

Interim report

Q1 2017

JANUARY-MARCH 2017

- Net sales SEK 9,348m (9,638).
 - Operating income SEK 94m (300).
 - Adjusted operating income SEK 191m (300).
 - Items affecting comparability, net SEK -97m (-).
 - Net income for the period SEK 16m (219).
 - Earnings per share SEK 0.01 (0.11).
 - Cash flow from operating activities SEK 990m (189).
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We deliver! PostNord is the leading supplier of communication and logistics solutions to, from and within the Nordic region. We ensure postal service to households and businesses in Sweden and Denmark. With our expertise and strong distribution network, we develop options for tomorrow's communication, e-commerce, distribution and logistics in the Nordic region. In 2016, the Group had around 33,000 employees and sales of just over SEK 38 billion. The parent company, PostNord AB, is a Swedish public limited company headquartered in Solna, Sweden. Visit us at www.postnord.com

FINANCIAL OVERVIEW AND KEY RATIOS¹⁾

SEKm, if not otherwise stated	Jan-Mar 2017	Jan-Mar 2016	Δ	Δ ²⁾	Jan-Dec 2016
INCOME ITEMS					
Net sales	9,348	9,638	-3%	-4%	38,478
Operating income (EBIT)	94	300			-1,083
Operating margin (EBIT)	1.0%	3.1%			-2.8%
Adjusted operating income (EBIT)	191	300			500
Adjusted operating margin (EBIT)	2.0%	3.1%			1.3%
Operating income (EBITDAI)	418	705			1,737
Operating margin (EBITDAI)	4.5%	7.3%			4.5%
Income before tax	80	288			-1,108
Net income	16	219			-1,583
CASH FLOWS					
Cash flows from operating activities	990	189			1,321
FINANCIAL POSITION					
Financial preparedness	5,646	3,905			4,927
Net debt	-688	639			354
KEY RATIOS					
Earnings per share, SEK	0.01	0.11			-0.79
Net debt/EBITDAI, times	-0.5	0.3			0.2
Net debt ratio	-9%	7%			5%
Return on capital employed (ROCE)	-15.0%	5.6%			-12.1%
Average number of employees	30,960	33,445			33,278

¹⁾ See page 19 for definitions.

²⁾ Change excluding acquisitions/divestments and currency.

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

CEO COMMENTS

QUALITY BACK ON A HIGH LEVEL. THE TRANSFORMATION FOR SUSTAINABLE PROFITABILITY CONTINUES.

Our focus on quality has borne fruit, and we are again maintaining quality at a high level. The wide-ranging transformation of our Danish business is continuing and at the same time further actions are being taken to adapt the Group's administrative costs.

PostNord's like-for-like net sales decreased by 4% in the first quarter to SEK 9,348m. The decrease was attributable to a further major downturn of 8% overall in the Group's mail volumes of which 7% in Sweden and 17% in Denmark. Calendar-adjusted, the volume decrease was 10% in Sweden and 22% in Denmark. To a certain degree, this is being offset by continuingly buoyant growth in e-commerce, with a volume increase of 10% in B2C parcels for the Group during the quarter.

Adjusted operating income totaled SEK 191m (300) in the quarter. Items affecting comparability, SEK -97m (0), are attributable to the transformation to a new production model in Denmark. Reported operating income (EBIT) totaled SEK 94m (300) for the quarter. The decline was attributable to lower earnings in Denmark and Sweden, mainly as a result of lower mail revenues. Business area eCommerce & Logistics accounted for approximately 85% of the Group's net income.

As a consequence of the accelerating digitization a new postal legislation is now absolutely essential in Sweden, since the opportunities for further cost adjustments within the current framework are limited. Our expectations are that the government bill announced for May this year will create a more flexible and more

modern regulatory system that takes account of the need for postal services and creates the right conditions to enable a good postal service to be provided on reasonable financial terms throughout Sweden.

The powerful impact of digitization, above all in Denmark but gradually also in Sweden, has fundamentally challenged the business model. PostNord's strategic direction requires the business to be transformed into a competitive, Nordic logistics and communications group with a strong focus on the growing e-commerce sector. We are currently implementing a new production model in Denmark, making further reductions of more than SEK 1 billion in the Group's administrative costs, and preparing for rapid implementation of the new system of postal regulation in Sweden when it enters into force.

The introduction of a new, financially sustainable production model in Denmark will affect around 3,500-4,000 employees over two to three years. It is estimated that the transformation will lead to costs of around SEK 3 billion, mainly in connection with the phasing-out of employees benefiting from "special employment conditions". A dialogue is in progress with PostNord's owners regarding how these costs are to be handled.

Satisfaction for customers and recipients is our top priority, a priority that filters through to every part of our day-to-day work. During the current transformation, we place quality and our customers and recipients at the top of the agenda. For that reason, it is pleasing to see that our determined efforts to improve our delivery quality are yielding excellent results. In Sweden, quality has improved strongly month by month. In March, quality was 93.9% in overnight mail deliveries and 99.8% in three-day deliveries in Sweden. In Denmark, quality for the standard "Brevet" service – offering five-day delivery – was 96.5%. Via the PostNord listens program, now in full operation, we have been able to improve the quality perceived by recipients in several areas.

Our just over 30,000 employees are doing a fantastic job every day to enable us to deliver our services at a high level of quality and with a range of choices for our recipients.

Håkan Ericsson
President & Group CEO

KEY EVENTS IN JANUARY-MARCH

Decision on new production model in Denmark

A new production model in Denmark will be implemented over the next few years. As a result, PostNord will be first in the world to create a financially sustainable mode of production that is fully based on coordinating use of infrastructure and transportation networks for the expanding logistics business with the shrinking mail business. Building on the logistics network will establish the foundations for efficient and scalable distribution of letters and ensure a competitive logistics offering for the future. The new production model will mean the shedding of around 3,500-4,000 full-time equivalents, and will enable large parts of the infrastructure for the mail business to be eliminated. The transformation costs are estimated at approximately SEK 3 billion over the transformation period.

Further streamlining of administrative costs

As part of the process of strengthening long-term competitiveness, the Group's administrative costs are to be reduced by more than SEK 1 billion. This is expected to affect 1,200 jobs, including 500 transformation-related jobs in Denmark.

Charlotte Svensson to be new Head of Business areas Communication Services

Charlotte Svensson will succeed Andreas Falkenmark as Head of Business area Communication Services and member of PostNord's Group Executive Team. Charlotte Svensson will join PostNord from the Bonnier Group, where she heads market, reader revenue and digital business development in the Bonnier News business area. She is also the Bonnier Group's Chief Technical Officer. Charlotte Svensson will take up her appointment no later than in August 2017.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Annual General Meeting 2017

PostNord's Annual General Meeting (AGM) took place on April 27, 2017, at the Group's headquarters in Solna. The AGM adopted the income statements and balance sheets of the Group and the Parent Company and the appropriation of profit proposed by the Board of Directors and resolved to discharge the Board of Directors and the President and Chief Executive Officer from liability for the past financial year. The AGM also adopted guidelines on remuneration to senior executives and remuneration to Board members and auditors.

Jens Moberg, Mats Abrahamsson, Gunnel Duveblad, Christian Ellegaard and Anitra Steen were re-elected to the Board. Måns Carlson, Jesper Lok and Peder Lundquist were elected to the Board as new members, replacing Mette Grunnet, who resigned from the Board on February 14, and Torben Janholt and Magnus Skåninger, both of whom declined to stand for re-election. Jens Moberg was re-elected Chairman of the Board. Accounting firm KPMG AB was re-appointed to serve in the period until the end of the next AGM.

GROUP SALES AND EARNINGS

External net sales SEKm	Jan-Mar 2017	Jan-Mar 2016	Δ	Δ²⁾	Jan-Dec 2016
Business area Communication Services ¹⁾	4,653	5,175	-10%	-9%	19,891
Business area eCommerce & Logistics ¹⁾	4,695	4,463	5%	2%	18,587
Group total	9,348	9,638			38,478

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

²⁾ Change excluding acquisitions/divestments and currency.

PostNord's net sales decreased by 4%, excluding acquisitions, disposals and exchange rate effects. As a result of continued digitization, mail volumes declined by 8% overall of which 17% in Denmark and 7% in Sweden. Calendar-adjusted, the decreases were 22% and 10%, respectively. The Group's parcel volumes increased by 9%. Growth in e-commerce continues, with e-commerce related B2C parcel volumes rising 10%.

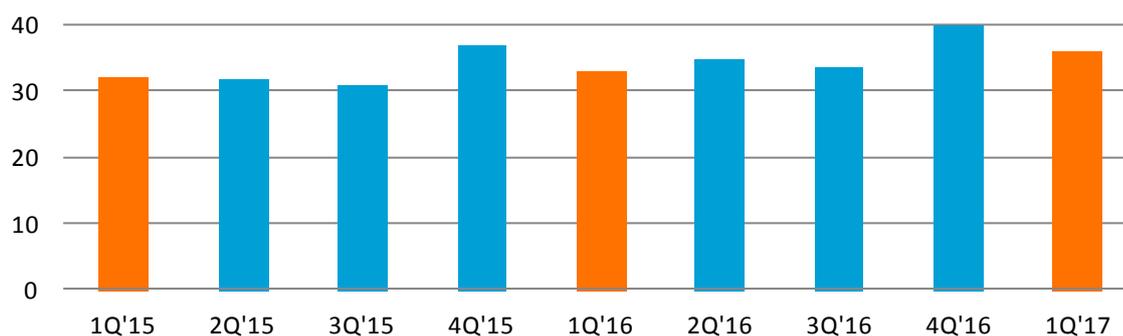
Items affecting comparability, SEKm	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Operating income (EBIT)	94	300	-1,083
Impairment losses on intangible assets and property, plant and equipment	-	-	-1,186
Provisions/reversals of restructuring measures	-97	-	-62
Impairment losses etc. on disposals businesses outside the Nordic region	-	-	-275
Other	-	-	-60
Adjusted operating income (EBIT)	191	300	500

The Group's reported operating income totaled SEK 94m (300). Income for the period was charged with items affecting comparability totaling SEK -97m (-) attributable to provisions for personnel reductions in Denmark for employees with special employment conditions in connection with the transition to the new production model. A provision for the new production model or continued efficiency improvements in administration was not recognized during the quarter. A legal or constructive obligation is not regarded as having arisen while work on the transformation is ongoing.

The Group's adjusted operating income was SEK 191m (300). The decline was attributable to lower earnings in Denmark and Sweden, mainly as a result of lower mail revenues.

Net financial items totaled SEK -14m (-12). Net income totaled SEK 16m (219). Taxes totaled SEK -64m (-69). The relatively high tax liability arises because deferred tax has not been recognized regarding Denmark's deficit, since it is judged that the deferred tax cannot be utilized within a reasonable period.

Total parcel volumes, Group, millions



FINANCIAL POSITION AND CASH FLOW

The Group's equity increased to SEK 7,879m from SEK 7,651m on December 31, 2016. The increase consisted primarily of revaluation of pension commitments in the amount of SEK 246m net after tax, as a result of a good return on the managed assets in the pension fund.

The Group's net debt decreased by SEK 1,042m during the quarter to a positive net amount of SEK 688m. This resulted from the above-mentioned increase in the pension commitment and a positive cash flow. The interest-bearing liability consists of a long-term portion of SEK 1,713m (3,711) and a current portion of SEK 2,030m (138). On September 20, 2017, SEK 2,000m of the Group's bonds loans falls due for payment.

The debt ratio (net debt/equity) was -9% (7), which was below the Group's target of 10-50%.

Net debt

SEKm	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016
Interest-bearing debt	3,743	3,745	3,863	3,854	3,849
Pensions and disability pension plans	-1,520	-1,201	158	-620	-1,051
Long- and short-term investments	-765	-613	-613	-560	-254
Cash and cash equivalents	-2,146	-1,577	-625	-1,654	-1,905
Net debt	-688	354	2,783	1,020	639

Return on capital employed (ROCE), rolling 12-months, was -15% (5.6), as a result of the negative net income for the preceding year. Excluding items affecting comparability, the return on capital employed was 2.3% (8.9).

The Group's financial preparedness totaled SEK 5,646m (3,905) on March 31, 2017, comprising cash and cash equivalents of SEK 2,146m (1,905), short-term investments of SEK 502m (-) and an unutilized credit facility of SEK 3,000m (2,000), of which SEK 1,000m matures in 2018 and SEK 2,000m in 2019.

Cash flow from operating activities totaled SEK 990m (189). Cash flow was positively affected by a compensation of SEK 225m (-) from Postens Pensionsstiftelse (the Posten Pension Fund) and a positive change of SEK 645m (-33) in working capital. Other current receivables were positively affected during the period above all by lower trade accounts receivable and a refund of preliminary tax amounting to SEK 404m for 2016, as a result the compensation paid late in 2016.

Investments during the period totaled SEK 271m (201), slightly higher than in the corresponding period last year. The investments focused mainly on the integrated production model and IT development. SEK 150m (0) of cash and cash equivalents were invested in commercial paper, to cover deposit charges imposed by the banks.

Cash flow from financing activities totaled SEK -1m (9).

COUNTRIES

PostNord Sweden SEKm	Jan-Mar 2017	Jan-Mar 2016	Δ	Δ¹⁾	Jan-Dec 2016
Net sales	5,615	5,720	-2%	-2%	23,025
<i>of which Communication Services (external)</i>	2,921	3,075	-5%	-5%	12,076
<i>of which eCommerce & Logistics (external)</i>	2,454	2,353	4%	5%	9,869
Operating income (EBIT)	119	198			824
Operating margin, %	2.1%	3.6%			3.5%
Adjusted operating income (EBIT)	119	198			847
Adjusted operating margin, %	2.1%	3.6%			3.7%

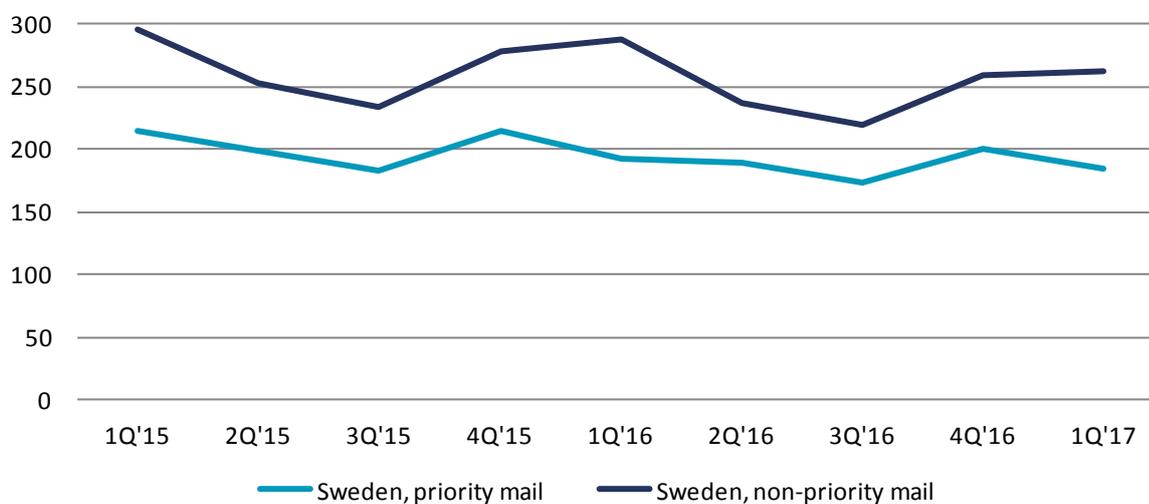
¹⁾ Change excluding acquisitions/divestment within operational activities and exchange rates.

Net sales for PostNord Sweden decreased by 2% during the quarter. Communication Services reported a 5% decrease in sales as a result of the continued and accelerating process of digitization, resulting in a 7% decline in mail volumes. Adjusted to reflect the number of weekdays, mail volumes were down 10% from the preceding year. Sales for eCommerce & Logistics increased by 4% mainly through continued growth in e-commerce leading to higher B2C volumes, but also via growth in pallets and mixed cargo groupage.

Reported operating income was SEK 119m (198). The deterioration over the quarter was primarily due to the decline in the mail business, which could not be fully offset by growth in logistics, despite major cost adjustments. The trend clearly reveals the need for the rapid introduction of new postal legislation in Sweden in order to ensure a good postal service throughout Sweden on reasonable financial conditions. The additional resources that have been engaged to improve delivery quality led to very substantial improvements.

Mail volumes, Sweden

millions



PostNord Denmark SEKm	Jan-Mar 2017	Jan-Mar 2016	Δ	Δ¹⁾	Jan-Dec 2016
Net sales	2,227	2,431	-8%	-10%	9,571
<i>of which Communication Services (external)</i>	1,140	1,449	-21%	-21%	5,410
<i>of which eCommerce & Logistics (external)</i>	975	853	14%	8%	3,733
Operating income (EBIT)	-218	-51			-1,910
Operating margin, %	-9.8%	-2.1%			-20.0%
Adjusted operating income (EBIT)	-121	-51			-625
Adjusted operating margin, %	-5.4%	-2.1%			-6.5%

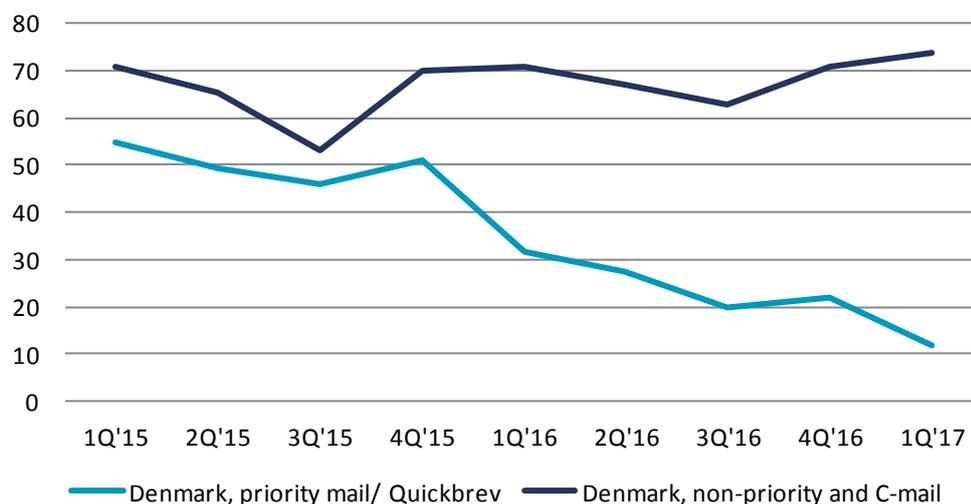
¹⁾ Change excluding acquisitions/divestment within operational activities and exchange rates.

PostNord Denmark's net sales decreased by 8% during the quarter. Excluding a minor logistics acquisition and exchange rate effects, sales decreased by 10%. In Communication Services, income decreased by 21%, with mail volumes falling by 17% via the rapid process of digitization. Calendar-adjusted, mail volumes decreased by 22% from the preceding year. Net sales for eCommerce & Logistics in Denmark increased by 8% as a result of higher parcel volumes and positive growth in pallets and mixed cargo groupage.

Reported operating income totaled SEK -218m (-51), including provision of SEK -97m for personnel reductions for employees with special employment conditions. Adjusted for these items affecting comparability, adjusted operating income was SEK -121m (-51). Income is still affected by the rapid digitization in Denmark, which could not be adequately be offset through increased logistics sales and cost adjustments in the mail business. The process of installing a financially stable production model to create the conditions for profitability in Denmark continues.

Mail volumes, Denmark

millions



PostNord Norway SEKm	Jan-Mar 2017	Jan-Mar 2016	Δ	Δ¹⁾	Jan-Dec 2016
Net sales	961	911	5%	-3%	3,789
<i>of which Communication Services (external)</i>	13	8	63%	45%	36
<i>of which eCommerce & Logistics (external)</i>	823	806	2%	-6%	3,298
Operating income (EBIT)	16	-1			-36
Operating margin, %	1.7%	-0.1%			-0.9%
Adjusted operating income (EBIT)	16	-1			-31
Adjusted operating margin, %	1.7%	-0.1%			-0.8%

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

Excluding exchange rate effects, PostNord Norway's net sales decreased by 3%, through continued pressure on prices in the logistics market and termination of unprofitable customer agreements in the thermo business.

Robust cost adjustments and a switch to a higher proportion of hired resources for flexibility in meeting volume fluctuations made it possible to increase earnings, to SEK 16m (-1), despite the decrease in income.

PostNord Finland SEKm	Jan-Mar 2017	Jan-Mar 2016	Δ	Δ¹⁾	Jan-Dec 2016
Net sales	251	231	9%	7%	984
<i>of which Communication Services (external)</i>	4	4	0%	2%	16
<i>of which eCommerce & Logistics (external)</i>	174	168	4%	1%	698
Operating income (EBIT)	1	-12			-15
Operating margin, %	0.4%	-5.2%			-1.5%
Adjusted operating income (EBIT)	1	-12			-15
Adjusted operating margin, %	0.4%	-5.2%			-1.5%

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

Net sales for PostNord Finland increased by 9% in the quarter. Excluding exchange rate effects, net sales increased by 7%, as a result of increased parcel volumes.

Operating income totaled SEK 1m (-12). The improvement was due to increased sales, combined with good control of costs. The negative result for the preceding year was affected by costs arising from the integration of Uudenmaan Pikakuljetus Oy (UPK), which was acquired in autumn 2015.

PostNord Strålfors SEKm	Jan-Mar 2017	Jan-Mar 2016	Δ	Δ¹⁾	Jan-Dec 2016
Net sales	557	617	-10%	-2%	2,240
<i>of which Communication Services (external)</i>	525	588	-11%	0%	2,124
Operating income (EBIT)	53	34			-151
Operating margin, %	9.5%	5.5%			-6.7%
Adjusted operating income (EBIT)	53	34			124
Adjusted operating margin, %	9.5%	5.5%			5.5%

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

A strong increase in digital communication and offerings in market communications largely compensated for a general decline in demand for physical communication in the wake of digitization. Excluding disposals, internal operations taken over and exchange rate effects, net sales declined by 2%.

Operating income totaled SEK 53m (34). The improvement was due to effective control of costs, lower staffing levels and an increase in digital communication, which together more than compensated for lower volumes in physical communication.

Direct Link SEKm	Jan-Mar 2017	Jan-Mar 2016	Δ	Δ ¹⁾	Jan-Dec 2016
Net sales	270	283	-5%	-9%	989
<i>of which eCommerce & Logistics (external)</i> ²⁾	270	283	-5%	-9%	989
Operating income (EBIT)	7	15			27
Operating margin, %	2.6%	5.5%			2.7%
Adjusted operating income (EBIT)	7	15			27
Adjusted operating margin, %	2.6%	5.5%			2.7%

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

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

During the quarter, net sales for Direct Link decreased by 5%. Excluding exchange rate effects and internal operations taken over, the decline was 9%. The decrease arose partly in the USA, whereas sales in Asia have shown signs of recovery from the decline in the previous year.

Operating income totaled SEK 7m (15). The decline was mainly attributable to lower sales in the USA.

SUSTAINABILITY

The average number of employees totaled 30,960 (33,445), a reduction of 2,485. The number of employees has been reduced in all units to align the business with lower mail volumes and to hone competitiveness. Sick leave was calculated at 6.0% (5.8). The figure is still high and in order to address the problem, in which long-term sick leave shows highest growth, initiatives are being focused on both rehabilitation and preventive measures. During the quarter, the proportion of women at management levels 1-3 was 36% and at management levels 4-6 30%.

Carbon dioxide emissions fell by 6% in the first quarter of 2017 – compared with the corresponding period in the preceding year – to 87,527 tonnes. All country units reported lower emissions. The major share is attributable to the Swedish organization. It was achieved by use of a higher proportion of biofuels in own and procured transportation activities. The new production model that is gradually being implemented in Denmark is expected to lead to lower emissions towards year-end.

Delivery quality (rolling 12-months) for priority mail in Sweden was measured at 91.7%, a clear improvement of 2.4 percentage points from the corresponding period last year. In Denmark, delivery quality for Brevet (rolling 12-months) was 93.9%. The actions taken to achieve further quality improvements in both Sweden and Denmark have produced consistent quality improvements. In parcels, weighted quality was measured at 96.3%.

At the end of the first quarter, the proportion of total Group purchases from suppliers signed up to the Code of Conduct for Suppliers was around 64%, including procurement of services from service partners. The focus in 2017 is on measuring supplier compliance with the Code of Conduct via self-assessment and by increasing the number of on-site audits.

Solna, April 28, 2017
PostNord AB (publ), CIN 556771-2640

Håkan Ericsson
President and Group CEO

FINANCIAL CALENDAR

Interim report January-June 2017	July 20, 2017
Interim report January-September 2017	October 27, 2017
Year-end report 2017	February 9, 2018

This report has not been reviewed by the auditors.

This information is such that PostNord AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at 8.30 a.m. CET on April 28, 2017.

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

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FINANCIAL STATEMENTS

Consolidated income statement

SEKm	Note	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
	1			
Net sales		9,348	9,638	38,478
Other income		70	54	263
Income	2	9,418	9,692	38,741
Personnel expenses		-4,237	-4,365	-17,261
Transport expenses		-2,552	-2,345	-10,150
Other expenses		-2,211	-2,278	-9,593
Depreciation, amortization and impairments		-324	-404	-2,820
Expenses		-9,324	-9,392	-39,824
OPERATING INCOME		94	300	-1,083
Financial income		3	5	49
Financial expenses		-17	-17	-74
Net financial items		-14	-12	-25
INCOME BEFORE TAX		80	288	-1,108
Tax		-64	-69	-475
NET INCOME		16	219	-1,583
Attributable to				
Parent company shareholders		15	218	-1,585
Non-controlling interests		1	1	2
Earnings per share, SEK		0.01	0.11	-0.79

Consolidated statement of comprehensive income

SEKm	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
NET INCOME	16	219	-1,583
OTHER COMPREHENSIVE INCOME			
Items that cannot be transferred to net income			
Revaluation of pension liabilities	315	-1,120	-399
Change in deferred tax	-69	246	88
Total	246	-874	-311
Items that have been or may be transferred to net income			
Cash flow hedges after tax	1	1	6
Translation differences	-35	65	343
- Realized and reclassified to income statement	-	-	48
Total	-34	66	397
TOTAL OTHER COMPREHENSIVE INCOME	212	-808	86
COMPREHENSIVE INCOME	228	-589	-1,497
Attributable to			
Parent company shareholders	227	-590	-1,499
Non-controlling interests	1	1	2

Consolidated statement of financial position

SEKm	Note	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
	1					
ASSETS						
Goodwill		2,588	2,600	3,412	3,337	3,275
Other intangible assets		867	854	837	873	901
Property, plant and equipment		7,921	7,994	8,520	8,489	8,540
Participations in associated companies and joint ventures		70	69	70	65	62
Financial investments	4	263	262	262	259	254
Other non-current receivables		1,615	1,301	672	839	1,125
Deferred tax assets		92	122	860	720	780
Total non-current assets		13,416	13,202	14,633	14,582	14,937
Inventories		99	101	122	133	166
Tax assets		140	712	766	734	579
Trade receivables	4	4,465	4,627	4,304	4,189	4,368
Prepaid expenses and accrued income ¹⁾		1,247	1,096	1,287	1,302	1,277
Other receivables ¹⁾		176	218	189	202	211
Short-term investments	4	502	351	351	301	-
Cash and cash equivalents	4	2,146	1,577	625	1,654	1,905
Assets held for sale		136	176	145	172	213
Total current assets ¹⁾		8,911	8,858	7,789	8,687	8,719
TOTAL ASSETS ¹⁾		22,327	22,060	22,422	23,269	23,656
EQUITY AND LIABILITIES						
EQUITY						
Capital stock		2,000	2,000	2,000	2,000	2,000
Other contributed equity		9,954	9,954	9,954	9,954	9,954
Reserves		-1,667	-1,633	-1,623	-1,856	-1,964
Retained earnings		-2,412	-2,673	-3,264	-2,268	-1,433
Total equity attributable to parent company shareholders		7,875	7,648	7,067	7,830	8,557
Non-controlling interests		4	3	3	2	4
TOTAL EQUITY		7,879	7,651	7,070	7,832	8,561
LIABILITIES						
Non-current interest-bearing liabilities	4	1,713	1,716	1,730	3,720	3,711
Other non-current liabilities		48	49	52	53	55
Pensions		-	-	737	135	-
Other provisions		1,390	1,389	1,672	1,709	1,726
Deferred tax liabilities		888	831	627	807	981
Total non-current liabilities		4,039	3,985	4,818	6,424	6,473
Current interest-bearing liabilities	4	2,030	2,029	2,133	134	138
Trade payables		2,295	2,434	2,023	2,226	1,955
Tax liabilities		77	82	79	60	51
Other current liabilities ¹⁾		1,643	1,598	1,753	1,573	1,620
Accrued expenses and prepaid income ¹⁾		3,786	3,684	4,044	4,457	4,401
Other provisions		578	597	502	563	457
Total current liabilities ¹⁾		10,409	10,424	10,534	9,013	8,622
TOTAL LIABILITIES ¹⁾		14,448	14,409	15,352	15,437	15,095
TOTAL EQUITY AND LIABILITIES ¹⁾		22,327	22,060	22,422	23,269	23,656

¹⁾ To provide a more accurate view of receivables and liabilities regarding terminal fees, a change has been made in net accounting. Figures presented for comparison have been restated. For further information, see Note 1 on page 16.

Consolidated statement of cash flows

SEKm	Note	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
OPERATING ACTIVITIES				
Income before tax		80	288	-1,108
Adjustments for non-cash items ¹⁾		303	-67	2,920
Taxes		-38	1	-37
Cash flow from operating activities before changes in working capital		345	222	1,775
Cash flow from changes in working capital				
Increase(-)/decrease(+) in inventories		1	-16	21
Increase(-)/decrease(+) in other operating receivables ²⁾		633	13	-296
Increase(+)/decrease(-) in other operating liabilities ²⁾		9	0	-168
Other changes in working capital		2	-30	-11
Changes in working capital		645	-33	-454
Cash flow from operating activities		990	189	1,321
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		-193	-159	-1,001
Sale of property, plant and equipment		3	8	51
Acquisition of other intangible fixed assets		-78	-42	-181
Acquisition of operations, effect on cash and cash equivalents	3	-	-	-14
Sale of operations, effect on cash and cash equivalents	3	-	-	-45
Acquisition of financial assets		-153	-	-362
Sale of financial assets		-	5	2
Cash flow from investing activities		-421	-188	-1,550
FINANCING ACTIVITIES				
Amortized debts		-	-	-100
Dividend paid		-	-	-2
Increase(+)/decrease(-) in other interest-bearing liabilities		-1	9	4
Cash flow from financing activities		-1	9	-98
CASH FLOW FOR THE PERIOD				
Cash and cash equivalents, opening balance		1,577	1,894	1,894
Translation difference in cash and cash equivalents		1	1	10
Cash and cash equivalents, closing balance		2,146	1,905	1,577

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

²⁾ To provide a more accurate view of receivables and liabilities regarding terminal fees, a change has been made in net accounting. Figures presented for comparison have been restated. For further information, see Note 1 on page 16.

Consolidated statement of changes in equity

SEKm	Equity attributable to the parent company's shareholders						Non-controlling interests	Total equity
	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings			
Opening balance 1 Jan 2016	2,000	9,954	-2,022	-8	-777	3	9,150	
Other comprehensive income for the period								
Net income for the period	-	-	-	-	218	1	219	
Other comprehensive income for the period	-	-	65	1	-874	-	-808	
Total other comprehensive income for the period			65	1	-656	1	-589	
Dividend	-	-	-	-	-	-	-	
Closing balance 31 Mar 2016	2,000	9,954	-1,957	-7	-1,433	4	8,561	

SEKm	Equity attributable to the parent company's shareholders						Non-controlling interests	Total equity
	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings			
Opening balance 1 Jan 2016	2,000	9,954	-1,957	-7	-1,433	4	8,561	
Other comprehensive income for the period								
Net income for the period	-	-	-	-	-1,803	1	-1,802	
Other comprehensive income for the period	-	-	326	5	563	-	894	
Total other comprehensive income for the period			326	5	-1,240	1	-908	
Dividend	-	-	-	-	-	-2	-2	
Closing balance 31 Dec 2016	2,000	9,954	-1,631	-2	-2,673	3	7,651	

SEKm	Equity attributable to the parent company's shareholders						Non-controlling interests	Total equity
	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings			
Opening balance 1 Jan 2017	2,000	9,954	-1,631	-2	-2,673	3	7,651	
Other comprehensive income for the period								
Net income for the period	-	-	-	-	15	1	16	
Other comprehensive income for the period	-	-	-35	1	246	-	212	
Total other comprehensive income for the period			-35	1	261	1	228	
Dividend	-	-	-	-	-	-	-	
Closing balance 31 Mar 2017	2,000	9,954	-1,666	-1	-2,412	4	7,879	

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

PARENT COMPANY FINANCIAL REPORTS

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

Income statement

SEKm	Note	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
	1			
Other income		4	4	16
Income		4	4	16
Personnel expenses		-8	-6	-29
Other expenses		-2	-1	-6
Operating expenses		-10	-7	-35
OPERATING INCOME		-6	-3	-19
Interest income and similar income items		0	0	2
Interest expense and similar expense items		-10	-27	-109
Financial items		-10	-27	-107
Income after financial items		-16	-30	-126
Balance sheet appropriations		-	-	129
Income before tax		-16	-30	3
Tax		-	-	-
NET INCOME		-16	-30	3

Statement of comprehensive income

SEKm	Jan-Mar 2017	Jan-Mar 2016	Jan-dec 2016
Net income	-16	-30	3
Other comprehensive income for the period	-	-	-
COMPREHENSIVE INCOME	-16	-30	3

Balance sheet

SEKm	Note	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
	1					
ASSETS						
Financial assets		11,696	11,695	11,693	11,692	11,692
Total non-current assets		11,696	11,695	11,693	11,692	11,692
Current receivables		8,207	8,236	8,177	8,220	8,237
Total current assets		8,207	8,236	8,177	8,220	8,237
TOTAL ASSETS		19,903	19,931	19,870	19,912	19,929
EQUITY AND LIABILITIES						
Equity		15,762	15,768	15,653	15,691	15,734
Non-current liabilities		2,102	2,103	2,106	4,082	4,059
Current liabilities		2,039	2,060	2,111	139	136
TOTAL EQUITY AND LIABILITIES		19,903	19,931	19,870	19,912	19,929

NOTES TO FINANCIAL STATEMENTS

Note 1 Accounting principles and risks

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and approved by the EU, applying to financial years beginning on January 1, 2017. In addition, supplementary rules in the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, have also been applied. The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and supplementary rules in the Swedish Annual Accounts Act. Other disclosures in accordance with IAS 34.16A are presented both in the financial statements and other parts of the interim report. A change has been made to the Group's accounting policy on net accounting of terminal fees. The procedure of advance payments for terminal fees is used to prevent excessively large receivables and liabilities arising between the countries. For several years, accrued receivables and accrued liabilities have been reported net but advance payments have not been included in this net accounting process. In order to provide a more accurate view, these advance payments have now been included in the net accounting of the terminal fees and figures presented for previous periods have been restated. The effect on total assets is a reduction of SEK 300-600m over the next four quarters. Otherwise, the same accounting policies and calculation methods have been used in the interim report as in the 2016 annual report for the Group and Parent Company. The new or revised IFRSs that entered into force in 2017 have not had any material impact on the consolidated financial statements.

Risks

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

Note 2 Segments

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

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

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

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

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

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

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

Note2 Segments contd.

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

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

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

Note 3 Acquisitions and divestments

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

Note 4 Financial instruments

March 31, 2017							
Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets reported at fair value via income ¹⁾	Loan and trade receivables measured at amortized cost	Financial liabilities at fair value via income ¹⁾	Financial liabilities measured at amortized cost	Carrying amount	Fair value	
Financial investments	263	-	-	-	263	263	
Derivatives	3	-	-	-	3	3	
Trade receivables	-	4,465	-	-	4,465	4,465	
Terminal fees ^{2) 3) 4)}	-	338	-	-	338	338	
Short-term investments	-	502	-	-	502	502	
Cash and cash equivalents	-	2,146	-	-	2,146	2,146	
Long-term interest-bearing liabilities	-	-	-179	-1,534	-1,713	-1,720	
Current interest-bearing liabilities	-	-	-	-2,030	-2,030	-2,048	
Trade payables	-	-	-	-2,295	-2,295	-2,295	
Other current liabilities	-	-	-	-1,643	-1,643	-1,643	
Derivatives	-	-	-6	-	-6	-6	
Terminal fees	-	-	-	-213	-213	-213	
Total financial assets and liabilities, by category	266	7,451	-185	-7,715	-183	-208	

December 31, 2016							
Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets reported at fair value via income ¹⁾	Loan and trade receivables measured at amortized cost	Financial liabilities at fair value via income ¹⁾	Financial liabilities measured at amortized cost	Carrying amount	Fair value	
Financial investments	262	-	-	-	262	262	
Derivatives	13	-	-	-	13	13	
Trade receivables	-	4,627	-	-	4,627	4,627	
Terminal fees ^{2) 3) 4)}	-	391	-	-	391	391	
Short-term investments	-	351	-	-	351	351	
Cash and cash equivalents	-	1,577	-	-	1,577	1,577	
Long-term interest-bearing liabilities	-	-	-170	-1,546	-1,716	-1,731	
Current interest-bearing liabilities	-	-	-	-2,029	-2,029	-2,059	
Trade payables	-	-	-	-2,434	-2,434	-2,434	
Other current liabilities	-	-	-	-1,631	-1,631	-1,631	
Derivatives	-	-	-7	-	-7	-7	
Terminal fees	-	-	-	-349	-349	-349	
Total financial assets and liabilities, by category	275	6,946	-177	-7,989	-945	-990	

March 31, 2016							
Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets reported at fair value via income ¹⁾	Loan and trade receivables measured at amortized cost	Financial liabilities at fair value via income ¹⁾	Financial liabilities measured at amortized cost	Carrying amount	Fair value	
Financial investments	254	-	-	-	254	254	
Derivatives	1	-	-	-	1	1	
Trade receivables	-	4,368	-	-	4,368	4,368	
Terminal fees ^{2) 3) 4)}	-	440	-	-	440	440	
Cash and cash equivalents	-	1,905	-	-	1,905	1,905	
Long-term interest-bearing liabilities	-	-	-168	-3,543	-3,711	-3,764	
Current interest-bearing liabilities	-	-	-	-138	-138	-138	
Trade payables	-	-	-	-1,955	-1,955	-1,955	
Other current liabilities	-	-	-	-1,736	-1,736	-1,736	
Derivatives	-	-	-1	-	-1	-1	
Terminal fees	-	-	-	-401	-401	-401	
Total financial assets and liabilities, by category	255	6,713	-169	-7,773	-974	-1,027	

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

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

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

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

Recognition and fair value measurement of financial instruments

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

All financial assets and liabilities recognized at fair value in the balance sheet are classified at level 2; see also Note 27 Financial risk management and financial instruments in PostNord's Annual Report.

Note 5 Definitions

Alternative key ratios:

Adjusted operating income	Total income less total costs, excluding items affecting comparability.
Adjusted operating margin	Adjusted operating income as % of net sales. Previously adjusted operating income as % of total income (net sales and other income).
Capital employed	Non-interest-bearing assets less non-interest-bearing liabilities.
EBITDAI	Earnings before interest, taxes, depreciations and amortizations/impairments.
Financial preparedness	Cash and cash equivalents and unutilized committed credit line.
Items affecting comparability	Items affecting comparability are substantial, nonrecurring or directly attributable to operating activities. Examples of items affecting comparability include capital gains on the sale of assets, impairment of assets and provision for personnel redundancies employed under special employment conditions in Denmark. Ongoing restructuring costs are not regarded as items affecting comparability.
Net debt	Interest-bearing debt, pension provisions, less cash and cash equivalents, financial investments, financial receivables, that according to IAS 19 are included in non-current receivables and short-term investments.

Reconciliation with financial statements

SEKm	Mar 31, 2017	Dec, 31 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016
Interest-bearing debt, current	2,030	2,029	2,133	134	138
Interest-bearing debt, non-current	1,713	1,716	1,730	3,720	3,711
Pensions ¹⁾	-	-	737	135	-
Financial investments	-263	-262	-262	-259	-254
Non-current receivables ²⁾	-1,520	-1,201	-579	-755	-1,051
Short-term investments	-502	-351	-351	-301	-
Cash and cash equivalents	-2,146	-1,577	-625	-1,654	-1,905
Net debt	-688	354	2,783	1,020	639

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

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

Net debt/EBITDAI	Net debt divided by EBITDAI (rolling 12-months).
Net debt ratio	Net debt divided by equity.
Operating margin	Operating income as a percentage of net sales.
Return on capital employed (ROCE)	Operating profit for the 12 months to the end of the period divided by average capital employed for the 12 months to the end of the period.

Other key ratios:

Average number of employees (FTE)	The total number of paid employee hours divided by the standard number of hours for a full-time employee during the cumulative period from the beginning of the year.
Basic staff	Refers to all full- and part-time regular employees.
Earnings per share (EPS)	Share of net earnings attributable to parent company shareholders divided by the average number of shares outstanding.

Quarterly data

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

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