, most recently as Corporate Vice President.  
Chair of the boards of Grundfos Holding, LE34, Herlufsholm Skole og Gods and VisioLink.  
Board member of Axcel and Poul Due Jensens Fond.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### Mats Abrahamsson

Born 1960.  
PhD (Tech).  
Board member since August 2009.  
Member of Remuneration Committee since 2009.  
Professor at Linköping University.  
Chair of the board of Almi Företagspartner Östergötland.  
Board member of Dixma Consultant AB.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### Måns Carlsson

Born 1968.  
MSc Engineering, KTH Royal Institute of Technology; MBA, INSEAD.  
Board member since 2017.  
Member of the audit committee since 2017.  
Deputy Director at the Swedish Ministry of Enterprise and Innovation's Department for State-Owned Enterprises.  
Formerly equities analyst and investment manager at Brummer & Partners, consultant at Bain & Company.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### Gunnel Duveblad

Born 1955.  
Systems Engineer.  
Board member since August 2009.  
Chair of Audit Committee since 2009.  
Previous positions include CEO of EDS Northern Europe and managerial posts at IBM.  
Chair of the board of HIQ International AB, Team Olivia Group AB, Global Scanning A/S and Stiftelsen Ruter Dam.  
Board member of Dustin Group AB and Sweco AB.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### Christian Ellegaard

Born 1969.  
BS and MBA.  
Board member since April 2013.  
Member of Audit Committee since April 2013.  
Former Member of corporate management at Berendsen Plc, CEO of Facility and various positions within the Berendsen Group, including CEO in Denmark.  
Vice chair of the board of Det Danske Madhus A/S.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### Jesper Lok

Born 1968.  
MBA.  
Board member since 2017.  
Member of the audit committee since 2017.  
Previous: CEO Falck, CEO ALLIANCE+, CEO DSB, various positions within A.P. Møller-Mærsk Group: CEO Svitzer, Country Manager, Nigeria and Pakistan, etc.  
Chairman of the Board J. Lauritzen A/S and Dagrofa.  
Vice Chairman of the Board Newsec Datea and UNICEF Denmark.  
Own and closely-related parties' holdings of PostNord bonds: 0.

Jens Moberg has informed the Group's owners – the Swedish and Danish States – that he will not be standing for re-election at the AGM, to be held on April 26, 2018. Jens will remain as Board chairman until the 2018 AGM.



#### **Peder Lundquist**

Born 1970.  
MSc, Political Science.  
Board member since 2017.  
Member of the audit committee since 2017.  
Deputy Director-General, Ministry of Finance, Denmark.  
Previous: 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 bonds: 0.



#### **Anitra Steen**

Born 1949.  
Bachelor of Arts.  
Board member since April 2013.  
Member of Remuneration Committee since April 2013. Previous positions include CEO of Systembolaget, Director-General of the National Tax Board, State Secretary at the Swedish Ministries of Education and Finance.  
Chair of the boards of Akademiska Hus AB and AFA Försäkring. Board member of Oral Care Holding SWE AB and Attendo AB.  
Ordinary member of the Swedish Press Council.  
Own and closely-related parties' holdings of PostNord bonds: 0.



#### **Employee representatives**

##### **Bo Fröström**

Born 1960.  
Union representative appointed by the Union of Civil Servants (ST).  
Board member since August 2017.  
Employed by Posten since 1979.  
Own and closely-related parties' holdings of PostNord bonds: 0.



##### **Johan Lindholm**

Born 1979.  
Union representative appointed by the Union of Service and Communication Employees (SEKO).  
Board member since April 2015.  
Deputy employee representative since April 2012.  
Employed by Posten since 1999.  
Own and closely-related parties' holdings of PostNord bonds: 0.



##### **Sandra Svensk**

Born 1977.  
Union representative appointed by the Union of Service and Communication Employees (SEKO).  
Board member since October 2017.  
Deputy employee representative April 2015–October 2017.  
Employed by PostNord since 1995.  
Own and closely-related parties' holdings of PostNord bonds: 0.

#### **Employee representatives, deputies**

##### **Daniel Hansen**

Born 1980.  
Union representative appointed by the Union of Service and Communication Employees (SEKO).  
Deputy employee representative since October 2017.  
Employed by PostNord since 1999.  
Own and closely-related parties' holdings of PostNord bonds: 0.

##### **Ulrika Nilsson**

Born 1974.  
Union representative appointed by the Union of Service and Communication Employees (SEKO).  
Deputy employee representative since October 2017.  
Employed by PostNord since 2004.  
Own and closely-related parties' holdings of PostNord bonds: 0.

##### **Ulf Sjödin**

Born 1956.  
Union representative appointed by the Union of Civil Servants (ST).  
As a union representative, he represents Saco.  
Deputy employee representative since April 2015.  
Employed by PostNord since 1997.  
Own and closely-related parties' holdings of PostNord bonds: 0.

# Group Executive Team



**Håkan Ericsson**

Born 1962.  
BSc Economics.  
President and Group CEO since October 1, 2013.  
Previous positions: President of Carlson Wagonlit Travels, CEO of Loomis Cash Handling, Executive Vice President at SAS, Managing Director of DHL European freight operation, and senior positions in the Danzas, ASG and Fraktarna logistics groups.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Johanna Allert**

Born 1975.  
Master of Science Industrial Engineering.  
Chief Technical Officer since 2014.  
Member of Group Executive Team since 2011.  
Previous positions: Head of Group Operations Development function, including Group Support & Shared Services.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Thomas Backteman**

Born 1965.  
B.A.Sc. Economics.  
Chief Communications Officer since 2017.  
Member of Group Executive Team since 2017.  
Previous positions: Chief Communications Officer at Swedband and Studsvik, Partner at Hallvarsson & Halvarsson and Brunswick Group. Chairman of the board of Teach for Sweden and Member of the board at SWE Cycling.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Gunilla Berg**

Born 1960.  
BSc Economics.  
Chief Financial Officer (CFO).  
Member of Group Executive Team since September 29, 2014.  
Previous positions: Vice President and CFO of the Teracom, SAS and KF Groups.  
Board member at Atlas Copco AB and ÅF AB.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Björn Ekstedt**

Born 1965.  
MBA, MSc in Industrial Management and Engineering.  
Chief Information Officer (CIO) since March 2016.  
Member of Group Executive Team since 2016.  
Previous positions: CIO at Sandvik AB, a number of executive IT-positions at Sandvik AB and Vattenfall AB, Chief Controller and Colonel at the Swedish Armed Forces and a number of senior military positions in the Air Force.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Annemarie Gardshol**

Born 1967.  
Master of Engineering.  
CEO of PostNord Strålfors Group since 2015.  
Member of Group Executive Team since 2012.  
Previous positions: Head of e-Commerce & Corporate Clients, Chief Strategy Officer (CSO) and executive positions at Gambro and as a management consultant at McKinsey & Company.  
Board member of SCA AB and Essity AB.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Finn Hansen**

Born 1956.  
Master of Science.  
Chief Group Human Resource and Sustainability since 2013.  
Member of Group Executive Team since 2009.  
Previous positions: Head of Business area Breve Denmark, Deputy Director of Distribution, Deputy Director of Mail Production and Transport and various management positions at Post Danmark A/S. Own and closely-related parties' holdings of PostNord bonds: 0.



**Anders Holm**

Born 1957.  
Market economist.  
Head of PostNord Sweden since 2014.  
Member of Group Executive Team since 2014.  
Previous positions: Head of Posten Logistik AB in Sweden, Sales and Marketing Director at Posten Logistik AB in Sweden, and various positions at UPS, most recently as Nordic CEO.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Peter Kjaer Jensen**

Born 1969.  
MBA.  
Head of PostNord Denmark since June 1, 2016.  
Member of Group Executive Team since 2014.  
Previous positions: Head of business area PostNord Logistics and Various managerial positions at Maersk Line, Maersk Logistics and Damco International A/S.  
Own and closely-related parties' holdings of PostNord bonds: 0.



#### **Tim Jørnsen**

Born 1966.  
Economist.  
Head of e-Commerce & Logistics since January 1, 2017.  
Member of Group Executive Team since 2016.  
Previous: Executive VP Posten Norway/ Bring Nordic logistics operations outside Norway and also MD Palletways Europe and UPS Nordic and other leading positions within UPS UK, Brussels and Europe.  
Own and closely-related parties' holdings of PostNord bonds: 0.



#### **Kristina Lilja**

Born 1967.  
Master of Laws.  
General Counsel and Board Secretary.  
Member of Group Executive Team since January 1, 2015.  
Formerly VP and legal counsel at Husqvarna and positions as corporate lawyer or general counsel at companies including Hi3G Access (3), IFS and Cybercom.  
Own and closely-related parties' holdings of PostNord bonds: 0.



#### **Robin Olsen**

Born 1970.  
Master of Engineering; Master of Management.  
Head of PostNord Norway & Finland since 2014.  
Member of Group Executive Team since 2014.  
Previous positions: Head of PostNord Logistics in Norway and CEO of Tollpost Globe AS.  
Own and closely-related parties' holdings of PostNord bonds: 0.



#### **Jan Starrsjö**

Born 1960.  
BSc of Economics.  
Head of Strategy & Commercial Excellence since 2016.  
Member of Group Executive Team since 2016.  
Previous positions; VP Sales PostNord Mail Sweden and other executive positions within Posten AB.  
Previously also: CEO for a venture capital firm and a IT services firm and management consultant at McKinsey & Co.  
Own and closely-related parties' holdings of PostNord bonds: 0.



#### **Charlotte Svensson**

Born 1967.  
Studies at Stanford, Chalmers, Göteborgs University of Gothenburg and University of Karlstad.  
Head of Business Area Communication Services since 2017.  
Member of Group Executive Team since 2017.  
Previous positions: Chief Technical Officer at Bonnier Group, Chief Commercial & Digital Officer at Bonnier News, CIO at Dagens Nyheter and CEO InvoiceIT.  
Own and closely-related parties' holdings of PostNord bonds: 0.

The following changes were made effective on February 1, 2018. Annemarie Gardshol became the new Head of PostNord Sweden. Annemarie Gardshol has most recently served as CEO of the PostNord Strålfors Group. The former Head of PostNord Sweden, Anders Holm, is to become Head of Corporate Clients, International Linehails and Customs Clearance, as well as of PostNord Finland, and remains a member of the Group Executive Board. Ylva Ekborn takes over as new CEO of the PostNord Strålfors Group and joins the Group Executive Board. Ylva Ekborn has most recently been serving as CEO of PostNord Strålfors Sweden. Finn Hansen will retire during the year, as announced earlier, and will therefore leave PostNord's Group Executive Team. Until further notice, the person in PostNord's Group Executive Team responsible for HR issues will be Jan Starrsjö, the Group's Head of Strategy and Sales Processes.

# Financial statements

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# Group

## Income statement

SEKm	Note	2017	2016
Net sales	1, 2, 4	37,079	38,478
Other operating income	3	324	263
<b>Operating income</b>		<b>37,403</b>	<b>38,741</b>
Personnel expenses	5	-16,792	-17,261
Transportation expenses		-10,542	-10,150
Other expenses	6, 7	-8,876	-9,593
Depreciation and impairments	10, 11	-1,317	-2,820
<b>Operating expenses</b>		<b>-37,527</b>	<b>-39,824</b>
<b>TOTAL OPERATING INCOME</b>		<b>-124</b>	<b>-1,083</b>
Financial income	8	60	49
Financial expenses	8	-72	-74
<b>Net financial items</b>		<b>-12</b>	<b>-25</b>
<b>Income before tax</b>		<b>-136</b>	<b>-1,108</b>
Tax	9	-201	-475
<b>NET INCOME FOR THE PERIOD</b>		<b>-337</b>	<b>-1,583</b>
<b>Attributable to</b>			
Parent Company's shareholders		-339	-1,585
Non-controlling interests		2	2
Earnings per share, SEK	20	-0.17	-0.79

## Statement of comprehensive income

SEKm	2017	2016
<b>NET INCOME</b>	<b>-337</b>	<b>-1,583</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that cannot be transferred to net income</b>		
Revaluation of pension liabilities	214	-399
Change in deferred tax	-47	88
<b>Total</b>	<b>167</b>	<b>-311</b>
<b>Items that have been or may be transferred to net income</b>		
Cash flow hedging after tax	4	6
Translation differences	-118	343
Translation differences - Realized and reclassified to income statement	-	48
<b>Total</b>	<b>-114</b>	<b>397</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>53</b>	<b>86</b>
<b>COMPREHENSIVE INCOME</b>	<b>-284</b>	<b>-1,497</b>
<b>Attributable to</b>		
Parent Company's shareholders	-286	-1,499
Non-controlling interests	2	2

## Statement of financial position

SEKm	Note	Dec. 31, 2017	Dec. 31, 2016
	1,2		
<b>ASSETS</b>			
Goodwill	10	2,560	2,600
Other non-current intangible assets	10	792	854
Property, plant and equipment	11,12	7,822	7,994
Participations in associated companies and joint ventures	13	81	69
Financial investments	14,27	198	262
Non-current receivables	15,22	1,285	1,301
Deferred tax assets	16	123	122
<b>Total non-current assets</b>		<b>12,861</b>	<b>13,202</b>
Inventory	17	88	101
Tax assets		226	712
Trade receivables	27	4,833	4,627
Prepaid expenses and accrued income <sup>1)</sup>	18	1,402	1,096
Other receivables <sup>1)</sup>		167	218
Short-term investments	14,27	296	351
Cash and cash equivalents	19,27	1,901	1,577
Assets held for sale		125	176
<b>Total current assets</b>		<b>9,038</b>	<b>8,858</b>
<b>TOTAL ASSETS</b>		<b>21,899</b>	<b>22,060</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital stock		2,000	2,000
Other contributed equity		9,954	9,954
Reserves		-1,747	-1,633
Retained earnings		-2,845	-2,673
<b>Total equity attributable to Parent Company's shareholders</b>		<b>7,362</b>	<b>7,648</b>
<b>Non-controlling interests</b>		<b>3</b>	<b>3</b>
<b>TOTAL EQUITY</b>		<b>7,365</b>	<b>7,651</b>
<b>LIABILITIES</b>			
Non-current interest-bearing liabilities	21,27	3,556	1,716
Other non-current liabilities		52	49
Other provisions	23	1,724	1,389
Deferred tax liabilities	16	744	831
<b>Total non-current liabilities</b>		<b>6,076</b>	<b>3,985</b>
Current interest-bearing liabilities	21,27	222	2,029
Trade payables		2,638	2,434
Tax liabilities		42	82
Other current liabilities <sup>1)</sup>		1,457	1,598
Accrued expenses and deferred income <sup>1)</sup>	24	3,507	3,684
Other provisions	23	592	597
<b>Total current liabilities</b>		<b>8,458</b>	<b>10,424</b>
<b>TOTAL LIABILITIES</b>		<b>14,534</b>	<b>14,409</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21,899</b>	<b>22,060</b>

<sup>1)</sup> To provide a more accurate view of receivables and liabilities regarding terminal fees, a change has been made in net accounting as of 2017. Figures presented for comparison have been restated. For further information, see Note 1, section "Revised accounting principles".

## Statement of cash flows

SEKm	Note	2017	2016
<b>OPERATING ACTIVITIES</b>			
Income before tax		-136	-1,108
Adjustments for non-cash items	29	1,933	2,920
Taxes		-398	-37
<b>Cash flows from operating activities before changes in working capital</b>		<b>1,399</b>	<b>1,775</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) inventories		13	21
Increase (-)/Decrease (+) other current receivables <sup>1)</sup>		93	-296
Increase (+)/decrease (-) in other current liabilities <sup>1)</sup>		-106	-168
Other changes in working capital		-38	-11
<b>Changes in working capital</b>		<b>-38</b>	<b>-454</b>
<b>Cash flow from operating activities</b>		<b>1,361</b>	<b>1,321</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-958	-1,001
Sale of property, plant and equipment		23	51
Acquisitions of non-current intangible assets		-238	-181
Acquisitions of operations, effect on cash and cash equivalents	30	-	-14
Disposals of operations, effect on cash and cash equivalents	30	-	-45
Acquisitions of financial non-current assets		-589	-612
Disposals of financial non-current assets		695	252
<b>Cash flows from investing activities</b>		<b>-1,067</b>	<b>-1,550</b>
<b>FINANCING ACTIVITIES</b>			
Amortized loans		-2,483	-100
New loans		2,525	-
Dividend paid		-2	-2
Increase(+)/decrease(-) in other interest-bearing liabilities		-9	4
<b>Cash flows from financing activities</b>		<b>31</b>	<b>-98</b>
<b>CASH FLOWS FOR THE PERIOD</b>			
Cash and cash equivalents, at beginning of period		1,577	1,894
Translation difference in cash and cash equivalents		-1	10
<b>Cash and cash equivalents, closing balance</b>	19	<b>1,901</b>	<b>1,577</b>

<sup>1)</sup> To provide a more accurate view of receivables and liabilities regarding terminal fees, a change has been made in net accounting as of 2017. Figures presented for comparison have been restated. For further information, see Note 1, section "Revised accounting principles".

## Statement of changes in equity

2016, SEKm	Equity attributable to Parent Company's shareholders						
	Share capital	Other contributed equity	Translation reserve	Hedging reserve	Retained earnings	Non-controlling interests	Total equity
<b>Equity, opening balance</b>	2,000	9,954	-2,022	-8	-777	3	9,150
<b>Comprehensive income for the period</b>							
Net income for the period	-	-	-	-	-1,585	2	-1,583
Other comprehensive income for the period	-	-	391	6	-311	-	86
<b>Total comprehensive income for the period</b>	-	-	391	6	-1,896	2	-1,497
Dividend	-	-	-	-	-	-2	-2
<b>Equity, closing balance</b>	2,000	9,954	-1,631	-2	-2,673	3	7,651

2017, SEKm	Equity attributable to Parent Company's shareholders						
	Share capital	Other contributed equity	Translation reserve	Hedging reserve	Retained earnings	Non-controlling interests	Total equity
<b>Equity, opening balance</b>	2,000	9,954	-1,631	-2	-2,673	3	7,651
<b>Comprehensive income for the period</b>							
Net income for the period	-	-	-	-	-339	2	-337
Other comprehensive income for the period	-	-	-118	4	167	-	53
<b>Total comprehensive income for the period</b>	-	-	-118	4	-172	2	-284
Dividend	-	-	-	-	-	-2	-2
<b>Equity, closing balance</b>	2,000	9,954	-1,749	2	-2,845	3	7,365

# 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 joint ventures and 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 financial statements were prepared in accordance with EU-approved International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as applying to financial years beginning on January 1, 2017. In addition, the Swedish Financial Reporting Board's RFR 1, Supplemental Financial Statements 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 acquisition 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 SEK. 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

Amended IFRSs applicable as of January 1, 2017 have not had any material effect on the consolidated financial statements.

#### 3.2 Voluntary change in accounting principle

A change has been made to the Group's accounting principles regarding net/gross recognition of terminal fees in the statement of financial position. The procedure of advance payments for terminal fees is used for ongoing settlement of receivables and liabilities arising between the countries. In earlier years, accrued receivables and accrued liabilities for terminal fees have been recognized net but advance payments have not been included in this net accounting process. To provide a more accurate picture, the procedure has been changed and advance payments for terminal fees are now also

recognized net per country. Figures for preceding years have been restated. The effect on total assets is a reduction of SEK 300–600m.

#### 3.3 New IFRSs not yet implemented

Amended IFRSs applicable in 2018 or later are not deemed likely to have any material effect on the Group's or the Parent Company's performance or financial position. Adoption of IFRS 9 and IFRS 15 will not require any adjustment to equity, but will necessitate minor adjustments to the income statement. See explanations below.

**IFRS 9 Financial Instruments** concerns recognition of financial assets and liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. As in IAS 39, financial assets are classified into various categories, of which some are measured at amortised cost and others at fair value. IFRS 9 introduces categories that differ from those described in IAS 39. The classification in IFRS 9 is based partly on the contractual cash flows of the instruments and partly on the company's business model. IFRS 9 also introduces a new model to measure impairment of financial assets. The purpose of the new model is to ensure that credit losses are recognized earlier than under IAS 39. Financial liabilities are treated largely in the same way in IFRS 9 as in IAS 39. IFRS 9 also lays down changes in criteria for hedge accounting. PostNord has opted to continue to apply hedge accounting in line with IAS 39. IFRS 9 entered into force on 1 January 2018 and will be applied by the Group and Parent Company as of that date. Information provided for comparison will not be restated. In 2017, the Group analyzed the impact of transitioning to IFRS 9. Changes in principles for impairments of loan and trade accounts receivable will affect recognized income for the Group and its financial position. IFRS 9 will not affect the Group's financial position to any material extent.

**IFRS 15 Revenue from Contracts with Customers** is a new standard on revenue recognition that replaces existing revenue standards. The standard describes an integrated model for revenue recognition irrespective of industry and type of transaction. IFRS 15 is based on the principle that revenue is recognized when control over a good or service is transferred to the customer. Under the current standard, revenue must be recognized when risks and benefits are transferred.

Prior to the adoption of IFRS 15, PostNord has reviewed its revenue sources to identify any needs for changes in the Group's revenue recognition. In the transition from IAS 18 to IFRS 15, PostNord has opted for full retrospectivity, meaning that all revenue for the year shown for comparison is recognized in accordance with IFRS 15 for comparison. PostNord employs IFRS 15, p. 63 – revenue is not adjusted for the effects arising from significant financing components, since these represent a not-inconsiderable 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 recognised as income.

External income is affected by an adjustment for anticipated payment that refers to customer repayments in connection with freight guarantees and complaints, together with standardized charges for damage/loss. External net sales in 2017 are reduced by 0.002%, SEK 72m. The key performance measures for operating margin, adjusted operating margin and operating margin EBITDAI are affected, but not significantly.

**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 income when the physical delivery takes place. PostNord has elected to group such orders in portfolios where they show major similarities. 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.

During the review, income was classified according to whether it is received 'at one point in time' or 'over time'. In the Group, the income received at one point in time accounts for the overwhelming share, 95%, and is generated from mail items and production orders for data processing. Income from services received over time makes up 5%. No changes regarding the point in time when the income is received have been considered necessary.

The income is measured at fair value, excluding value added tax and price and volume discounts. From 2018, income will be reduced by the cost of 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. Discounts are provided at invoicing.

**IFRS 16 Leases** is a new standard on recognition of leases. For lessees, the classification into operating and financial leases under IAS 17 is abolished and replaced by a model in which assets and liabilities relating to lease agreements are to be recognized. In the income statement, the cost is to be allocated to amortization and interest expense. PostNord is a lessee and as per December 31, 2017, had outstanding lease fees of approximately SEK 5.5 billion. An analysis will be performed to determine which of the Group's agreements on leasing fall within the definition of the IFRS 16 standard. The outcome of this analysis is expected to reveal additional agreements that are to be recognized as leases. This will lead to an increase in assets and liabilities, which will have a relatively major impact, for example, on PostNord's net debt. The Group will implement IFRS 16 from January 1, 2019.

#### 4. Classification

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

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.

#### 5. 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 the acquisition 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 the point 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.

Any conditional purchase consideration is calculated as the fair value on the day of acquisition. Revaluations of the related liability for the conditional purchase consideration made in the period until the date of settlement are recognized at fair value in income.

#### 6. Associated companies and joint ventures

Holdings in both associated companies and joint ventures 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 participation 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.

#### 7. 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 measured at acquisition 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 recognized in other comprehensive income and aggregated as a separate item in the translation reserve in equity, termed the translation reserve.

#### 8. Income

Income is recognized in the income statement when the amount can be reliably calculated and when material risks and benefits associated with the goods have passed to the purchaser. Income from services is recognized in the income statement as a proportion of completion at the end of the reporting period, mainly via reporting of the service performed, and recognized as income as the work progresses. The remuneration is measured at fair value, excluding value added tax and price and volume discounts.

PostNord's net sales consist principally of the provision of services. On average, the process of delivering physical mail items takes two days, meaning that there is little difference in time between posting/handing in and delivery, which is considered insignificant. Registration of goods received is acknowledgement of receipt and also serves as the basis of the right to invoice the customer as per agreement.

Income in Business area Communication Services is generated from services in business and market communications, newspaper distribution, postal service for individual customers, and terminal fees. Income from the mail and communication businesses is recognized when the physical item is received for physical transportation. 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 Business area 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. Income in the logistics business is recognized when the physical item is received for physical transportation.

In Strålfors, income is generated from communication services for businesses, in the form of digital business and market communications, printing and enveloping. Income from services including an electronic component (hybrid services) is recognized once the object has been converted into a physical format and correspondingly has been received for physical transportation in the form of a mail item.

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

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. The opening balance of the liability for prepaid income is then cancelled as income and the closing balance recognized as a reduction in income. See also section 17, Stamp liability.

Discounts are provided at invoicing.

#### 9. 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 (for example, in the case of leasing costs).

##### Costs of operating leases

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

### Costs of financial leases

The minimum lease payments are divided between interest expenses and repayment of the outstanding liability. Interest costs are distributed over the lease period so that each accounting period includes an amount corresponding to a fixed interest rate for the liability recognised in each period. Variable charges are recognized in the periods when they arise.

### 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. The interest component of financial lease payments is recognized in the income statement via the effective interest method. 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.

### 10 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

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to the contractual provisions of the instrument. A receivable is recognized when the company has performed and there is a contractual liability for the counterparty to pay, even if the invoice has not yet been sent. Trade receivables are recognized in the statement of financial position when the invoice has been sent. 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.

Liabilities are recognized when the counterparty has performed and there is a contractual liability to pay, even if the invoice has not been received. Trade payables are recognized when the invoice is received. 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. Receivables or liabilities are recognized gross under the heading Other liabilities or Other receivables, between the trade date and the settlement date.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits immediately available at banks and similar institutions, together with current investments that have terms of less than three months at the acquisition date and 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.

### Classification and measurement

Financial instruments are classified into categories at first recognition on the basis of the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after the first occasion of recognition.

Financial instruments are initially recognized at acquisition cost, corresponding to the instrument's fair value, including direct transaction costs for all financial instruments, except those falling within the category of financial assets recognized at fair value via the income statement, which are recognized exclusive of transaction costs. The note Financial risk management and financial instruments describes which financial instruments are measured at fair value and indicates the level in the measurement hierarchy from which the input data used to calculate the fair value is taken.

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. Non-current liabilities have an anticipated term of more than one year, while current liabilities have a term of less than one year.

The categories are as follows:

#### Financial assets measured at fair value via income statement

This category consists of two sub-categories: financial assets held for trading and other financial assets that the Company initially chooses to put in this category. A financial asset is classified as held for trading if it is acquired with the aim of being sold in the short term. Derivatives are classified as held for trading other than when they are used for hedge accounting.

Assets in this category are measured on an ongoing basis at fair value, with changes in value being recognized as net financial items in the income statement. Fixed-income securities not intended to be held until maturity are classified either as financial assets measured at fair value via the income statement or as available-for-sale financial assets.

#### Loan receivables and trade receivables

Loan receivables and trade receivables are non-derivative financial assets that have fixed or determinable payments, and that are not listed on an active market.

Assets in this category are measured at amortized cost. The amortized cost is determined on the basis of the effective rate of interest calculated at the time of acquisition. Non-current receivables, trade receivables and other current receivables are classified into the category Loan receivables and trade receivables.

#### Doubtful accounts receivable

At the end of each accounting period, the Company assesses whether there are any objective indications that a financial asset or group of assets is in need of impairment. The criteria for determining whether there is any need for impairment consist primarily of the counterparty's officially notified incapacity to fulfil his obligations, or that party's incapacity for maintaining payments in the financial markets, as indicated by experience. Trade receivables are recognized at the amounts expected to be received after deductions for doubtful receivables, which are determined on a case-by-case basis. An impairment loss is applied to a trade receivable if it may be regarded as doubtful, that is, it is older than 90 days after falling due or it relates to a customer with historical problems with payment. Trade receivables that relate to customers with an acknowledged good capacity for payment and a good payment history are not regarded as doubtful, even if older than 90 days, and it is expected that adequate interest compensation will be paid. The anticipated term of the trade receivable is short and the value is therefore recognized undiscounted at its nominal amount. Impairment of trade receivables is recognized under the heading Operating expenses.

#### Held-to-maturity investments

Held-to-maturity investments are financial assets, with fixed or determinable payments and a fixed maturity, that the company has an expressed intention and ability to hold to maturity. Assets in this category are measured at amortized cost.

Fixed-income securities acquired with the intention of being held until maturity are classified as financial assets held until maturity and measured at amortized cost.

#### Available-for-sale financial assets

Available-for-sale financial assets include financial assets not included in any other category and financial assets that the Company initially chooses to put in this category. Assets in this category are measured on an ongoing basis at fair value, with changes in value being recognized in other comprehensive income, except for changes in value relating to impairments, dividend on shares, interest income and exchange rate differences.

At the time the investments are derecognized from the statement of financial position, any accumulated gain or loss previously recognized in equity is transferred to the income statement.

#### Financial liabilities measured at fair value via income statement

This category consists of two sub-categories: financial liabilities held for trading and other financial liabilities that the company initially chooses to put in this category; see "Financial assets reported at fair value via income". The first category includes derivatives measured at negative fair value, except for derivatives used for hedge accounting. Changes in value are recognized via the income statement.

#### Other financial liabilities

Financial liabilities includes loans and trade payables. These liabilities are measured at amortized cost. The amortized cost is determined on the basis of the effective rate of interest calculated when the liability was booked. As a result, fair value adjustments and direct issue costs are recognized on an accruals basis over the term of the liability.

Trade payables have a short anticipated maturity and so are measured undiscounted at their nominal amount.

### Derivatives and hedge accounting

In the Group, derivatives consist of forward foreign exchange contracts and interest rate swaps used to cover risks of changes in exchange rates and market interest rates. Changes in the value of derivatives are recognized in the income statement or in other comprehensive income, depending on whether the derivative is part of an effective cash flow hedge or not.

### Cash flow hedging

Forward foreign exchange contracts are used to hedge assets and liabilities against foreign exchange risk. 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. The 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 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. Any changes in value 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.

### 11. Property, plant and equipment - Owned assets

Property, plant and equipment at PostNord consists of buildings, machinery, equipment, construction in progress and advance payments. The PostNord Group recognizes these assets at acquisition cost less deductions for accumulated depreciation and any impairment losses. Acquisition cost includes the purchase price and costs directly attributable to the asset in order to bring the asset into place in the right condition to 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 acquisition 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 acquisition 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	3-10 years
Fleet	3-8 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 comprise 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 periods, 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.

### 12. Leased assets

PostNord has entered into financial and operational lease agreements on machinery, equipment and business premises.

Lease agreements under which risks and benefits associated with ownership are in all essential respects transferred to the Group are classified as financial leases. Assets leased under financial leases are recognized as non-current assets in the statement of financial position. When the leased asset is recognized for the first time, it is 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 is recognized under Non-current and current liabilities. The leased assets are depreciated over the useful life of the particular asset, while the lease payments are recognized as interest and amortization of the liabilities.

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

### 13. 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 acquisition 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 acquisition cost of the asset may be measured reliably.

### Goodwill

Goodwill represents the difference between the acquisition cost of the business combination and the fair value of identifiable assets acquired, liabilities assumed and contingent liabilities.

Goodwill is measured at acquisition 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 acquisition cost less accumulated depreciation and impairments.

### Other intangible assets

Other intangible assets comprise acquired brands, customer relationships, licences and similar assets. Other intangible assets are recognized at acquisition 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 economic 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. Impairment losses are 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, for example, 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.

## 14. Inventory

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

## 15. Dividend paid

Dividends are recognized as a liability after they have been approved by the AGM.

## 16. 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 contribution 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 restructuring. 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.

## 17. Postage stamp liability

PostNord's postage stamp liability is calculated for stamps sold but not used. The method of calculation has been updated. Formerly, the calculations were based on annual surveys of the number of stamps sold but not used in Sweden and Denmark, respectively. With the new valuation principle, we base the liability to businesses and service partners, respectively, on average sales for one month over the January-November period. In the case of November, sales of Christmas stamps are eliminated and recognized separately on an accruals basis. As of 2017, the liability per household is no longer measured statistically and instead the level of liability measured in 2016 is adjusted via the digitization effect (volume decrease) assumed for stamped volumes.

## 18. Provisions

A provision differs from other liabilities in that it is subject to uncertainty as to the time of payment or the size of the amount required to effect 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 restructuring is recognized when there is an agreed detailed and formal restructuring plan and the restructuring 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.

## 19. 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.

## 20. Assets pledged 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.

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.

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

## 21. 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.

## 22. 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 are 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 income, net financial items and other comprehensive operating 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 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 15 percentage points has been made, indicating that on average 40% will make use of the transition regulations. See also Notes 22 and 23.

## Note 3 Analysis of revenue sources

### Net sales

Net sales consist for the most part of services provided.

### Other operating income

SEKm	2017	2016
Rental income	19	20
Insurance claim payments	1	0
Commission income	8	8
Capital gains, buildings	50	31
Capital gains, machinery and equipment	13	8
Exchange rate gains	113	113
Other	120	83
<b>Total</b>	<b>324</b>	<b>263</b>

## Note 4 Segment reporting

The Group's organization into segments is principally based on the companies' geographical domicile. The PostNord Strålfors and Direct Link segments are coordinated on the basis of the nature of their operations. 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. In the operational structure, though not in the legal structure, cost distribution for corporate shared service functions is at cost price.

PostNord's markets are divided into the segments PostNord Sweden, PostNord Denmark (incl. Germany), PostNord Norway, PostNord Finland, PostNord Strålfors, Direct Link and Other. The segments market and sell the total offerings of the business areas in the Nordic region.

**PostNord Sweden** operates in letters, logistics and e-commerce in the Swedish market and is responsible for all aspects of PostNord's fulfillment operations.

**PostNord Denmark** operates in letters, 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 letters, logistics and e-commerce in the Norwegian and Finnish markets, respectively.

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

**Direct Link** operates in global distribution of market communications and lightweight goods, mainly on behalf of e-retailers. The business is conducted in the USA, the United Kingdom, Germany, Singapore, Hong Kong and Australia.

**Other** includes business operations outside the scope of the above segments, together with shared services and corporate functions including the Parent Company, Group adjustments and items affecting comparability. Group adjustments consist of IFRS adjustments for pensions under IAS 19 Employee Benefits and finance leasing under IAS 17 Lease Agreements. Service costs for shared services and corporate functions are allocated from Other to the segments. Cost allocations are taken up as income in Other under Other operating income, internal. Within the Countries, cost allocations are recognized in Other expenses.

Eliminations consists of the elimination of internal transactions.

## Note 4 (cont.)

2017 Jan-Dec, SEKm	PostNord Sweden	PostNord Denmark	PostNord Norway	PostNord Finland	PostNord Strålfors	Direct Link	Other	Elimi- nations	Adjusted total, Group	Items affecting compara- bility	Group
Net sales, external	21,695	8,246	3,241	706	1,935	1,028	227	-	37,079	-	37,079
Net sales, internal	976	475	633	322	146	0	2	-2,554	-	-	0
<b>Total net sales</b>	<b>22,671</b>	<b>8,720</b>	<b>3,875</b>	<b>1,028</b>	<b>2,081</b>	<b>1,028</b>	<b>229</b>	<b>-2,554</b>	<b>37,079</b>	<b>-</b>	<b>37,079</b>
Other operating income, external	169	46	4	1	12	1	91	-	324	-	324
Other operating income, internal	253	12	1	0	23	1	3,159	-3,449	0	-	-
<b>Total operating income</b>	<b>23,093</b>	<b>8,779</b>	<b>3,879</b>	<b>1,029</b>	<b>2,116</b>	<b>1,030</b>	<b>3,479</b>	<b>-6,002</b>	<b>37,403</b>	<b>-</b>	<b>37,403</b>
Personnel expenses	-9,500	-4,614	-900	-87	-551	-78	-592	-8	-16,330	-462	-16,792
Transportation expenses	-5,273	-1,748	-2,458	-650	-551	-217	-7	362	-10,542	-	-10,542
Other expenses	-7,148	-2,893	-389	-278	-804	-704	-2,306	5,647	-8,876	-	-8,876
Depreciation and impairments	-657	-176	-107	-6	-48	-3	-320	1	-1,317	-	-1,317
<b>Total operating expenses</b>	<b>-22,578</b>	<b>-9,431</b>	<b>-3,854</b>	<b>-1,021</b>	<b>-1,954</b>	<b>-1,002</b>	<b>-3,223</b>	<b>6,002</b>	<b>-37,063</b>	<b>-462</b>	<b>-37,527</b>
<b>Adjusted operating income</b>	<b>515</b>	<b>-654</b>	<b>25</b>	<b>8</b>	<b>162</b>	<b>28</b>	<b>254</b>	<b>-</b>	<b>338</b>	<b>-</b>	<b>-</b>
<b>Items affecting comparability</b>	<b>-</b>	<b>-462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-462</b>	<b>-</b>	<b>-</b>
<b>TOTAL OPERATING INCOME</b>	<b>515</b>	<b>-1,115</b>	<b>25</b>	<b>8</b>	<b>162</b>	<b>28</b>	<b>254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-124</b>
Net financial items	-	-	-	-	-	-	-	-	-	-	-12
<b>Income before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-136</b>
Tax	-	-	-	-	-	-	-	-	-	-	-201
<b>Net income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-337</b>

2016 Jan-Dec, SEKm	PostNord Sweden	PostNord Denmark	PostNord Norway	PostNord Finland	PostNord Strålfors	Direct Link	Other	Elimi- nations	Adjusted total, Group	Items affecting compara- bility	Group
Net sales, external	21,945	9,141	3,334	714	2,124	989	231	-	38,478	-	38,478
Net sales, internal	1,081	430	455	270	115	0	2	-2,353	-	-	-
<b>Total net sales</b>	<b>23,025</b>	<b>9,571</b>	<b>3,789</b>	<b>984</b>	<b>2,240</b>	<b>989</b>	<b>233</b>	<b>-2,353</b>	<b>38,478</b>	<b>-</b>	<b>38,478</b>
Other operating income, external	153	25	3	1	10	0	71	-	263	-	263
Other operating income, internal	232	18	0	0	23	1	3,532	-3,806	-	-	-
<b>Total operating income</b>	<b>23,410</b>	<b>9,614</b>	<b>3,792</b>	<b>985</b>	<b>2,273</b>	<b>990</b>	<b>3,836</b>	<b>-6,159</b>	<b>38,741</b>	<b>-</b>	<b>38,741</b>
Personnel expenses	-9,497	-5,372	-897	-106	-542	-70	-705	-10	-17,199	-62	-17,261
Transportation expenses	-5,147	-1,478	-2,455	-616	-521	-228	0	295	-10,150	-	-10,150
Other expenses	-7,210	-3,082	-350	-270	-1,001	-662	-2,628	5,873	-9,330	-263	-9,593
Depreciation and impairments	-709	-307	-121	-8	-85	-3	-330	-	-1,562	-1,258	-2,820
<b>Total operating expenses</b>	<b>-22,563</b>	<b>-10,239</b>	<b>-3,823</b>	<b>-1,000</b>	<b>-2,149</b>	<b>-963</b>	<b>-3,661</b>	<b>6,159</b>	<b>-38,241</b>	<b>-1,583</b>	<b>-39,824</b>
<b>Adjusted operating income</b>	<b>847</b>	<b>-625</b>	<b>-31</b>	<b>-15</b>	<b>124</b>	<b>27</b>	<b>174</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>-</b>
<b>Items affecting comparability</b>	<b>-23</b>	<b>-1,284</b>	<b>-5</b>	<b>-</b>	<b>-275</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-1,583</b>	<b>-</b>	<b>-</b>
<b>TOTAL OPERATING INCOME</b>	<b>824</b>	<b>-1,910</b>	<b>-36</b>	<b>-15</b>	<b>-151</b>	<b>27</b>	<b>178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,083</b>
Net financial items	-	-	-	-	-	-	-	-	-	-	-25
<b>Income before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,108</b>
Tax	-	-	-	-	-	-	-	-	-	-	-475
<b>Net income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,583</b>

Organization into geographical areas based on domicile of companies, SEKm	2017				2016			
	Income	Total assets	Non-current assets <sup>1)</sup>	Investments, property, plant and equipment and intangible assets	Income	Total assets	Non-current assets <sup>1)</sup>	Investments, property, plant and equipment and intangible assets
Sweden	22,940	12,194	6,857	886	23,085	12,195	7,301	714
Denmark	7,682	3,488	1,689	195	8,670	5,399	1,902	397
Norway	3,727	4,933	2,367	91	3,926	3,707	2,403	67
Finland	1,113	506	225	16	1,096	477	239	8
Other countries	1,941	733	37	8	1,964	657	34	8
<b>Total</b>	<b>37,403</b>	<b>21,854</b>	<b>11,174</b>	<b>1,196</b>	<b>38,741</b>	<b>22,435</b>	<b>11,879</b>	<b>1,194</b>

<sup>1)</sup> 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	2017				2016			
	Women	Men	Total	% Men	Women	Men	Total	% Men
Sweden	6,782	13,810	20,592	67	6,789	13,750	20,539	67
Denmark	2,802	6,108	8,910	69	3,429	7,054	10,483	67
Norway	242	1,079	1,321	82	249	1,191	1,440	83
Finland	84	117	201	58	103	145	248	58
Other countries	146	180	326	55	280	288	568	51
<b>Total</b>	<b>10,055</b>	<b>21,295</b>	<b>31,350</b>	<b>68</b>	<b>10,850</b>	<b>22,428</b>	<b>33,278</b>	<b>67</b>

Personnel expenses, SEKm	2017	2016
Salaries and other remuneration	12,903	13,208
Statutory social insurance costs	2,553	2,581
Pension expenses <sup>1)</sup>	1,232	1,385
Other personnel expenses	104	87
<b>Total</b>	<b>16,792</b>	<b>17,261</b>

<sup>1)</sup> Of the Group's pension expenses, SEK 7m (8) pertains to current and earlier Presidents and Executive Vice Presidents. Obligations outstanding on behalf of these persons total SEK 186m (177).

Salaries and other remuneration per country, SEKm <sup>1)</sup>	2017				2016			
	Presi- dents <sup>2)</sup>	Of which, severance payment	Other employees	Total	Presi- dents <sup>2)</sup>	Of which, severance payment	Other employees	Total
Sweden	18	-	7,149	7,167	16	-	7,121	7,137
Denmark	7	-	4,730	4,737	10	4	4,978	4,988
Norway	4	-	783	787	3	-	796	799
Finland	2	-	105	107	2	-	122	124
Other countries	5	-	99	104	5	-	155	160
<b>Total</b>	<b>36</b>	<b>-</b>	<b>12,867</b>	<b>12,903</b>	<b>36</b>	<b>4</b>	<b>13,172</b>	<b>13,208</b>

<sup>1)</sup> No bonus was paid.

<sup>2)</sup> Refers to current and former Presidents.

Salaries and other remuneration to Group Executive Team, SEKm	2017				2016			
	Salary <sup>1)</sup>	Pension expenses	Other benefits	Total	Salary <sup>1)</sup>	Pension expenses	Other benefits	Total
Håkan Ericsson, President	93	2.8	0.1	12.2	9.4	2.8	0.1	12.3
<b>Total, President</b>	<b>9.3</b>	<b>2.8</b>	<b>0.1</b>	<b>12.2</b>	<b>9.4</b>	<b>2.8</b>	<b>0.1</b>	<b>12.3</b>
Johanna Allert	2.5	0.7	0.0	3.2	2.4	0.7	0.1	3.2
Thomas Backteman (from September 2017)	0.9	0.3	0.0	1.2	-	-	-	-
Gunilla Berg	4.4	1.3	0.1	5.8	4.4	1.3	0.1	5.8
Henning Christiansen (to June 2016)	-	-	-	-	8.2	0.0	0.1	8.3
Joss Delissen (to December 2015)	-	-	-	-	3.0	0.9	0.0	3.9
Björn Ekstedt (from February 2016)	2.8	0.8	0.1	3.7	2.5	0.8	0.1	3.4
Andreas Falkenmark (to October 2017)	6.5	1.2	0.1	7.8	3.8	1.1	0.1	5.0
Annemarie Gardshol	3.6	1.1	0.1	4.7	3.6	1.1	0.0	4.7
Finn Hansen	4.0	-	0.0	4.0	3.9	0.0	0.0	3.9
Anders Holm	3.4	1.0	0.1	4.5	3.3	1.0	0.1	4.4
Tim Jørgensen (from July 2016)	2.8	0.8	0.0	3.6	1.8	0.5	0.0	2.3
Peter Kjaer Jensen	4.5	-	0.2	4.7	3.5	0.4	0.1	4.0
Kristina Lilja	2.2	0.6	0.0	2.8	2.1	0.6	0.0	2.7
Per Mossberg (to October 2017)	5.0	1.5	0.1	6.6	3.1	0.9	0.1	4.1
Robin Olsen	3.3	0.2	0.3	3.8	3.2	0.2	0.3	3.7
Jan Starrsjö	2.2	0.7	0.0	2.9	2.1	0.6	0.0	2.7
Charlotta Svensson (from August, 2017)	1.3	0.4	0.0	1.7	-	-	-	-
<b>Total, other Group Executive Team</b>	<b>49.4</b>	<b>10.6</b>	<b>1.0</b>	<b>61.0</b>	<b>50.9</b>	<b>10.1</b>	<b>1.1</b>	<b>62.1</b>
<b>Total, Group Executive Team</b>	<b>58.7</b>	<b>13.4</b>	<b>1.1</b>	<b>73.2</b>	<b>60.3</b>	<b>12.9</b>	<b>1.2</b>	<b>74.4</b>

<sup>1)</sup> Provision for an agreed severance payment for the following financial year has been included for 1 (1) senior executive. Provision for compensation during a non-working period up to contractual retirement in 2018 has been included for 1 (-) senior executive. Income from new employment or own business is deducted.

## Note 5 (cont.)

**Benefits to senior executives**

On behalf of all senior executives in Sweden, pension provisions of no more than 30% of the executive's monthly salary are made. Under the relevant contracts, the pensionable age is 65 or 62 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 other employees. The pensionable age is 65 years.

The pension provision for the CEO is set at 30% of the CEO's monthly salary and the notice period for both CEO and employer is six months.

The period of notice of termination for other members of the Group Executive Team is 6-12 months by the Company and 6 months by the individual. 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. Whenever a new employment contract is signed, the value of company car benefit is not now included in the calculation of the severance compensation. Older employment contracts still exist, in which the value of company car benefit is included in the basis of calculation for severance compensation.

For senior executives, the rule is that income from new employment or own business is deducted from termination salary and severance compensation.

**Summary of guidelines on compensation to senior management in the Group, adopted at the AGM, held on April 27, 2017**

The total remuneration for executives shall be well-balanced, competitive, capped, reasonable and fit-for-purpose, and 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. The pensionable age is currently 62 or 65 years. At recruitment the pensionable age is 65 years. For executives employed in Denmark and Norway, premium-based pensions are provided to their full extent, and the pensionable age shall be in line 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. Employment contracts signed earlier, with a period of notice of 12 months where employment is terminated by the employer, shall continue to apply. Where the contract is terminated by the executive, the period of notice shall be 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 salary paid during the notice period and the severance pay will be reduced by an amount corresponding to the new income.

Variable salary will not be paid to the senior executives. In the light of other principles in the government's guidelines on terms of employment for senior executives in State-owned companies, variable salary may be paid to other employees.

Gender representation among senior executives, %	Dec. 31, 2017		Dec. 31, 2016	
	% Women	% Men	% Women	% Men
Group Board of Directors	25	75	38	62
Group Management	36	64	29	71
Other Boards of Directors	31	69	37	63
Other senior executives	40	60	37	63

Benefits till Board of Directors of Group and PostNord AB, SEK <sup>(1, 2)</sup>	Audit Committee	Remuneration Committee	2017	2016
Jens Moberg		Chair of the Board	703	678
Gunnel Duveblad	Chair of the Board		355	332
Mats Abrahamsson		Member	311	294
Måns Carlsson (from April 2017)	Member		-	-
Christian Ellegaard	Member		340	319
Sisse Fjelsted Rasmussen (to March 2016)	Member		-	75
Mette Grunnet (from April 2016 to February 2017)	Member		41	244
Torben Janholt (to March 2017)		Member	75	294
Jesper Lok (from April 2017)	Member		259	-
Peder Lundquist	Member		-	-
Magnus Skåniger (to March 2017)	Member		-	-
Anitra Steen		Member	311	294
<b>Total</b>			<b>2,395</b>	<b>2,526</b>

<sup>1)</sup> Board members are entitled 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.

<sup>2)</sup> Amounts reported consist of fees for Board and committee work approved at the 2016 and 2017 AGMs for the 2017 financial year.

Remuneration approved by Annual General Meeting, held on April 27, 2017, SEK	Board of Directors	Audit Committee	Remuneration Committee
Chair of the Board	670	70	38
Member	290	55	25

## Note 6 Other expenses

SEKm	2017	2016
Costs of premises	2,040	2,108
Cost of restructuring measures <sup>1)</sup>	66	97
Terminal fees	1,119	1,220
Cost of goods and materials	615	786
Procured IT resources	1,593	1,601
Capitalized production costs on own account, IT	-	-173
Other	3,443	3,954
<b>Total</b>	<b>8,876</b>	<b>9,593</b>

<sup>1)</sup> See also Note 23 Other provisions.

## Note 7 Fees and reimbursement of expenses to auditors

SEKm	2017	2016
<b>KPMG</b>		
Auditing assignments	10	10
Other auditing services	1	2
Tax consultancy	0	1
Other services	1	1
<b>Total</b>	<b>12</b>	<b>14</b>

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	2017	2016
<b>Financial income</b>		
Interest income	16	7
Interest income, pensions	23	25
Other financial income	21	17
<b>Total</b>	<b>60</b>	<b>49</b>
<b>Financial expenses</b>		
Interest expenses	-57	-64
Interest expenses, finance leases	0	0
Other financial expenses	-15	-10
Net changes in exchange rates	0	0
<b>Total</b>	<b>-72</b>	<b>-74</b>
<b>Net financial items</b>	<b>-12</b>	<b>-25</b>

See also Note 27 Financial risk management and financial instruments. See also Note 22 Pensions for more information on interest income, pensions.

## Note 9 Tax

SEKm	2017	2016
<b>Current tax</b>	<b>-325</b>	<b>-57</b>
<b>Deferred tax</b>		
Change in deferred tax in property, plant and equipment	-3	-39
Other temporary differences in balance sheet items	139	-187
Change in deferred tax in tax loss carry-forwards	-12	-192
<b>Total</b>	<b>124</b>	<b>-418</b>
<b>Total tax</b>	<b>-201</b>	<b>-475</b>

Reconciliation of effective tax rate	2017		2016	
	%	SEKm	%	SEKm
Pre-tax income	22	-136	22	-1,108
Tax at current tax rate for Parent Company		30		244
Non-deductible expenses		-83		-208 <sup>1)</sup>
Tax-exempt income		5		6
Unused tax losses on companies sold		-		-57
Effect of unused tax losses		-132		-271
Revaluation of deferred tax		-13		-133
Tax attributable to previous year		4		-24
Effect of changes in tax rates		4		1
Effect of other tax rates in foreign subsidiaries		-5		-9
Other		-10		-24
<b>Total</b>		<b>-201</b>		<b>-475</b>

<sup>1)</sup> Of which SEK 0m (-176) consists of impairment losses on goodwill and participations in associated companies.

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

## Note 10 Non-current intangible assets

SEKm	Goodwill		Other non-current intangible assets					
	Goodwill		Licenses and similar assets		Capitalized development expenditures		Total other non-current intangible assets	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Acquisition cost, opening balance</b>	<b>3,404</b>	<b>3,300</b>	<b>1,851</b>	<b>1,778</b>	<b>2,453</b>	<b>2,553</b>	<b>4,304</b>	<b>4,331</b>
Acquisition of subsidiaries/business	-	14	-	-	-	-	-	-
Sale of subsidiaries	-	-59	-	-4	-	-16	-	-20
Investments during the year	-	-	24	6	214	175	238	181
Disposals/scrapping	-	-	-52	-32	-10	-365	-62	-397
Reclassifications	-	-	-61	41	61	58	-	99 <sup>1)</sup>
Translation differences	-17	149	-22	62	19	48	-3	110
<b>Accumulated acquisition cost at year-end</b>	<b>3,387</b>	<b>3,404</b>	<b>1,740</b>	<b>1,851</b>	<b>2,737</b>	<b>2,453</b>	<b>4,477</b>	<b>4,304</b>
<b>Depreciation, opening balance</b>	<b>-</b>	<b>-</b>	<b>-1,374</b>	<b>-1,212</b>	<b>-1,357</b>	<b>-1,399</b>	<b>-2,731</b>	<b>-2,611</b>
Depreciation for the year	-	-	-106	-144	-178	-200	-284	-344
Sale of subsidiaries	-	-	-	2	-	13	-	15
Disposals/scrapping	-	-	49	28	9	296	58	324
Reclassifications	-	-	-	-	-	-30	-	-30 <sup>1)</sup>
Translation differences	-	-	18	-48	-13	-37	5	-85
<b>Accumulated depreciation at year-end</b>	<b>-</b>	<b>-</b>	<b>-1,413</b>	<b>-1,374</b>	<b>-1,539</b>	<b>-1,357</b>	<b>-2,952</b>	<b>-2,731</b>
<b>Impairments, opening balance</b>	<b>-804</b>	<b>-64</b>	<b>-13</b>	<b>-19</b>	<b>-706</b>	<b>-746</b>	<b>-719</b>	<b>-765</b>
Impairment losses for the year	-	-796	-2	-2	-9	-4	-11	-6
Disposals/scrapping	-	-	3	-	-	51	3	51
Sale of subsidiaries	-	59	-	2	-	3	-	5
Reclassifications	-	-	-88	-	88	-	-	-
Translation differences	-23	-3	-	6	-6	-10	-6	-4
<b>Accumulated impairments at year-end</b>	<b>-827</b>	<b>-804</b>	<b>-100</b>	<b>-13</b>	<b>-633</b>	<b>-706</b>	<b>-733</b>	<b>-719</b>
<b>Closing balance</b>	<b>2,560</b>	<b>2,600</b>	<b>227</b>	<b>464</b>	<b>565</b>	<b>390</b>	<b>792</b>	<b>854</b>

<sup>1)</sup> Reclassification from property, plant and equipment, SEK Om (69).

### 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, 2017 added up to a carrying amount of SEK 565m (390).

Other non-current intangible assets consisted primarily of licenses and similar assets.

Licenses and similar assets on December 31, 2017, totaled a carrying amount of SEK 227m (464).

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 2017. For more on amortization/depreciation periods used, see Note 1 Accounting principles. For more on acquisitions of intangible assets through acquisition of subsidiaries, see Note 30 Acquisitions and disposals.

Other non-current intangible assets have been impairment-tested. As a result impairments of SEK 11m (6) have been applied, attributable mainly to capitalized development expenditures for system support.

### Goodwill

Goodwill is recognized as a non-current intangible asset with an indeterminate useful life at acquisition cost less accumulated impairment losses. Goodwill on December 31, 2017 was valued at a carrying amount of SEK 2,560m (2,600).

### 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 (%)	
	2017	2016	2017	2016	2017	2016
PostNord Sweden	1,056	1,056	0.8	0.5	10.2	10.3
PostNord Norway	902	950	2	1.6	8.8	8.9
PostNord Strålfors	439	436	-2	1	12	12.9
PostNord Finland	154	149	1.9	2	10.7	10.7
Other cash-generating units	9	9	-2-1.5	-2-2	10.4-12.4	10-12.2
<b>Total goodwill</b>	<b>2,560</b>	<b>2,600</b>				

## 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 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 8.8-12.4% (8.9-12.9%). In determining the discount rate, factors taken into account include type of business, where the business is located and risk and size premium.

**Fair value less selling costs**

The recovery value in 2016 for PostNord Denmark was calculated at fair value less selling costs, as this was considered to be higher than the value in use. PostNord Denmark is amidst a major gradual transformation of its business, but the rules laid down in IAS 36 do not allow a value in use to take account of the effects of future restructuring measures, which on the other hand is required in calculating fair value less selling costs.

During impairment testing for the 2016 year-end accounts, an impairment loss emerged in the PostNord Denmark cash-generating unit. As a result, goodwill was amortized in the amount of SEK 796m to zero and property, plant and equipment was written down by SEK 389m, regarding buildings, tenant modifications and sorting equipment.

**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 0.5%, the discount rate rose by 0.5 percent, or if the long-term rate of growth declined by 0.5 percent, compared to the discount rate of 7.3% after tax and the 2% rate of growth used for calculation of the value in use.

## Note 11 Property, plant and equipment

SEKm	Buildings and land		Machinery and equipment		Construction in progress and advance payments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Acquisition cost, opening balance</b>	<b>6,081</b>	<b>5,850</b>	<b>15,040</b>	<b>15,769</b>	<b>420</b>	<b>536</b>	<b>21,541</b>	<b>22,155</b>
Other acquisitions	129	103	734	826	95	72	958	1,001
Disposals/scrapping	-130	-114	-2,350	-1,883	-	-12	-2,480	-2,009
Reclassifications <sup>1)</sup>	11	13	3	-10	-	-191	14	-188
Translation differences	-13	229	56	338	1	15	44	582
<b>Accumulated acquisition cost at year-end</b>	<b>6,078</b>	<b>6,081</b>	<b>13,483</b>	<b>15,040</b>	<b>516</b>	<b>420</b>	<b>20,077</b>	<b>21,541</b>
<b>Depreciation, opening balance</b>	<b>-1,799</b>	<b>-1,637</b>	<b>-11,304</b>	<b>-11,795</b>	<b>-</b>	<b>-</b>	<b>-13,103</b>	<b>-13,432</b>
Depreciation for the year	-130	-132	-885	-1,075	-	-	-1,015	-1,207
Disposals/scrapping	76	29	2,321	1,790	-	-	2,397	1,819
Reclassifications <sup>1)</sup>	-12	22	1	32	-	-	-11	54
Translation differences	-8	-81	-58	-256	-	-	-66	-337
<b>Accumulated depreciation at year-end</b>	<b>-1,873</b>	<b>-1,799</b>	<b>-9,925</b>	<b>-11,304</b>	<b>-</b>	<b>-</b>	<b>-11,798</b>	<b>-13,103</b>
<b>Impairments, opening balance</b>	<b>-164</b>	<b>-16</b>	<b>-280</b>	<b>-43</b>	<b>-</b>	<b>-</b>	<b>-444</b>	<b>-59</b>
Impairment losses for the year <sup>2)</sup>	-5	-178	-1	-286	-	-	-6	-464
Disposals/scrapping	-	29	-	48	-	-	-	77
Reclassification <sup>1)</sup>	-	1	3	2	-	-	3	3
Translation differences	-4	-	-6	-1	-	-	-10	-1
<b>Accumulated impairments at year-end</b>	<b>-173</b>	<b>-164</b>	<b>-284</b>	<b>-280</b>	<b>-</b>	<b>-</b>	<b>-457</b>	<b>-444</b>
<b>Closing balance</b>	<b>4,032</b>	<b>4,118</b>	<b>3,274</b>	<b>3,456</b>	<b>516</b>	<b>420</b>	<b>7,822</b>	<b>7,994</b>

<sup>1)</sup> Reclassification to other intangible non-current assets SEK 0m (69) and assets held for sale SEK 6m (62).

<sup>2)</sup> The year's impairment losses of SEK 6m (464) consisted for the most part of an impairment loss relating to property in Denmark. Of impairment losses for the preceding year, SEK 389m arose in Denmark - SEK 157m in buildings and SEK 232m in machinery and equipment.

## Note 12 Leased machinery, equipment and property leases

### Operating leases

During the year, the Group paid lease charges of SEK 1,436m (1,384). Outstanding lease charges at the end of the period, at the exchange rates and interest rates prevailing for the Group, totaled SEK 5,492m (4,945). The minimum lease charges for operating leases fall due for payment as follows:

SEKm	Machinery and equipment		Premises	
	2017	2016	2017	2016
Within 1 year	140	72	1,172	1,172
Between one and five years	365	81	2,478	2,438
More than five years	2	-	1,335	1,181
<b>Total</b>	<b>507</b>	<b>153</b>	<b>4,985</b>	<b>4,791</b>

### Finance leases

The lease charges for financial leases contracted fall due for payment as follows:

SEKm	Minimum lease payments		Interest		Present value	
	2017	2016	2017	2016	2017	2016
Within 1 year	5	6	0	0	5	6
Between one and five years	3	6	0	0	3	6
<b>Total</b>	<b>8</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>12</b>

### Financial lease assets

Financial lease assets reported as property, plant, and equipment consist of:

SEKm	2017	2016
<b>Acquisition cost</b>		
Machinery and equipment	56	100
<b>Closing balance</b>	<b>56</b>	<b>100</b>
<b>Accumulated depreciation</b>		
Machinery and equipment	-45	-84
<b>Closing balance</b>	<b>-45</b>	<b>-84</b>
<b>Carrying amount</b>	<b>11</b>	<b>16</b>

Lease charges under financial leases amounted to SEK 10m (6).

Note 27, Financial risk management and financial instruments, specifies the maturities of the non-current liabilities relating to financial leases.

See also Note 25, Pledged assets and contingent liabilities.

## Note 13 Participations in associated companies and joint ventures

### Participations in associated companies

At the financial year-end, Post Danmark A/S owned shares in equity in the associated company e-Boks A/S valued at SEK 81m (68). The company e-Boks A/S has its registered office in Copenhagen, Denmark, and is owned 50%.

At the financial year-end, Post Danmark A/S owned shares in equity in the associated company eHUBnordic ApS, valued at SEK 0m (1). The company eHUBnordic ApS has its registered office in Copenhagen, Denmark, and is owned 25%.

### Participations in joint ventures

PostNord Strålfors AB owns 50% of the company Tand 2:103 Fastighets AB, in Östersund, Sweden. The value of the participation on consolidation at year-end was SEK 0m (0).

## Note 14 Financial investments

SEKm	Dec. 31, 2017	Dec. 31, 2016
<b>Financial investments treated as non-current assets</b>		
Endowment insurance	174	170
Other non-current investments	24	92
<b>Closing balance</b>	<b>198</b>	<b>262</b>
<b>Short-term investments treated as current assets</b>		
Other short-term investments	296	351
<b>Closing balance</b>	<b>296</b>	<b>351</b>

## Note 15 Non-current receivables

SEKm	Dec. 31, 2017	Dec. 31, 2016
Funded defined-benefit disability pension plans measured in accordance with IAS 19	1,002	790
Defined-benefit pension plans measured in accordance with IAS 19	144	410
Deposits, property leases	36	35
Other	104	66
<b>Total</b>	<b>1,285</b>	<b>1,301</b>

## Note 16 Deferred tax

SEKm	2017				2016			
	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
<b>Deferred tax assets</b>								
Other provisions	101	-30	-	71	376	-271	-4	101
Loss carry-forwards	12	-12	-	-	206	-192	-2 <sup>1)</sup>	12
Current assets	5	-5	-	-	2	3	-	5
Non-current intangible assets	-	30	-	30	-	-	-	-
Offset against liabilities	4		18	22	-99	-	104	4
<b>Total</b>	<b>122</b>	<b>-17</b>	<b>18</b>	<b>123</b>	<b>484</b>	<b>-460</b>	<b>98</b>	<b>122</b>
<i>Of which, outside Sweden</i>	<i>41</i>			<i>7</i>	<i>234</i>	<i>-</i>	<i>-</i>	<i>41</i>
<b>Deferred tax liability</b>								
Non-current intangible assets	-20	20	-	-	-16	-4	-	-20
Property, plant and equipment	-312	-15	12	-26	-274	-39	1 <sup>1)</sup>	-312
Current assets	-	-32	-	-32	-	-	-	-
Provision for pensions	-496	168	-47	-375	-669	85	88	-496
Offset against receivables	-4		-18	-22	99	-	-104	-4
<b>Total</b>	<b>-832</b>	<b>141</b>	<b>-53</b>	<b>-744</b>	<b>-861</b>	<b>42</b>	<b>-15</b>	<b>-832</b>
<i>Of which, outside Sweden</i>	<i>-145</i>			<i>-117</i>	<i>-76</i>	<i>-</i>	<i>-</i>	<i>-145</i>

<sup>1)</sup> Operation divested.

Receivables and liabilities in Sweden have been recognized at SEK 247m (255) net, while other receivables and liabilities have been recognized gross. Receivables outside Sweden have been recognized at SEK 7m (41) and liabilities at SEK 117m (145).

### Dates payment due, tax amounts

SEKm	Capitalized loss carry-forwards		Loss carry-forwards where deferred tax assets not recognized	
	2017	2016	2017	2016
Not due	0	12	331	266

Loss carry-forwards where deferred tax assets were not recognized totaled SEK 331m (266) 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 361m (255) have not been recognized.

## Note 17 Inventories

SEKm	Dec. 31, 2017	Dec. 31, 2016
Goods for resale etc.	51	52
Raw materials	37	48
<b>Closing balance</b>	<b>88</b>	<b>101</b>

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

Impairment losses on inventories totaled SEK 1m (4).

## Note 18 Prepaid expenses and accrued income

SEKm	Dec. 31, 2017	Dec. 31, 2016
Accrued postal charges	92	93
Accrued commission income	-	0
Prepaid rent	204	220
Prepaid insurance premiums	22	25
Prepaid salaries	117	127
Terminal fees	707	391
Derivatives	0	13
Other items	260	227
<b>Closing balance</b>	<b>1,402</b>	<b>1,096</b>

## Note 19 Cash and cash equivalents

SEKm	Dec. 31, 2017	Dec. 31, 2016
Cash and bank balances	1,611	1,036
Short-term investments treated as cash and cash equivalents	290	541
<b>Closing balance</b>	<b>1,901</b>	<b>1,577</b>

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.

## Note 20 Earnings per share

SEK	2017	2016
<b>Earnings per share</b>	<b>-0.17</b>	<b>-0.79</b>

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, 2017	Dec. 31, 2016
<b>Non-current interest-bearing liabilities</b>		
Liabilities to credit institutions	3,378	1,537
Finance leases	3	9
Other non-current liabilities	174	170
<b>Closing balance</b>	<b>3,556</b>	<b>1,716</b>
<b>Current interest-bearing liabilities</b>		
Liabilities to credit institutions	215	2,008
Bank overdraft facilities utilized	-	13
Finance leases	7	8
<b>Closing balance</b>	<b>222</b>	<b>2,029</b>

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 that are entitled 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). In 2016, following agreement with the principal parties, PostNord switched to PRI's calculation principles from Finansinspektionen's calculation principles for ITP-P defined-benefit pensions in accordance with the Swedish Pension Obligations Vesting Act. 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 pension plan in Norway is regulated under the Norwegian Company Pension Scheme Act, while in

### Note 22 (cont.)

France the pension plan is governed by collective agreement in the graphical sector.

The Group's pension obligation arises 100% (99.99) from pension benefits earned in its Swedish companies. The remaining portion arose from the Group's Norwegian and French (disposed of in 2016) operations.

Provisions for pensions and similar obligations, SEKm	2017	2016
Pension obligations, OB	20,829	19,843
Costs relating to service during current year <sup>1)</sup>	310	315
Interest expense <sup>2)</sup>	523	572
Occupational pensions	33	39
Payments of benefits	-1,115	-1,097
Actuarial gains (-) and losses (+) - change in financial assumptions <sup>3)</sup>	542	1,072
Actuarial gains (-) and losses (+) - change in demographic assumptions	294	0
Actuarial gains (-) and losses (+) - experience-based <sup>3)</sup>	-313	86
<b>Pension obligations, CB</b>	<b>21,103</b>	<b>20,829</b>
Provisions for pensions and similar obligations, SEKm (cont.)	2017	2016
Assets under management, fair value OB	20,921	20,407
Interest income	547	595
Contributions from employer	612	90
Credit	-1,710	-909
Payments of benefits	-76	-76
Actual return above (+) and below (-) interest income	726	814
<b>Assets under management, fair value CB</b>	<b>21,020</b>	<b>20,921</b>
Change in net assets or net debt		
Present value of defined-benefit obligations	21,103	20,829
Assets under management, fair value	-21,020	-20,920
<b>Net (asset -, liability +) at year-end excluding special payroll tax<sup>4)</sup></b>	<b>83</b>	<b>-91</b>
Work-related injuries	32	35
Special payroll tax	-130	-278
<b>Net (asset -, liability +) in Statement of changes in financial position including work-related injuries and effect of special payroll tax</b>	<b>-15</b>	<b>-334</b>

<sup>1)</sup> Costs of earned entitlement consist of SEK 288m (290) for funded plans and the remainder for unfunded plans

<sup>2)</sup> Of the interest expense, SEK 468m (509) is attributable to funded plans and the remainder to unfunded plans

<sup>3)</sup> Of actuarial gains and losses, SEK 500m (-989) is attributable to funded plans and the remainder to unfunded plans

<sup>4)</sup> 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	2017				2016			
	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 <sup>1)</sup>	-1,002	-	-	-1,002	-790	-	-	-790
Unfunded non-vested pensions <sup>2)</sup>	884	214	-	1,099	669	162	-	831
Work-related injuries <sup>2)</sup>	-	-	32	32	-	-	35	35
Funded pensions <sup>1)</sup>	-1,193	-289	-	-1,482	-1,519	-368	-	-1,887
Unfunded vested pensions <sup>1)</sup>	1,393	-56	-	1,337	1,549	-72	-	1,477
	<b>83</b>	<b>-130</b>	<b>32</b>	<b>-15</b>	<b>-91</b>	<b>-278</b>	<b>35</b>	<b>-334</b>

<sup>1)</sup> See Note 15 Non-current receivables.

<sup>2)</sup> See Note 23 Other provisions.

## Note 22 (cont.)

In the course of 2018, the Group anticipates paying benefits totaling SEK 983m (951) 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 results in an asset for the Group (see Non-current receivables). The Group judges that the value of the asset exceeds the present value of future repayments from the plan and has lowered future payments into the plan.

**Provision for non-vested pensions**

PostNord is liable for its Swedish subsidiaries' 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. A condition is that the employee had to have reached the age of 28 years by no later than January 1, 1992 and 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 2,066m (2,378) on December 31, 2017. In recent years, increased use of the transition regulations has emerged, and an experience-based adjustment of 15 percentage points has been made, indicating that on average 40% 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 973m (693), 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. This obligation was previously recognized as a contingent liability. At the time of transition to IAS 19, a provision was made for this obligation. On the basis of available information, this obligation was calculated at SEK 125m (138) on December 31, 2017. 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, 2017 was SEK 37m (35). 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.	2017	2016
Costs relating to service during current year	310	315
Interest expense (+) and interest income (-) <sup>1)</sup>	-23	-22
Occupational pensions	33	39
<b>Defined-benefit pension plans</b>	<b>320</b>	<b>332</b>
<b>Defined-contribution pension plans</b>	<b>832</b>	<b>943</b>
Other pension expenses	57	88
Recognized within net financial items	23	22
<b>Total pension expenses</b>	<b>1,232</b>	<b>1,385</b>

<sup>1)</sup> 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 are 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, 2017	Dec. 31, 2016	Dec. 31, 2015
Discount rate	2.40	2.60	3.00
Future annual pay rises	2.40	2.40	2.40
Change in income base amount	3.00	3.00	3.00
Inflation	1.50	1.50	1.50
Employee turnover	4.50	4.50	4.50
Lifetime obligation	FFFS 2007:31	FFFS 2007:31	FFFS 2007:31

The expenses for 2017 are based on the actuarial assumptions established at the beginning of the year. At the end of 2017, PostNord established assumptions that were applied to the calculation of the outcome as per December 31, 2017. These actuarial assumptions are also used in the forecast for expenses in 2018. 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-quality 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 1.5%. This reflects the view of the actors in the financial markets regarding inflation in the pricing of securities, that is, implicit inflation. A rate of 1.5% is assumed to reflect expectations of future inflation and is more mutually compatible with the reference interest rate from the housing bond market. 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. The latest analysis of mortality rates was conducted as part of the DUS 14 study. PostNord is not a service enterprise in that sense, but the demographics accord very closely with FFFS 2007:31. Against that background, no change is being made to mortality assumptions and PostNord will continue to apply 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 21,020m (20,921). The major share of the Group's assets under management are administered by Postens Pensionsstiftelse, SEK 19,250m (19,174). Other assets under management consist of assets in PostNords Försäkringsförening, SEK 1,734m (1,712) and pension insurance with Skandia SEK 37m (35). Real return on assets under management totalled SEK 1,273m (1,409), including interest income of SEK 547m (595).

The activities of Pensionsstiftelsen are governed by an investment policy subject to the approval 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.

## Note 22 (cont.)

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 determined across ranges of flexibility.

43% (39) of Pensionsstiftelsen's assets are traded in an active market. The asset allocation at Pensionsstiftelsen on December 31, 2017 was as follows: fixed-income and high-yield SEK 2,725m (2,934), cash and cash equivalents including forward contracts SEK 1,640m (1,420), unlisted assets SEK 9,357m (10,356m) and shares SEK 5,529m (4,458).

**Sensitivity analysis**

At year-end 2017, PostNord had funded pension commitments of SEK 18,826m (18,611) and assets under management of SEK 21,020m (20,921). In addition to funded commitments, a pension liability is provided for on the statement of financial position, divided into vested pension commitments of SEK 1,393m (1,549) and non-vested pension commitments of SEK 884m (669). 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 40% of the total obligation is made under these provisions - an increase in 2017 from 25% - 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.

Sensitivity analysis, 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
<b>Actuarial assumptions</b>						
Change in discount rate and anticipated return on assets under management	+0.1% point	6	8	-276	-	-216
	-0.1% point	-6	-7	283	-	220
Change in actual return on assets under management	+0.1% point	0	1	-	-21	-16
	-0.1% point	0	-1	-	21	16
Change in pay	+0.5% point	-19	-6	266	-	207
	-0.5% point	19	6	-253	-	-198
Change in income base amount	+0.5% point	6	2	-66	-	-52
	-0.5% point	-7	-2	78	-	61
Change in inflation	+0.5% point	-19	-30	1,271	-	991
	-0.5% point	19	28	-1,167	-	-911
Life expectancy, years	+1 year	-10	-19	793	-	618
	-1 year	10	19	-786	-	-613
<b>Take-up rate, rights under interim provisions</b>						
Change in take-up rate, rights under interim provisions	+5.0% point	-3	-4	157	-	122
	-5.0% point	3	4	-156	-	-122

## Note 23 Other provisions

2017 Jan-Dec, SEKm	Opening balance	Provisions	Reversals	Utilizations	Impact of translation	Closing balance
<b>Restructuring measures</b>						
Provision for personnel and other cutbacks	1,048	673	-92	-528	26	1,127
<b>Non-vested pension commitments</b>						
Special payroll tax	162	8	-	-55	99	214
Non-vested pension commitments	669	33	-	-226	408	884
<b>Other</b>						
Work-related injuries	35	1	-	-4		32
Provision for anniversary bonus	72		-	-17	3	58
<b>Total</b>	<b>1,986</b>	<b>715</b>	<b>-92</b>	<b>-830</b>	<b>536</b>	<b>2,316</b>
<i>of which current</i>	<i>597</i>					<i>592</i>
<i>of which non-current</i>	<i>1,389</i>					<i>1,724</i>

Anticipated payments, SEKm	1 year	2 years	3 years	> 3 years
Provision for restructuring measures	587	218	227	95
Provisions for non-vested pensions <sup>1), 2)</sup>	243	129	121	280
Work-related injuries <sup>2)</sup>	5	4	4	26
Provision for anniversary bonus	5	6	6	41
<b>Total</b>	<b>840</b>	<b>357</b>	<b>358</b>	<b>442</b>

<sup>1)</sup> Anticipated payments for non-vested pensions (excl. special payroll tax) have been calculated in accordance with IAS 19.

Non-vested pension commitments and provisions for work-related injuries are recognized in their entirety as non-current provisions.

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

2016 Jan-Dec, SEKm	Opening balance	Provisions	Reversals	Utilizations	Impact of translation	Closing balance
<b>Restructuring measures</b>						
Provision for personnel and other cutbacks	1,310	274	-31	-556	51	1,048
<b>Non-vested pension commitments</b>						
Special payroll tax	173	9	-	-44	24	162
Non-vested pension commitments	712	39	-	-180	98	669
<b>Other</b>						
Work-related injuries	39	1	-	-5	-	35
Provision for anniversary bonus	127	-	-	-61	6	72
<b>Total</b>	<b>2,361</b>	<b>323</b>	<b>-31</b>	<b>-846</b>	<b>179</b>	<b>1,986</b>
<i>of which current</i>	<i>649</i>					<i>597</i>
<i>of which non-current</i>	<i>1,712</i>					<i>1,389</i>

## Note 23 (cont.)

**Provisions for restructuring measures**

Provisions for restructuring measures related for the most part to personnel reductions in Denmark for employees with special employment conditions in connection with the transition to the new production model. Since formalization of the transformation plan is in progress, full provision for introduction of the new production model in Denmark or the continued efficiency improvements in administration was not recognized 2017. 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.

During 2017, provisions and reversals for restructuring with an impact on personnel expenses amounted to SEK 515m (146). Provisions and reversals for restructuring with an impact on other expenses amounted to SEK 66m (97). The impact of provisions for non-vested pension commitments and provision for anniversary bonus is recognized in personnel expenses.

The utilization for restructuring costs amounted to SEK 528m (556). The effect of discounting is recognized among financial items in the income statement. Translation differences arising from currency conversion of provisions in currency other than SEK 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 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, 2017	Dec. 31, 2016
Provision for stamps sold but not used	418	337
Accrued payroll expenses	472	503
Holiday pay liability	1,273	1,429
Special payroll tax pension expenses	1	257
Social insurance costs	318	344
Terminal fees	317	38
Derivatives	5	7
Other items	703	769
<b>Closing balance</b>	<b>3,507</b>	<b>3,684</b>

## Note 25 Pledged assets and contingent liabilities

SEKm	Dec. 31, 2017	Dec. 31, 2016
<b>Pledged assets for own liabilities</b>		
Real estate mortgages <sup>1)</sup>	471	500
Pledged assets <sup>2)</sup>	223	220
<b>Total</b>	<b>694</b>	<b>720</b>
<b>Contingent liabilities</b>		
Guarantees, PRI	93	99
Guarantees, other	11	33
<b>Total</b>	<b>104</b>	<b>132</b>

<sup>1)</sup> Collateral for part of Non-current interest-bearing liabilities.

<sup>2)</sup> 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, 2017, the Group had contracted to purchase property, plant and equipment. The investments totaled SEK 419m (274) in value and consisted primarily of transportation and sorting equipment and vehicles. It is expected that most obligations will be settled in late 2018 and early 2019.

## 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. The Group's management of financial risk is intended to help the Group achieve its goals and realize its 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 and market risk in asset management.

### 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 pre-defined risk limits. The Group's policy is to coordinate financing in the main via the Group's Parent Company.

### 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 is an unutilized confirmed revolving overdraft facility of SEK 2,000m (2,000) which runs until 2020, with an option to extend the facility until 2021. During the year, MTN loans of SEK 2,000m and loans of SEK 37m from credit institutions were repaid and refinanced via new loan financing of SEK 2,000m from credit institutions. In addition, commercial paper was issued in an amount totaling SEK 75m on December 31, 2017.

Liquidity preparedness SEKm	Dec. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	1,901	1,577
Short-term liquid investments	296	351
Unutilized long-term confirmed credit facilities	2,000	3,000
Short-term unconfirmed interest-bearing liabilities, excl. leasing	-215	-2,021
<b>Net liquidity preparedness</b>	<b>3,982</b>	<b>2,907</b>

#### 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 granting advance payments to suppliers and in the 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.

Age breakdown for trade receivables SEKm	Dec. 31, 2017	Dec. 31, 2016
Trade receivables not due	4,069	4,029
<b>Due but not impaired:</b>		
1-30 days	571	448
31-90 days	139	112
>90 days	87	88
<b>Total</b>	<b>4,866</b>	<b>4,677</b>
Provision for bad debts	-33	-51
<b>Total</b>	<b>4,833</b>	<b>4,627</b>

Trade receivables are recognized after taking account of confirmed impairment losses totaling SEK 17m (24).

#### Currency risk

The Group operates businesses in several geographical markets and conducts transactions in several foreign currencies, which creates risk in connection with exchange rate fluctuations. 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. The Group's policy is to limit electricity price risk and to strive for an attractive cost for electricity supply.

#### 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. The Group's policy is to limit transaction exposure in order to reduce the effect of exchange rate fluctuations.

#### 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 Currency in SEKm	2017			2016		
	Position	Hedged	Net position	Position	Hedged	Net position
DKK	30	0	30	809	-675	134
EUR	-511	462	-49	-158	39	-119
NOK	0	0	0	-40	42	2
Other currencies	74	-22	52	86	-51	35
<b>Total</b>	<b>-407</b>	<b>440</b>	<b>33</b>	<b>697</b>	<b>-645</b>	<b>52</b>

## Note 27 (cont.)

## Translation exposure

Translation exposure is defined as the value of equity in foreign Group companies and arises within the Group in relation to the functional currency of the Parent Company. The Group's policy is that translation exposure is a strategic risk. 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	2017			2016		
	SEKm	%	+/-1%	SEKm	%	+/-1%
DKK	513	12	5	-20	-1	0
EUR	1,221	28	12	426	12	4
NOK	2,521	57	25	2,994	85	30
Other currencies	169	4	2	132	4	1
<b>Total</b>	<b>4,424</b>	<b>100</b>	<b>44</b>	<b>3,531</b>	<b>100</b>	<b>35</b>

## 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 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

Interest rate risk	Change in market interest rates	2017	2016
		Impact on income, SEKm	Impact on income, SEKm
Interest rate risk	Cash and cash equivalents +/- 1% point	21	17
	Loans, +/- % point	30	30

Contractual maturities of financial liabilities, Dec. 31, 2017, SEKm	Nominal amount	within 0-1 years	within 1-2 years	within 2-3 years	within 3-4 years	within 4-5 years	Later
Bond loans	950	-	950	-	-	-	-
Liabilities to credit institutions	2,571	140	2,000	-	-	-	431
Commercial paper	75	75	-	-	-	-	-
Finance lease liabilities	11	8	2	1	-	-	-
<b>Total interest-bearing liabilities</b>	<b>3,607</b>	<b>223</b>	<b>2,952</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>431</b>
Interest payments		28	20	2	2	2	9
Interest swaps							
- Liabilities		2	-	-	-	-	-
- Receivables		-	-	-	-	-	-
<b>Total forecast interest payments</b>		<b>30</b>	<b>20</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>9</b>
<b>Total, net</b>		<b>253</b>	<b>2,972</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>440</b>

Contractual maturities of financial liabilities, Dec. 31, 2016, SEKm	Nominal amount	within 0-1 years	within 1-2 years	within 2-3 years	within 3-4 years	within 4-5 years	Later
Bond loans	2,950	2,000	-	950	-	-	-
Liabilities to credit institutions	608	21	100	-	-	-	487
Finance lease liabilities	17	8	5	2	1	1	-
<b>Total interest-bearing liabilities</b>	<b>3,575</b>	<b>2,029</b>	<b>105</b>	<b>952</b>	<b>1</b>	<b>1</b>	<b>487</b>
Interest payments		46	9	7	4	4	22
Interest swaps							
- Liabilities		4	2	-	-	-	-
- Receivables		1	-	-	-	-	-
<b>Total forecast interest payments</b>		<b>51</b>	<b>11</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>22</b>
<b>Total, net</b>		<b>2,080</b>	<b>116</b>	<b>959</b>	<b>5</b>	<b>5</b>	<b>509</b>

## 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, 2017					
	Financial assets at fair value via income <sup>1</sup>	Loan and trade receivables measured at amortized cost	Financial liabilities at fair value via income <sup>1</sup>	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	181	17	-	-	198	198
Derivatives	0	-	-	-	0	0
Trade receivables	-	4,833	-	-	4,833	4,833
Terminal fees <sup>2</sup>	-	707	-	-	707	707
Short-term investments	-	296	-	-	296	296
Cash and cash equivalents	-	1,901	-	-	1,901	1,901
Non-current interest-bearing liabilities, credit institutions	-	-	-	-3,378	-3,378	-3,478
Non-current interest-bearing liabilities, other	-	-	-174	-	-174	-174
Non-current interest-bearing liabilities, leasing	-	-	-	-3	-3	-3
Current interest-bearing liabilities	-	-	-	-222	-222	-222
Trade payables	-	-	-	-2,434	-2,434	-2,434
Other current liabilities	-	-	-	-1,457	-1,457	-1,457
Derivatives	-	-	-5	-	-5	-5
Terminal fees	-	-	-	-317	-317	-317
<b>Total financial assets and liabilities by category</b>	<b>181</b>	<b>7,754</b>	<b>-179</b>	<b>-7,811</b>	<b>-55</b>	<b>-155</b>

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2016					
	Financial assets at fair value via income <sup>1)</sup>	Loan and trade receivables measured at amortized cost	Financial liabilities at fair value via income <sup>1)</sup>	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	262	-	-	-	262	262
Derivatives	13	-	-	-	13	13
Trade receivables	-	4,627	-	-	4,627	4,627
Terminal fees <sup>2)</sup>	-	391	-	-	391	391
Short-term investments	-	351	-	-	351	351
Cash and cash equivalents	-	1,577	-	-	1,577	1,577
Non-current interest-bearing liabilities, credit institutions	-	-	-	-1,537	-1,537	-1,552
Non-current interest-bearing liabilities, other	-	-	-170	-	-170	-170
Non-current interest-bearing liabilities, leasing	-	-	-	-9	-9	-9
Current interest-bearing liabilities	-	-	-	-2,029	-2,029	-2,059
Trade payables	-	-	-	-2,434	-2,434	-2,434
Other current liabilities	-	-	-	-1,631	-1,631	-1,631
Derivatives	-	-	-7	-	-7	-7
Terminal fees	-	-	-	-349	-349	-349
<b>Total financial assets and liabilities by category</b>	<b>275</b>	<b>6,946</b>	<b>-177</b>	<b>-7,989</b>	<b>-945</b>	<b>-990</b>

<sup>1)</sup> Financial assets and liabilities measured at fair value via income using the Fair value option. Derivatives are classified as held for trading and recognized at fair value via income, other than when they are used for hedge accounting.

<sup>2)</sup> Terminal fees are recognised in other receivables.

### Recognition and fair value measurement of financial instruments

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

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 <sup>1</sup>	Level 2, Dec. 31, 2017	Level 2, Dec. 31, 2016
<b>Financial assets</b>		
Endowment insurance	174	170
Currency derivatives	0	13
Commercial paper	296	351
<b>Total financial assets</b>	<b>470</b>	<b>534</b>
<b>Financial liabilities</b>		
Currency derivatives	3	0
Interest rate derivatives	2	7
<b>Total financial liabilities</b>	<b>5</b>	<b>7</b>

## 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, associated companies and joint ventures, 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 17m (17) to the Swedish Post and Telecom Authority (PTS) during the period. In addition, PostNord paid PTS SEK 5m (8) for handling of undeliverable mail.

PostNord received SEK 22m (24) from PTS in remuneration under agreements on the procurement of postal services for the disabled.

In 2017, the Swedish Transport Administration (STA) repaid the advance of SEK 95m paid by PostNord Group AB to bring forward the construction of rail facilities for the Rosersberg Mail Terminal. No interest or compensation for increased costs for the period between lending and repayment was paid by STA. In connection with the original transaction, an agreement on acquisition of land (share-based) was entered into with a real estate company, in which interest rate compensation for the advance payment was paid. The balance of the interest compensation that remained at repayment has been recognized in income for the year.

### The Danish State

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 2m (5) were recognized in 2017.

During the period, Post Danmark A/S paid pension premiums to the Danish State in the amount of SEK 114m (129) on behalf of the group of salaried employees who were employed before corporatization.

### 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 employee sickness and family pension under the ITP-P scheme. During the period, the Group's Swedish companies received benefits totaling SEK 14m (15) and paid premiums totaling SEK 124m (114).

Postens Pensionsstiftelse (the Posten Pension Fund) secures pension obligations for PostNord Group AB and PostNord Sverige AB. These companies capitalize new pension obligations at Pensionsstiftelse and are credited with pensions paid out. During 2017, a total of SEK 523m (0) was capitalized and SEK 1,710m (909) was credited.

### 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 2017 and 2016.

## Note 29 Supplementary disclosures, Statement of cash flows

SEKm	2017	2016
<b>Interest payments</b>		
Interest received	37	23
Interest paid	151	118
<b>Adjustments for non-cash items</b>		
Amortization of non-current assets	1,299	1,551
Impairment losses, property, plant and equipment	6	464
Impairment losses, non-current intangible assets	11	805
Impairment losses, other assets	-	190
Capital gain/loss on assets	62	16
Change in pension liability	774	384
- of which credit from Postens Pensionsstiftelse	1,710	909
- of which capitalization to Postens Pensionsstiftelse	-523	-
- of which pensions paid	-1,034	-1,021
- of which, premium paid to PostNords Försäkringsförening	-124	-90
Other provisions	-219	-490
<b>Total</b>	<b>1,933</b>	<b>2,920</b>

### Reconciliation of liabilities arising from financing activities

2017 Jan-Dec, SEKm	Opening balance	Net cash flows	Closing balance
Non-current interest-bearing liabilities	1,707	1,846	3,553
Long-term lease liabilities	9	-6	3
Current interest-bearing liabilities	2,021	-1,807	215
Current lease liabilities	8	-1	7
<b>Total</b>	<b>3,745</b>	<b>33</b>	<b>3,778</b>

## Note 30 Acquisitions and disposals

Effect of acquisitions and disposals on assets and liabilities, SEKm	2017		2016	
	Acquisitions	Divested	Acquisitions	Divested
Goodwill	-	-	14	-
Non-current intangible assets	-	-	2	-
Property, plant and equipment	-	-	-	-54
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>-54</b>
Current assets	-	-	-	-185
<b>TOTAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>-239</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85</b>
<b>NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>-154</b>
Purchase consideration paid/received	-	-	-16	56
Less: Seller's bond	-	-	2	-
Cash and cash equivalents acquired/disposed of	-	-	-	-101
<b>Net effect on cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-14</b>	<b>-45</b>

No acquisitions or disposals took place during 2017.

2016 Jan-Dec, SEKm	Goodwill	Intangible assets	Property, plant and equipment	Current assets	Liabilities	Net assets
<b>Acquired</b>						
G.P Spedition Aps (assets and liabilities)	14	2	-	-	-	16
<b>Total acquired</b>	<b>14</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>
<b>Divested</b>						
Fastighets AB Skogskojan 1	-	-	-54	-1	1	-54
Stralfors SAS, Stralfors plc, Stralfors Sp.zO.o	-	-	-	-184	84	-100
<b>Total divested</b>	<b>-</b>	<b>-</b>	<b>-54</b>	<b>-185</b>	<b>85</b>	<b>-154</b>

## 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.

#### Items affecting comparability

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

Ongoing restructuring 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	2017	2016
Interest-bearing liabilities, current	222	2,029
Interest-bearing liabilities, long-term	3,556	1,716
Financial investments	-198	-262
Non-current receivables <sup>1)</sup>	-1,145	-1,201
Short-term investments	-296	-351
Cash and cash equivalents	-1,901	-1,577
<b>Net debt</b>	<b>238</b>	<b>354</b>

<sup>1)</sup> This amount is the portion of non-current receivables that is attributable to funded defined-benefit disability pension plans and defined-benefit pension plans measured in accordance with IAS 19.

#### 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

*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 in relation to the average number of shares outstanding.

# Parent Company

## Income statement

SEKm	Note	2017	2016
	1, 2, 7		
Other operating income		16	16
<b>Operating income</b>		<b>16</b>	<b>16</b>
Personnel expenses	3	-30	-29
Other expenses	4	-12	-6
<b>Operating expenses</b>		<b>-42</b>	<b>-35</b>
<b>TOTAL OPERATING INCOME</b>		<b>-26</b>	<b>-19</b>
Interest income and similar income items	5	-	2
Interest expenses and similar items	5	-65	-109
<b>Financial items</b>		<b>-65</b>	<b>-107</b>
<b>Income after financial items</b>		<b>-91</b>	<b>-126</b>
Group contributions paid		-	-41
Group contributions received		90	170
<b>Appropriations</b>		<b>90</b>	<b>129</b>
<b>Income before tax</b>		<b>-1</b>	<b>3</b>
Tax		-3	-
<b>NET INCOME</b>		<b>-4</b>	<b>3</b>

## Statement of comprehensive income

SEKm	2017	2016
Net income for the period	-4	3
Other comprehensive income for the period	-	-
<b>COMPREHENSIVE INCOME</b>	<b>-4</b>	<b>3</b>

## Balance sheet

SEKm	Note	Dec. 31, 2017	Dec. 31, 2016
	1, 2		
<b>ASSETS</b>			
Participations in Group companies	6	11,676	11,676
Interest-bearing receivables	9	23	19
<b>Total non-current assets</b>		<b>11,699</b>	<b>11,695</b>
Interest-bearing receivables from Group companies	9	7,133	8,059
Other receivables		2	-
Other receivables from Group companies		90	172
Prepaid expenses and accrued income		5	5
<b>Total current assets</b>		<b>7,230</b>	<b>8,236</b>
<b>TOTAL ASSETS</b>		<b>18,928</b>	<b>19,931</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Restricted equity</b>			
Capital stock	7	2,000	2,000
Share premium reserve		10,141	10,141
<b>Non-restricted equity</b>			
Retained earnings		3,627	3,624
Net income for the period		-4	3
<b>TOTAL EQUITY</b>		<b>15,764</b>	<b>15,768</b>
<b>LIABILITIES</b>			
Interest-bearing liabilities	9	2,973	1,069
Interest-bearing liabilities to Group companies	9	-	1,030
Other non-current liabilities		5	4
<b>Total non-current liabilities</b>		<b>2,978</b>	<b>2,103</b>
Current interest-bearing liabilities	9	175	1,999
Other current liabilities	9	6	44
Accrued expenses and deferred income	9	5	17
<b>Total current liabilities</b>		<b>186</b>	<b>2,060</b>
<b>TOTAL LIABILITIES</b>		<b>3,164</b>	<b>4,163</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,928</b>	<b>19,931</b>

## Statement of cash flows

SEKm	Note	2017	2016
	10		
<b>OPERATING ACTIVITIES</b>			
Income before tax		-1	3
Appropriations		-90	-129
Adjustments for non-cash items		19	57
Taxes		-3	-
<b>Cash flows from operating activities before changes in working capital</b>		<b>-75</b>	<b>-69</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in operating receivables		0	-1
Increase (+)/decrease (-) in operating liabilities		-7	-6
<b>Changes in working capital</b>		<b>-7</b>	<b>-7</b>
<b>Cash flow from operating activities</b>		<b>-82</b>	<b>-76</b>
<b>INVESTING ACTIVITIES</b>			
Changes in Group receivables		922	142
<b>Cash flows from investing activities</b>		<b>922</b>	<b>142</b>
<b>FINANCING ACTIVITIES</b>			
Amortization of loans		-3,495	-100
New loans		2,525	-
Group contributions received		171	34
Group contributions paid		-41	-
<b>Cash flows from financing activities</b>		<b>-840</b>	<b>-66</b>
<b>CASH FLOWS FOR THE PERIOD</b>		<b>0</b>	<b>0</b>
Cash and cash equivalents at start of year		-	-
Cash and cash equivalents at year-end		-	-

## Consolidated statement of changes in equity

SEKm	Restricted equity		Non-restricted equity		Total
	Capital stock	Share premium reserve	Retained earnings incl. net income for year		
Shareholders' equity, opening balance Jan. 1, 2016	2,000	10,141	3,623		15,764
Comprehensive income for the period	-	-	3		3
<b>Shareholders' equity, closing balance Dec. 31, 2016</b>	<b>2,000</b>	<b>10,141</b>	<b>3,627</b>		<b>15,768</b>
Shareholders' equity, opening balance Jan. 1, 2017	2,000	10,141	3,627		15,768
Comprehensive income for the period	-	-	-4		-4
<b>Shareholders' equity, closing balance Dec. 31, 2017</b>	<b>2,000</b>	<b>10,141</b>	<b>3,623</b>		<b>15,764</b>

# 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 accounting principles are unchanged from those in the 2016 annual report.

### Changes in accounting principles arising from new or amended IFRS

A number of new or amended IFRSs 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, with the exception of IFRS 16, which will only be applied at Group level.

### 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 company 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 guarantees 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. In reporting financial guarantee agreements, the Parent Company applies RFR 2, a lighter regime than IAS 39 regarding financial guarantee agreements issued on behalf of subsidiaries, associated companies and joint ventures. The Parent Company recognizes financial guarantee agreements 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	2017	2016
Salaries and other remuneration	18	18
Statutory social insurance costs	7	7
Pension expenses	5	4
<b>Total</b>	<b>30</b>	<b>29</b>

The Parent Company has three employees, the President/CEO, the Group CFO and the Group Head of Strategy. The President/Group CEO Håkan Ericsson is paid a salary SEK 760t (760) per month. On his behalf, the Parent Company pays for a retirement pension insurance policy in the amount of SEK 37t (37) per month, and an endowment insurance policy in the amount of SEK 189t (186) to secure the pension obligation.

## Note 4 Fees and reimbursement of expenses to auditors

SEKm	2017	2016
<b>Auditing assignments</b>		
KPMG	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

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	2017	2016
Interest income from Group companies	-	2
Currency earnings	-	-
<b>Total</b>	<b>-</b>	<b>2</b>
Interest expense from Group companies	-	-10
Interest expenses	-45	-49
Currency earnings	-10	-42
Other financial expenses	-10	-8
<b>Total</b>	<b>-65</b>	<b>-109</b>

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	2017	2016
<b>Acquisition value</b>		
At start of year	11,676	11,676
<b>Closing balance</b>	<b>11,676</b>	<b>11,676</b>

Shares held directly and indirectly by Parent Company PostNord AB, SEKm	Corporate registration number	Registered office	Country	Share of equity, %		No. of shares	Carrying amount in Parent Company Dec. 31, 2017
				Direct	Indirect		
<b>PostNord Group AB</b>	<b>556128-6559</b>	<b>Solna</b>	<b>Sweden</b>	<b>100</b>		<b>600,000</b>	<b>11,676</b>
PostNord Sverige AB	556711-5695	Solna	Sweden		100	1,000	
Nils Hansson Logistics AB	556147-4254	Ljungbyhed	Sweden		100	2,500	
Tidningstjänst AB	556039-7480	Stockholm	Sweden		100	7,500	
Posten Leasing AB	556341-0009	Stockholm	Sweden		100	5,000	
Fastighets AB Penelope	556517-0544	Stockholm	Sweden		100	100	
Nässjöterminalen Kommanditbolag	916629-7458	Solna	Sweden		100	-	
Rosersberg Brevterminal AB	556819-9862	Stockholm	Sweden		100	1,000	
Hallsberg Brevterminal AB	556848-8133	Stockholm	Sweden		100	500	
KB Sveterm	916631-9492	Stockholm	Sweden		100	-	
Kardinalmärket 1 AB	556875-8899	Stockholm	Sweden		100	50,000	
Fast AB Rosersberg 11:126	556743-9574	Stockholm	Sweden		100	1,000	
PostNord Strålfors Group AB	556062-0618	Malmö	Sweden		100	21,381,288	
PostNord Strålfors AB	556102-9843	Ljungby	Sweden		100	50,000	
Tand 2:103 Fastighets AB	556594-3650	Östersund	Sweden		50	2,000	
PostNord Strålfors A/S	10068657	Brøndby	Denmark		100	200,000	
PostNord Strålfors Oy	0115061-7	Vantaa	Finland		100	2,100	
PostNord Strålfors AS	944997431	Oslo	Norway		100	870	
PostNordbolagen AB	556158-7006	Ljungby	Sweden		100	1,000	
Swedish Adressändring AB	556476-3562	Stockholm	Sweden		85	850	
AddressPoint AB	556587-5597	Stockholm	Sweden		85	1,700	
Direct Link Worldwide Ltd.	2911080	Middlesex	Great Britain		100	110,000	
Direct Link Worldwide Distribution Pte Ltd	199700772	Singapore	Singapore		100	700,000	
Direct Link Worldwide Pty Ltd	95493459	Sydney	Australia		100	1	
Direct Link Worldwide Company Ltd	199700772	Hong Kong	China		100	1	
Direct Link Worldwide Inc.	112-797-736/000	New Jersey	USA		100	100	
Direct Link Worldwide GmbH	217864281	Mörfelden-Walldorf	Germany		100	150	
PostNord Logistics GmbH	HRB8888HL	Lübeck	Germany		100	1	

## Note 6 (cont.)

Shares held directly and indirectly by Parent Company PostNord AB, SEKm	Corporate registration number	Registered office	Country	Share of equity, %		No. of shares	Carrying amount in Parent Company Dec. 31, 2017
				Direct	Indirect		
PostNord AS	984054564	Oslo	Norway		100	117,570	
PostNord Terminal Trondheim AS	992079797	Oslo	Norway		100	406,220	
PostNord Terminal Langhus AS	990427321	Oslo	Norway		100	200,000	
PostNord Oy	1056251-7	Vanda	Finland		100	5,817	
PostNord OY Eesti filiaal	11472268	Harju	Estonia		100	-	
PostNord Logistics A/S	20148586	Copenhagen	Denmark		100	500,001	
PostNord Logistics TPL AB	556161-7191	Haninge	Sweden		100	50,000	
PostNord Logistics TPL A/S	26115396	Brøndby	Denmark		100	100	
PostNord Fulfilment Sp.zO.o	5272719788	Warsaw	Poland		100	100	
PostNord Logistics Thermo AB	556454-1737	Östersund	Sweden		100	8,000	
Post Danmark A/S	26663903	Copenhagen	Denmark		100	25,000,000	
Post Fleet Management A/S	79203114	Hvidovre	Denmark		100	400	
e-Boks A/S	25674154	Ballerup	Denmark		50	6,000,000	
Distribution Services A/S	56448810	Copenhagen	Denmark		100	30	
eHUBnordic ApS	36959517	Copenhagen	Denmark		25	-	
<b>Total holdings in Group companies</b>							<b>11,676</b>

## Note 7 Capital stock and appropriation of Company's net income

Classes of share, number	2017	2016
Ordinary shares	1,524,905,971	1,524,905,971
Class B shares	475,094,030	475,094,030
<b>Total</b>	<b>2,000,000,001</b>	<b>2,000,000,001</b>

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 the unappropriated net income be distributed as follows:

	2017	2016
To be carried forward, SEK	3,623,073,736	3,627,095,479
<b>Total</b>	<b>3,623,073,736</b>	<b>3,627,095,479</b>

## Note 8 Pledged assets and contingent liabilities

SEKm	2017	2016
<b>Pledged assets for own liabilities</b>		
Pledged assets	23	19
<b>Total</b>	<b>23</b>	<b>19</b>
<b>Contingent liabilities</b>		
Guarantees, PRI	133	137
Guarantees, other	-	2
Guarantees on behalf of subsidiaries	735	917
<b>Total</b>	<b>868</b>	<b>1,056</b>

## Note 9 Financial instruments

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2017					
	Financial assets measured at fair value via income	Loan and trade receivables measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	23	-	-	-	23	23
Interest-bearing receivables, Group companies	-	7,133	-	-	7,133	7,133
Other receivables, Group companies	-	90	-	-	90	90
Non-current interest-bearing liabilities, Credit institutions	-	-	-	-2,950	-2,950	-2,959
Non-current interest-bearing liabilities, Other	-	-	-23	-	-23	-23
Non-current interest-bearing liabilities, Group companies	-	-	-	-	0	0
Current interest-bearing liabilities	-	-	-	-175	-175	-175
Trade payables	-	-	-	-6	-6	-6
Other current liabilities	-	-	-	-6	-6	-6
Derivatives	-	-	-5	-	-5	-7
<b>Total financial assets and liabilities by category</b>	<b>23</b>	<b>7,223</b>	<b>-28</b>	<b>-3,137</b>	<b>4,081</b>	<b>4,070</b>

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2016					
	Financial assets measured at fair value via income	Loan and trade receivables measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	19	-	-	-	19	19
Interest-bearing receivables, Group companies	-	8,059	-	-	8,059	8,059
Other receivables, Group companies	-	172	-	-	172	172
Non-current interest-bearing liabilities, Credit institutions	-	-	-	-1,050	-1,050	-1,055
Non-current interest-bearing liabilities, Other	-	-	-19	-	-19	-19
Non-current interest-bearing liabilities, Group companies	-	-	-	-1,030	-1,030	-1,030
Current interest-bearing liabilities	-	-	-	-1,999	-1,999	-2,029
Trade payables	-	-	-	-1	-1	-1
Other current liabilities	-	-	-	-43	-43	-43
Derivatives	-	-	-7	-	-7	-7
<b>Total financial assets and liabilities by category</b>	<b>19</b>	<b>8,231</b>	<b>-26</b>	<b>-4,123</b>	<b>4,101</b>	<b>4,066</b>

## Note 10 Supplementary disclosures to Statement of cash flows

SEKm	2017	2016
<b>Interest payments</b>		
Interest received	0	2
Interest paid	69	75

### Reconciliation of liabilities arising from financing activities

2017 Jan-Dec, SEKm	Opening balance	Net cash flows	Non-cash items		Closing balance
			Impact of changes in exchange rates	Change in accrual-based costs	
Non-current interest-bearing liabilities	2,099	854	16	4	2,973
Current interest-bearing liabilities	1,999	-1,824	-	-	175
<b>Total change in liabilities arising from financing activities</b>	<b>4,098</b>	<b>-970</b>	<b>16</b>	<b>4</b>	<b>3,148</b>

# 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 21, 2018.

Solna, February 21, 2018

**Jens Moberg**

*Chair of the Board*

**Mats Abrahamsson**

*Director*

**Måns Carlsson**

*Director*

**Gunnel Duveblad**

*Director*

**Christian Ellegaard**

*Director*

**Jesper Lok**

*Director*

**Peder Lundquist**

*Director*

**Anitra Steen**

*Director*

**Bo Fröström**

*Employee representative*

**Johan Lindholm**

*Employee representative*

**Sandra Svensk**

*Employee representative*

**Håkan Ericsson**

*President and Group CEO*

Our Auditor's Report was presented on February 22, 2018

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 accounts and consolidated accounts

### *Opinions*

We have audited the annual accounts and consolidated accounts of PostNord AB for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 6-12, 18-79 and the section on environmentally licensed operations on page 89 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, 2017 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, 2017 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 5.1 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

See note 2 and 10 and accounting principles on page 50 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, 2017 amounted to SEK 2,560 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.

#### *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 presented in the annual accounts and the consolidated accounts.

### Valuation of defined benefit obligations and plan assets

See note 2 and 22 and accounting principles on page 51 in the annual account and consolidated accounts for detailed information and description of the matter.

#### *Description of key audit matter*

The group had defined benefit obligations of SEK 21,103 million at December 31, 2017, that primarily are funded but to a lesser extent also unfunded. The fair value of the plan assets amounted to SEK 21,020 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 actuaries.

Specifically, we have evaluated the estimates of the 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 presented 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 1-6, 13-17 and 84-91. 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 Director*

The Board of Directors and the Chief Executive Director 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 Director 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 Director 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 Director 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 Director.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Director'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 Director of PostNord AB for the year 2017 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 Director 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 the Chief Executive Director*

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 Director 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 Director 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 27, 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Stockholm, February 22, 2018  
KPMG AB

**Tomas Gerhardsson**

*Authorized Public Accountant*

# Sustainability information

## Principles and delimitations

Sustainability reporting follows the Global Reporting Initiative's (GRI) "G4 Sustainability Reporting Guidelines", "Core". The reporting covers all of PostNord's operations unless otherwise stated below. As of 2017, GP Spedition AS is included in the environmental data. Figures for earlier years have been adjusted.

### Environment

PostNord follows the Greenhouse Gas Protocol when calculating emissions and the target for reduced climate impact has been assessed with reference to Science Based Targets. The environmental data includes PostNord's Nordic operations. The operations of Direct Link are not included in the calculations. Svensk Adressändring AB is not included, as the business does not have any significant environmental impact.

### Employees

Data on employees refer to the Nordic businesses, representing around 99% of the Group's average number of employees.

### Suppliers

The data refer to PostNord's Nordic operations. Total purchasing refers to purchases in the period from October 2016 to September 2017.

## Materiality analysis

### Identification

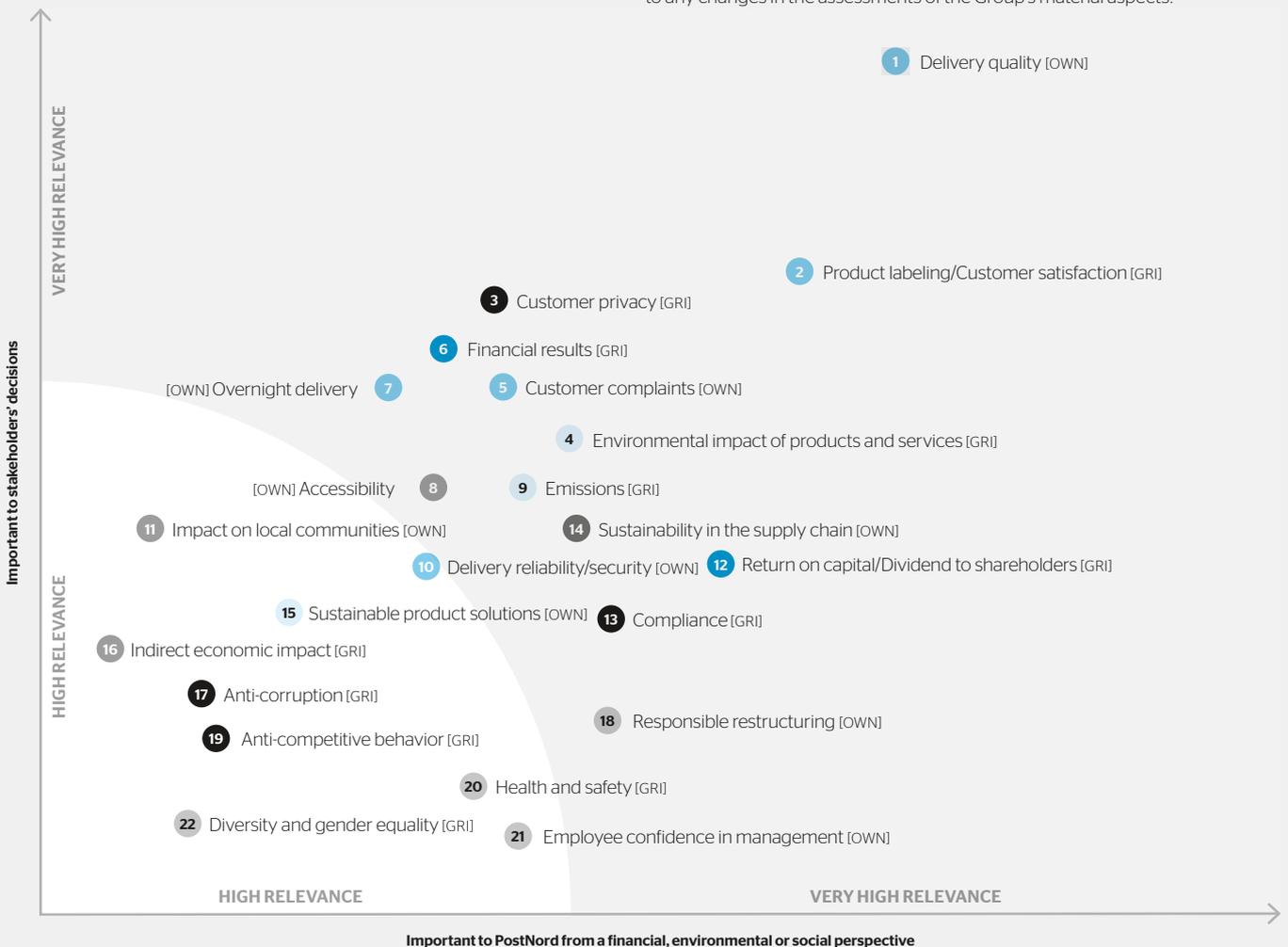
Within a framework comprising identification with GRI's aspects, ISO 26000, the UN Global Compact, regulations and strategically important issues raised during stakeholder dialogues, an outline list of sustainability issues relevant to PostNord was drawn up in 2014. During 2017, the UN sustainable development goals were analyzed to determine which goals PostNord has an impact on. Goals 5, 7, 8, 11 and 13 were identified as the most relevant, and work on linking business opportunities to these goals is under way.

### Priorities

In 2014, these sustainability issues were ranked with regard to their importance to PostNord and their importance to decision-making among PostNord's stakeholders, by a group consisting of the Group Executive Team and representatives of Group functions, country units and business areas. Over 2015, a number of in-depth interviews were conducted with personnel in management and other strategic functions, in order to gather supporting data for the analysis.

### Verification

The results of the materiality analysis are validated continuously by representatives of selected stakeholder groups. During the year, the priorities set were validated by trade union representatives. Customers emphasize delivery quality, the environment and follow-up of the supply chain as important areas, while employee representatives focus on health and safety, employment conditions, responsible restructuring and environmental issues. Suppliers regard environmental issues and follow-up of the supply chain as the most important issues. The analysis conducted during 2017 regarding PostNord's ability to contribute to the global sustainability goals did not lead to any changes in the assessments of the Group's material aspects.



**Compilation of results of the materiality assessment:**

Important area	Sustainability issues in matrix on, page 84	Important		Why important to stakeholders' decisions?	Why important to PostNord?
		Ext.	Int.		
<b>We are striving for profitable long-term development</b>  <i>For more information, see inside cover, pages 18-19.</i>	Financial results <sup>6</sup> Return on capital/Dividend to owners <sup>12</sup>	x	x	A well-managed, profitable company is attractive in the eyes of the world outside - the company will find it easier to attract new customers, employees, suppliers and financiers. Dividends are paid to the owners and, by extension, to all citizens in Denmark and Sweden. Taxes are paid to the State treasuries in the countries where business is conducted.	Profitable, sustainable development is required if the company is to exist and be successful.
<b>We enable companies and consumers to do business and communicate</b>  <i>For more information, see pages 8-12 and 14-15.</i>	Delivery quality <sup>1</sup> Delivery reliability/security <sup>10</sup> Product labeling/Customer satisfaction <sup>2</sup> Customer complaints <sup>5</sup> Overnight delivery <sup>7</sup>	x	x	High delivery quality and safe transport is crucial to customer decisions on choice of supplier of communications and logistics services.	Along with customer satisfaction, it is a requirement for continued business and profitable development.
<b>We take responsibility for our environmental impact</b>  <i>For more information, see pages 16, 32-35 and 83-88.</i>	Environmental impact of products and services <sup>4</sup> Emissions <sup>9</sup> Sustainable product solutions <sup>15</sup>	x	x	Many customers have ambitious environmental targets that PostNord, as supplier, can help to achieve. As a State-owned company, PostNord is expected to act in an exemplary manner in environmental matters.	Environmental efforts are becoming an increasingly important competitive factor and are crucial to PostNord's ability to rise to the challenge of competition. Lower environmental impact often means lower resource consumption, and consequently lower costs.
<b>We care about our employees</b>  <i>For more information, see pages 13, 32-35 and 83-88.</i>	Responsible restructuring <sup>18</sup> Health and safety <sup>20</sup> Employee confidence in management <sup>21</sup> Diversity and gender equality <sup>22</sup>	x	x	Being a good employer is fundamental to attracting skilled personnel. Many customers also make demands in this respect.	As one of the Nordic region's biggest employers, PostNord bears major responsibility for its employees. Good employee relations are crucial to PostNord, particularly if it is to succeed in restructuring the business.
<b>We take responsibility for our impact on society</b>  <i>For more information, see pages 10-11 and 14-15.</i>	Accessibility <sup>8</sup> Impact on local communities <sup>11</sup> Indirect economic impact <sup>16</sup>	x	x	Many consumers and organizations use and depend on PostNord's services - they expect PostNord to always keep its promises.	PostNord has a key role to play in the business community and in society, both in the performance of its universal postal service obligations, and by being a communication and logistics supplier with extensive coverage and capacity.
<b>We make demands when purchasing goods and services</b>  <i>For more information see pages 14 and 31.</i>	Sustainability in the supply chain <sup>14</sup>	x	x	Good relations with suppliers have a positive effect on cooperation. Customers and other stakeholders expect PostNord to manage its supply chain in a responsible manner.	Working with responsible business partners reduces risks and contributes to PostNord's own sense of responsibility and performance in terms of sustainability.
<b>We comply with legislation and regulations</b>  <i>For more information see pages 30-31.</i>	Customer privacy <sup>3</sup> Compliance with regulations <sup>13</sup> Anti-corruption <sup>17</sup> Anti-competitive behavior <sup>19</sup>	x	x	PostNord handles large volumes of mail items and customer data, and all stakeholders expect PostNord to handle these items correctly.	PostNord has several external and internal principles and regulations to navigate and comply with.

## UN sustainable development goals

The UN has adopted an agenda consisting of 17 sustainable development goals. The main goals are: to abolish extreme poverty, reduce inequality and injustice worldwide, promote peace and justice and resolve the climate crisis. Member countries are required to integrate these objectives into their plans and businesses are expected to identify how they can play a part in achieving the goals. As owner, the Swedish State also expects State-owned companies to identify business opportunities that contribute to fulfilment of the global sustainability goals. Via its business partners, PostNord directly or indirectly affects several of the global goals. In PostNord's view, the goals most relevant to PostNord are:



### Goal 5 Gender equality

**Achieve gender equality and empower all women and girls.**

#### PostNord's contribution/role:

People's differences contribute to an attractive and dynamic workplace and improve our ability to meet, and maximize benefit from, the various needs of customers. As a major employer in the Nordic region, PostNord focuses closely on gender equality and diversity in its work. For more on PostNord's work on gender equality and diversity, see pages 13 and 34.



### Goal 7 Affordable and clean energy

**To ensure access to affordable, reliable, sustainable and modern energy for all.**

#### PostNord's contribution/role:

As one of the biggest logistics companies in the Nordic region, PostNord has an infrastructure that is an important part of society. PostNord's environmental work is targeted on reducing energy consumption in transportation and buildings. The energy used will to the highest degree possible be generated from renewable sources. For more on PostNord's environmental work, see page 16.



### Goal 8 Decent work and economic growth

**Promote, inclusive and sustainable economic growth, employment and decent work for all.**

#### PostNord's contribution/role:

Sound business ethics, social responsibility and active environmental work are central aspects of PostNord's operations. PostNord's Code of Conduct states requirements for how the Group's employees must act in the areas that are most important to sustainable business practices, given the nature of PostNord's business. We focus actively on diversity and gender equality. More than 99% of our workforce is covered by collective agreements. We make demands and monitor the supply chain regarding, for example, health and safety, the environment, labor law, human rights and anti-corruption. PostNord's whistleblower procedure enables serious incidents or improper activities in the Company to be reported, including economic crime, serious forms of discrimination and harassment, and major breaches of environmental regulations and environmental pollution.



### Goal 11 Sustainable cities and communities

**Make cities and communities inclusive, safe, resilient and sustainable.**

#### PostNord's contribution/role:

As a leading supplier of communication and logistics solutions, PostNord may be seen as part of the circulatory system for trade and industry in the Nordic region. Safe and fuel-efficient driving plays an important part in achieving both national and PostNord's own goals for reducing accidents and environmental impact, and for improving health. In PostNord's transport system, routes are optimized and capacity utilization in the vehicles is kept as high as practicable. PostNord is also working towards an integrated production model, in which mail and parcel distribution is coordinated for optimal use of the transport capacity. PostNord operates a large electric vehicle fleet, with most electric vehicles being deployed on the last mile, to reach the customer. This reduces climate impact, noise and PostNord's emissions of substances harmful to human health, such as nitrous oxides and particles.



### Goal 13 Climate action

**Take urgent action to combat climate change and its impacts.**

#### PostNord's contribution/role:

As one of the biggest logistics operators in the Nordic region, carbon dioxide emissions from own and purchased transport services represent the Group's major environmental impact. PostNord's environmental work focuses on reducing energy consumption in transportation and properties. The energy used will to the highest degree possible be generated from renewable sources. Focus areas to reduce climate impact are: higher capacity utilization, fuel-efficient driving, higher percentage of biofuel used, more electric vehicles, more rail transport, less air, energy-efficient buildings. For more on PostNord's environmental work, see page 16.

## Customer value, businesses and private customers

A Customer Value Index (CVI) is used to measure how satisfied business and private customers are with PostNord. The outcome for 2017 was 57 (59). How private customers view PostNord is measured via the TRIM index. The figure for TRIM was -3 (24). Business and private customers are affected by both real and perceived quality, and by what is communicated via the media. Rebuilding customer satisfaction and respect remains a top priority.

**Measurement and calculation method:** The customer value index (CVI) has since 2011 been used as PostNord's monitoring tool for regular follow-up of customer satisfaction and how customers perceive the business. Since the start of 2015, the survey has been conducted once a year (previously twice a year) and includes all PostNord country organizations, with the emphasis on the Nordic countries. Since 2015, the survey has been conducted among individual customers online instead of by telephone. The survey of businesses still takes place by telephone. The methodology adjustments introduced were tested carefully to ensure comparability with earlier results. On that basis, PostNord takes the view that the 2013 and 2014 figures provided for comparison, as presented in this report, are relevant and reliable. The 2017 survey was carried out during November and December, with 3,278 corporate customers responding and 3,008 individual customers making up the online panel.

**Measurement and calculation method:** Corporate image (TRIM) is a study conducted by an external market research company, KANTAR SIFO. The study is based on a survey in which 300 individual customers per week (100 in Sweden, 100 in Denmark and 100 in Norway) are asked questions as to how they perceive the PostNord brand in Denmark, Sweden and Norway. The survey consists of five key questions producing data that build into an index. The overall result is a weighting of results from each country unit.

## Quality - letters and parcels

### Quality: 1st class mail

**Measurement and calculation method:** Swedish External Monitoring (SWEX) and Danish External Monitoring (DEX) are two independent external quality measurements that continuously gauge the share of 1st class mail that is delivered on time from customer to customer. Measurements are conducted by means of a statistically assured test mail operation that meets the requirements set forth in EN standard 13850.

### Quality: parcels

**Measurement and calculation method:** The PostNord 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 collection 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.

## Number of employees by category

Employees by category at end of period, basic staff	2017	2016
Administration	3,779	4,484
of whom, women	1,704	1,905
of whom, men	2,075	2,579
Production	27,018	28,173
of whom, women	8,189	8,727
of whom, men	18,829	19,446
<b>Total</b>	<b>30,797</b>	<b>32,657</b>

Number of employees at end of period	2017	2016
Basic staff	30,797	32,657
of whom, women	9,893	10,632
of whom, men	20,904	22,025
Temporary employees	8,992	7,272
of whom, women	3,016	2,401
of whom, men	5,976	4,871
<b>Total</b>	<b>39,789</b>	<b>39,929</b>

**Measurement and calculation method:** Basic staffing consists of all full- and part-time regular employees. Basic staffing must meet the need for staff during "normal" production flows. Temporary staff covers "peaks" in production; for example at Christmas and during vacation periods.

## Sick leave

Sick leave, %	Total, 2017	of whom, women	of whom, men	Total, 2016
PostNord Sweden	6.4	8.3	5.8	6.8
PostNord Denmark	4.6	5.5	4.3	5.0
PostNord Norway	6.6	n.a.	n.a.	6.3
PostNord Finland	1.8	2.6	1.1	3.4
PostNord Strålfors	4.0	5.7	3.1	4.2
Other units	2.4	2.9	2.0	2.3
<b>Total</b>	<b>5.7</b>	<b>7.0</b>	<b>5.1</b>	<b>6.0</b>

**Measurement and calculation method:** Sick leave in relation to regular, contracted working time, reported as a percentage. Total sick leave for the Group is weighted on the basis of the number of employees in the different countries. Sick leave includes absence due to illness when the employee is absent sick. Regular, contracted working hours cover the time of both employees paid by the hour and temporary staff. Regular working hours cover hours worked, sick leave, vacations, parental leave, care for sick children and other paid leave.

A gender analysis for sick leave is not available for Norway. As a result, sick leave for Norway is presented only on an aggregated level.

## Work-related injuries

Occupational injuries, per million hours worked	Total, 2017	Total, 2016
PostNord Sweden	49.2	45.8
PostNord Denmark	84.3	85.6
PostNord Norway	8.0	23.7
PostNord Finland	4.0	22.5
PostNord Strålfors	15.7	15.3
Other units	3.7	4.1
<b>Total</b>	<b>55.1</b>	<b>54.7</b>

**Comment:** Most occupational injuries in the Group occur in production and distribution and, in the vast majority of cases, are caused by various types of fall. PostNord uses a structured system for reporting of near-accidents in order to create the conditions that will enable the prevention of occupational injuries. Absence resulting from accidents, measured in the number of hours, has been falling since 2010, indicating fewer serious occupational injuries. No occupational fatalities occurred in 2017 and 2016.

**Measurement and calculation method:** Registered occupational injuries in relation to hours worked (does not include injuries sustained during occupational travel). Minor injuries (first-aid level) are also included in the report. Calculations are based on the total number of hours worked, irrespective of type of employment. The injury ratio is calculated as the total number of injuries per 1,000,000 hours worked. Occupational injuries are registered in System C2 and handled in Sweden and Denmark by the person's immediate manager. In Norway they are handled in LIS (management and information system). There is no special registration system in Finland and thus reporting is carried out on special forms and the data compiled via a health and safety commission. Statistics on reported occupational injuries can be retrieved from the systems, compiled into statistics and classified into various categories such as falls, crushing and traffic injuries. The duty to record occupational injuries is made very clear.

## Gender and age distribution

Gender distribution, basic staff	2017	2016
Managers	1,478	1,616
of whom, women	32%	31%
Number of employees	30,797	32,657
of whom, women	32%	33%
<b>Age distribution, basic staff</b>		
(29)	17%	15%
30-50	40%	44%
(51)	42%	41%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Measurement and calculation method:** Data on gender affiliation are taken from the payroll system that the particular employee is registered on. Age distributions for employees at Direct Link in the USA and APAC are not available (approximately 0.4% of the overall population).

## Measurement and calculation method Employee Index and Leadership Index

### Employee index (MIX)

The data from the Group's employee surveys are compiled into an employee index (MIX). Surveys are conducted in cooperation with an anonymous external party and analyzed by a partner independent of the Group. Since 2015, the survey has been conducted by a new supplier and the results are presented and followed up using an average-based calculation method, in which the average of all results on a scale of 1-5 is used. Previously, the percentage of 4s and 5s were measured ("top box" method). For the purposes of comparability, the results for 2014 have been recalculated by the new supplier using comprehensive survey data from 2014. On that basis, PostNord takes the view that the 2014 figures provided for comparison, as presented in this report, are relevant and reliable.

### Leadership Index (LIX)

The results of the Group's employee surveys are also compiled in a leadership index (LIX). LIX measures levels of satisfaction of employees with their immediate manager, the degree to which employees believe their managers live up to PostNord's leadership criteria: deliver, involve, take responsibility and clarify.

## Membership of employer organizations, collective bargaining agreements etc.

PostNord is a member of relevant employer organizations, such as, for example:

**Sweden:** Almega and the Swedish Confederation of Transport Enterprises

**Denmark:** The Confederation of Danish Industry

**Finland:** The Confederation of Finnish Industries

**Norway:** The Confederation of Norwegian Enterprise (NHO) and the Norwegian Logistics and Freight Association

All employees are entitled to join associations and other organizations, and to organize trade unions. Within the Group, over 99% of the workforce is covered by collective agreements, which are signed in each respective country.

## Emissions

Emissions (tonnes, unless otherwise indicated)	2017	2016
<b>Fossil carbon dioxide emissions, total</b>	<b>344,410</b>	<b>374,644</b>
<b>Direct carbon dioxide emissions (EN15, Scope 1)</b>	<b>89,866</b>	<b>106,515</b>
<i>Own transportation</i>		
Fossil fuels	89,241	105,776
Renewable fuels	31,037	27,668
<i>Direct heating (gas and oil)</i>	625	738
<b>Indirect carbon dioxide emissions (EN16, Scope 2)</b>	<b>17,106</b>	<b>19,094</b>
<i>Heating and electricity</i>	69,531	71,345
<i>Purchases of eco-labelled electricity (EN19)</i>	-52,426	-52,252
<b>Other indirect carbon dioxide emissions (EN17, Scope 3)</b>	<b>237,438</b>	<b>249,036</b>
<i>Sub-contract transportation (road, rail, air and sea)</i>		
Fossil fuels	233,413	244,434
Renewable fuels	56,667	36,778
<i>Business travel, EN17</i>	4,025	4,602
<b>Other significant air emissions from transportation (EN21)</b>		
Carbon monoxide	252	347
Nitrous oxides	1,789	2,015
Hydrocarbons (VOCs)	99	135
Particulate emissions	42	54

**Comment:** PostNord's long-term environmental goal is to reduce its carbon dioxide emissions by 40% by 2020, taking 2009 as the base year. The base year has been selected on the basis that 2009 was the year of the merger between Posten AB and Post Danmark A/S. For 2016, the respective allocations of carbon dioxide emissions between Scope 1 and Scope 3 have been revised.

### Measurement and calculation methods

#### Road

CO<sub>2</sub> emissions are calculated on the basis of the volumes of fuel purchased, or distance driven and type of vehicle. Calculations based on sub-contractor costs are used when required. All emission factors refer to the usage phase.

#### Emission factors:

Denmark	
CO <sub>2</sub>	Danish Energy Agency
Other gases	Danish Ministry of Transport, TEMA 2010
Other information Nordic region	
CO <sub>2</sub>	SPBI (Swedish Petroleum & Biofuel Institute)
Other gases	NTM (Network for Transport Measures)

#### Air

PostNord purchases air transportation externally for operations in Sweden and Denmark. PostNord did not use air transportation in Finland or Norway during the year. The Swedish business receives data from suppliers on amount of fuel and distances. The Danish business registers transportation performed, via a transportation administration system. Emissions are calculated on the basis of tonnes/kilometer. Foreign air transportation is not included in the calculations.

#### Emission factors:

Denmark	Danish Ministry of Transport, TEMA 2010
Sweden	Swedish Environmental Protection Agency

**Rail**

Only the Swedish and Norwegian operations use rail transportation to any major extent. All rail transportation in Sweden is eco-labeled with Bra Miljöval (Good Environmental Choice). Rail transportation in Norway uses electricity generated from renewable resources.

**Ferry**

Only the Danish operation uses ferry transportation to any major extent. Information on transportation performed is registered in the transportation management system and emissions are calculated on the basis of tonnes/kilometer.

**Emission factors:**

Denmark	Danish Ministry of Transport, TEMA 2010
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**Premises**

Electricity purchased in Sweden is for the most part eco-labeled with Bra Miljöval (Good Environmental Choice). In other countries, electricity purchased is mostly from product-specified renewable resources. This electricity is assumed not to generate any carbon dioxide emissions, since only the usage phase is included in the reporting. In the case of other electricity, carbon dioxide emissions are calculated using emission factors from references given below.

**Emission factors:**

Denmark	
Electricity	Danish Energy Agency
District heating	Danish Energy Agency
Other information Nordic region	
Electricity	Swedish Energy Markets Inspectorate, supplier data
Heating	SCB (Statistics, Sweden), supplier data
Gas	Swedish Environmental Protection Agency

## Emissions intensity

CO<sub>2</sub>/mail item refers to the handling of priority mail, Värde, Varubrev, Magasinpost, Brevet, Quickbrevet, Posttidning A (newspaper/periodical, priority delivery) and newspapers in Sweden and Denmark. Emissions include own transportation and direct heating consumption (Scope 1), heating and electricity (Scope 2) and transportation by subcontractors (Scope 3). CO<sub>2</sub>/parcel refers to handling in the Swedish and Danish parcel networks. Emissions include own transportation and direct heating consumption (Scope 1), heating and electricity (Scope 2) and transportation by subcontractors (Scope 3). See page 16.

## Environmentally licensed operations

PostNord runs operations subject to licensing under national legislation in Sweden and Denmark. The licensing requirement applies to facilities for graphic production at Strålfors. In Sweden, a number of vehicle washing facilities are subject to licensing.

## Carbon offsetting

No climate compensation has been applied regarding the Group's emissions. For information on climate economic services for which climate compensation is available, see page 14.

## Customer environmental reports

PostNord also assists in customers' reporting and communication. This assistance is provided in the form of customer-specific environmental reports that customers use to follow up and streamline their logistics and as a basis of their own environmental or sustainability reporting. During the year, customer-specific environmental reports were developed such as to meet the requirements of CEN standard EN 16258.

## Cooperation within sustainability matters

PostNord is of the view that cooperation is important for the environmental targets to be achieved. As a result, it is important to maintain dialogue with customers, suppliers of, for example, vehicles and fuels, and with infrastructure owners regarding ways in which logistics can best be environmentally adapted in the Nordic countries. PostNord also takes an active role in the business networks CONCITO, KNEG, CLECAT, the Environmental Group of the Swedish Confederation of Transport Enterprises and NTM in Denmark and Sweden. During 2017, PostNord worked with Sustainergies, a platform intended to prepare the way for collaboration between business and academia, through which students have the opportunity to work on sustainability in practice. In November 2017, Sustainergies and PostNord organized a seminar where students attending a workshop produced proposals for PostNord's sustainability work. PostNord is also a member of the Swedish network Closer, which gathers academia, the business world and government agencies in collaborations and projects that develop and disseminate knowledge about how transport can be made more efficient. Internationally, PostNord participates in the IPC's EMMS environmental program. IPC has judged PostNord's work on reducing carbon dioxide emissions to be among the best in the industry, awarding PostNord the ranking of Gold. PostNord is also an active member of CSR Sweden and the WSP Green Chain.

PostNord is a member of the consortium that is developing an electrified road at Arlanda Airport. The road incorporates a two-kilometer-long electrified rail installed in the road, and will be used by a heavy truck powered directly from the road and by batteries that can be charged during travel. This will enable the whole of the 10-kilometer section between Arlanda and PostNord's Roserberg terminal to be driven under electric power.

PostNord is monitoring developments arising from the European Commission's Mobility Package, which deals for example with driving and resting times, principal's liability and cabotage in connection with combined transport operations. During the year, the Company held and invited guests to attend talks at PostNord to learn about and prepare for such developments.

## Other

PostNord is affected by local regulations in emission control areas, e.g. bans on studded tires on certain streets and in certain environmental zones.

STANDARD DISCLOSURES		Section, Page/ Comments	Global Compact (principle number)
<b>Strategy and analysis</b>			
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	President & Group CEO statement, pages 4-5, Strategy, pages 8-12.	1-10
<b>Organizational profile</b>			
G4-3	Name of organization	Page 2.	
G4-4	Primary brands, products and services	Pages 14-15, 20-23.	
G4-5	Location of headquarters	Page 2.	
G4-6	Number of countries and names of those in which the organization has significant operations	Page 2 and Notes 4 and 5, pages 52-54.	
G4-7	Nature of ownership and legal form	Page 9 and Corporate Governance Report, page 27.	
G4-8	Markets, (including geographic breakdown, sectors served and types of customers and beneficiaries)	Markets, pages 6-7; Strategy, pages 10-12; Operations, pages 20-23.	
G4-9	The scale of the organization, including total number of employees, operations, net sales and capitalization	Pages 2 and 18-19, Statement of changes in financial position, page 44, Note 5, page 54, Number of employees by category, page 87.	
G4-10	Number of employees by employment contract, gender, region and division into permanent and temporary employees	Note 5, page 54, Number of employees by category, page 87.	6
G4-11	Employees covered by collective bargaining agreements, percentage	Sustainability information, page 88	3
G4-12	Description of the organization's supply chain	Sustainability in the supply chain, page 17.	
G4-13	Changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Note 30, page 70.	
G4-14	Handling of the precautionary approach or principle	Corporate governance, page 35.	7
G4-15	Externally developed sustainability principles and initiatives that the organization endorses	Corporate governance, page 32.	
G4-16	Memberships of associations, industry organizations and advocacy organizations	Sustainability information, page 89.	
<b>Identified material aspects and boundaries</b>			
G4-17	Entities included in the report	Sustainability information, page 84.	
G4-18	Process for defining the report content	Sustainability information, pages 84-85.	1-10
G4-19	Material aspects identified	Sustainability information, pages 84-85.	
G4-20	The aspect boundary for each material aspect within the organization	Sustainability information, pages 84-85.	
G4-21	The aspect boundary for each material aspect outside the organization	Sustainability information, pages 84-85.	
G4-22	Effect of any restatements of information provided in previous reports	Sustainability information, page 84.	
G4-23	Changes from previous reporting periods in the scope and aspect boundaries	No changes have been made.	
<b>Stakeholder engagement</b>			
G4-24	List of stakeholder groups	Strategy, pages 8-9.	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Strategy, pages 8-9.	
G4-26	Approach to stakeholder engagement	Strategy, pages 8-9; Employees, page 13; Customers/recipients, pages 14-15.	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Strategy, pages 8-9.	
<b>Report profile</b>			
G4-28	Reporting period	Page 1.	
G4-29	Date of most recent previous report	March 17, 2017	
G4-30	Reporting cycle	Page 1.	
G4-31	Contact persons	Inside back cover	
G4-32	Reporting option and content	Page 1, Sustainability information, page 84; GRI Index, pages 90-91.	
G4-33	Policy and current practice for external assurance	Page 1 and Assurance Report, page 92.	
<b>Governance</b>			
G4-34	Governance structure, including committees and Board responsibility for economic, environmental and social performance	Corporate governance, pages 27-37.	
<b>Ethics and integrity</b>			
G4-56	Values, principles, standards and norms of behavior, e.g. Code of Conduct	Corporate governance, pages 32-33.	10
SPECIFIC STANDARD DISCLOSURES		Section, Page/ Comments	Global Compact (principle number)
<b>Economic - Economic performance</b>			
G4-DMA	Disclosures on management approach	Page 1, Strategy, pages 10-12; Corporate governance, pages 27-37; Sustainability information, pages 84-85.	
G4-EC1	Direct economic value generated and distributed	Strategy, page 11.	

<i>cont.</i>	<b>SPECIFIC STANDARD DISCLOSURES</b>	<b>Section, Page/ Comments</b>	<b>Global Compact (principle number)</b>
<b>Environmental Impact - Emissions</b>			
G4-DMA	Disclosures on management approach	Page 1, Strategy, pages 8-12; Environment, page 16; Corporate governance, pages 32-35; Sustainability information, pages 84-89.	
G4-EN15	Direct greenhouse gas emissions (Scope 1)	Environment, page 16; Sustainability information, pages 88-89.	7, 8
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	Sustainability information, pages 88-89.	7, 8
G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	Sustainability information, pages 88-89.	7, 8
G4-EN18	Greenhouse gas emissions intensity	Environment, page 16; Sustainability information, page 89.	8
G4-EN19	Reduction of greenhouse gas emissions	Page 1, Environment, page 16; Sustainability information, pages 88-89.	8, 9
G4-EN21	Other significant air emissions	Sustainability information, pages 88-89.	7, 8
<b>Supplier assessments, environmental impact</b>			
G4-DMA	Disclosures on management approach	Supply chain, page 17; Corporate governance, pages 32-35.	
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Supply chain, page 17.	
<b>Environmental - Compliance</b>			
			<b>7, 8, 9</b>
G4-DMA	Disclosures on management approach	Corporate governance, pages 32-35; Sustainability information pages 84-85	
G4-EN29	Fines for non-compliance with environmental laws	Corporate governance, page 34.	8
<b>Social - Labor law - Health and safety</b>			
G4-DMA	Disclosures on management approach	Employees, page 13; Corporate governance, pages 32-35; Sustainability information, pages 84-85, 87-88.	
G4-LA6	Accidents, occupational injuries and sick leave	Employees, page 13; Sustainability information page 87.	
<b>Social - Labor law - Workplace equality and diversity</b>			
G4-DMA	Disclosures on management approach	Page 1, Employees, page 13; Corporate governance, pages 32-35; Sustainability information, pages 84-85, 87-88.	
G4-LA12	Gender and age distribution for employees and managers	Employees, page 13; Sustainability information page 84-85, 87-88.	6
<b>Social - Labor law - Supplier assessments</b>			
G4-DMA	Disclosures on management approach	Supply chain, page 17; Corporate governance, pages 32-35.	
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Supply chain, page 17.	
<b>Social - Society - Human rights</b>			
G4-DMA	Disclosures on management approach	Supply chain, page 17; Corporate governance, pages 32-35.	
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Supply chain, page 17.	
<b>Social - Society - Anti-corruption</b>			
G4-DMA	Disclosures on management approach	Corporate governance, pages 32-35; Sustainability information, pages 84-85.	10
G4-SO5	Confirmed incidents of corruption and actions taken	Corporate governance, page 34.	
<b>Social - Society - Anti-competitive behavior</b>			
G4-DMA	Disclosures on management approach	Corporate governance, pages 32-35; Sustainability information pages 84-85	
G4-SO7	Legal actions taken against anti-competitive activities	Corporate governance, page 34.	
<b>Social - Society - Compliance</b>			
G4-DMA	Disclosures on management approach	Corporate governance, pages 32-35; Sustainability information pages 84-85	
G4-SO8	Non-compliance with laws and regulations	Corporate governance, page 34.	
<b>Social - Product liability -Labeling of products and services</b>			
G4-DMA	Disclosures on management approach	Customers/recipients, pages 14-15; Sustainability information, pages 84-85.	
G4-PR5	Results of surveys measuring customer satisfaction	Customers/recipients, pages 14-15; Sustainability information, page 86.	
<b>Social - Product liability - Customer privacy</b>			
G4-DMA	Disclosures on management approach	Corporate governance, page 35; Sustainability information, page 86.	
G4-PR8	Number of complaints regarding breaches of customer privacy	Corporate governance, page 35.	
<b>OTHER MATERIAL SUSTAINABILITY ISSUES FOR POSTNORD</b>			
OWN	Delivery quality	Pages 1-3, Customers/recipients, pages 14-15; Operations, pages 20-22.	
OWN	Customer complaints	Customers/recipients, page 14-15.	
OWN	Overnight delivery	Our operations, page 20.	
OWN	Sustainable product solutions	Customers/recipients, page 14.	
OWN	Accessibility	Customers/recipients, pages 14-15; Strategy, pages 10-11.	
OWN	Delivery reliability/security	Corporate governance, page 35.	
OWN	Impact on local communities	Strategy, pages 10-11.	
OWN	Sustainable supply chain	Page 1, Suppliers, page 17; Sustainability information, pages 84-85.	
OWN	Responsible restructuring	Employees, page 13.	
OWN	Employee confidence in management	Employees, page 13.	

## Auditor's Limited Assurance Report on PostNord ABs Sustainability Report and statement regarding the Statutory Sustainability Report

To PostNord AB

### Introduction

We have been engaged by the Board of Directors of PostNord AB to undertake a limited assurance engagement of PostNord ABs Sustainability Report for the year 2017. PostNord AB has defined the scopes of the Sustainability Report and the Statutory Sustainability Report on page 1 in this document.

### Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 84 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12. The auditor's opinion regarding the

Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of PostNord AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

### Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 22 February 2018

KPMG AB

**Tomas Gerhardsson**  
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**Torbjörn Westman**  
*Expert Member of FAR*

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## Financial calendar

Interim report January–March 2018	April 26, 2018
Annual General Meeting	April 26, 2018
Interim report January–June 2018	July 18, 2018
Interim report January–September 2018	October 26, 2018
Year-end financial report 2018	February 1, 2019



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