

Q3 2018

Interim Report

THIRD QUARTER 2018

- Net sales increased to SEK 8,840m (8,547), representing organic growth of 0.1%
- Operating income improved to SEK -73m (-199)
- Adjusted operating income was SEK -65m (-123)
- Net income totaled SEK -122m (-224)
- Earnings per share were SEK -0.06 (-0.11)
- Cash flow from operating activities totaled SEK -371m (-370)

OVERVIEW

SEKm, if not otherwise stated	Jul.-Sep.		Jan.-Sep.	
	2018	2017	2018	2017
Net sales	8,840	8,547	27,444	26,942
Operating income (EBIT)	-73	-199	-1,048	-396
Adjusted operating income (EBIT)	-65	-123	-71	66
Income before tax	-86	-211	-1,073	424
Net income	-122	-224	-1,190	-544
Earnings per share, SEK	-0.06	-0.11	-0.59	-0.27
Cash flows from operating activities	-371	-370	1,466	1,542
Net debt ratio	-2%	14%	-2%	14%
Return on capital employed (ROCE)	-10.9%	-17.5%	-10.9%	-17.5%

We deliver! PostNord is the leading supplier of communication and logistics solutions to, from, and within the Nordic region. We ensure the provision of a postal service to households and businesses in Sweden and Denmark. With our expertise and strong distribution network, we develop the conditions 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 www.postnord.com

The transformation in Denmark is starting to show results

At PostNord, the third quarter is seasonally the weakest of the year. In July and August, parcel and mail volumes are lower than during the rest of the year. However, the third quarter of 2018 proved better than the corresponding period in 2017, mainly because the losses in the Danish business narrowed. In Denmark, the savings from the transformation are starting to show through. Mail volumes in Sweden have started to fall more sharply than before, and it is now evident that the pace of digitization is rising in Sweden, too, and is adversely affecting results.

In both Sweden and Denmark the quarter was characterized by a consistently high level of quality in mail distribution. Mail quality is stable at a level above the quality requirements set by the governments, and unlike in earlier years we were able to prevent a decline in quality over the holiday period.

Business operations showed a continued high level of activity during the quarter and, for example, an extension of our Nordic agreement with Zalando was signed. The agreement is estimated to be worth SEK 2.5bn over three years. Also, I am pleased to report that we extended our partner outlet agreement with Coop during the quarter. This creates a stable base for the next few years, with partner outlet agreements continuing with Sweden's three major grocery chains - ICA, Coop and Axfood - and new ones being signed with Pressbyrån and the 7-Eleven convenience store franchise. We maintain a steady focus on further expanding the number of partner outlets, in order to make it even simpler for recipients to find a distribution point that fits in with their busy everyday life. To date, we have increased the total number of distribution points by 461, 40 in Norway, 200 in Finland, 81 in Denmark and 140 in Sweden.

During the quarter, we launched a new concept for small and medium-sized e-retailers, ecNOW. The concept offers a flexible logistics solution that enables e-retailers to grow over time.

In addition to logistics services, our offering includes other options that may fit the needs of e-retailers, such as selection of target groups, customer servicing with direct mail, transport solutions, invoicing, follow-up, analysis and much more. The concept, which was launched on a minor scale during the summer, has already secured its first customers, and I am looking forward to an exciting future for an omnichannel solution such as this, targeted at specific customer groups.

One important aspect of our work during the quarter was to prepare the organization for the most intensive period of the year, namely from Black Friday (November 23) until Christmas Eve. The whole system will be working under high pressure, and ahead we see particular days when the volumes handled in our system may be as much as 100 % higher than during a normal day. These volume increases do not apply just to us but throughout the industry. One effect of this is that extra transport capacity can be considerably more expensive than during a regular week. We will also need to take on extra staff for both sorting and delivery, not least because we have to operate our facilities 24 hours a day, 7 days a week. To offset the higher costs that this labor-intensive period will bring, we announced in early September that during the November 15 to December 31 period, we will be applying a capacity surcharge of SEK 4 per parcel for Swedish B2C parcels. The intention of the surcharge is to achieve a certain level of cost coverage and not to maximize prices in the peak season. The capacity surcharge means an extra cost to e-retailers, but I believe that there is an acceptance for the cost increases that PostNord faces at peak periods such as this.

We are now entering the most intensive period of the year. It is an exciting but challenging period, and it is also now that our expertise and experience delivers the greatest benefit of all to our customers.

Håkan Ericsson
President & Group CEO

Net sales and earnings

Unless otherwise stated, the report comments on developments in July-September compared to the same period in 2017.

FINANCIAL OVERVIEW

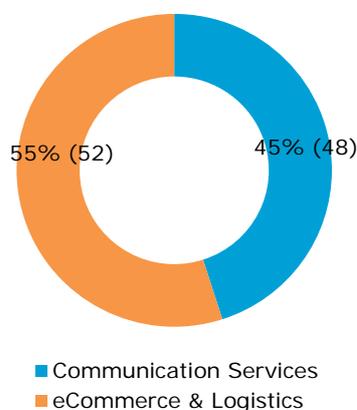
SEKm	Jul.-Sep.		Jul.-Sep.	
	2018	2017	2018	2017
Net sales	8,840	8,547	27,444	26,942
Δ ("like for like")	0.1%	-4%	-0.2%	-4%
Op. income (EBIT)	-73	-199	-1,048	-396
Op. margin (EBIT)	-0.8	-0.2	-3.8	-1.5%
Items affecting comparability	-8	-77	-977	-462
Adjusted operating income (EBIT)	-65	-120	-71	66
Adjusted operating margin (EBIT)	-0.7%	-1.4%	-0.3%	2.0
Net financial items	-13	-12	-25	-28
Income before tax	-86	-211	-1,073	-424
Tax	-36	-13	-117	-120
Net income	-122	-224	-1,190	-544

* Changes excluding acquisitions/divestments and exchange rates.

Net sales for the Group totaled SEK 8,840m (8,547). Adjusted for currency effects, this represented organic growth of 0.1%.

As a result of continued digitization, mail volumes declined in the quarter by 12% overall, 12% in Sweden and 11% in Denmark. Income from digital services at PostNord Strålfors increased by 15%. Parcel volumes rose by 10% as a result of further strong growth in e-commerce, where B2C parcel volumes increased by 20%. Income for third-party logistics increased overall by 7%. Expansion in the Group's logistics services led to an increase in transportation costs.

External net sales, by business area (January-September 2018)



OPERATING INCOME

SEKm	Jul.-Sep.		Jul.-Sep.	
	2018	2017*	2018	2017*
PostNord Sweden	105	120	465	652
PostNord Denmark	-143	-226	-439	-541
PostNord Norway	-18	-12	0	10
PostNord Finland	6	3	11	3
PostNord Strålfors	42	33	134	132
Other business activities	8	7	13	32
Other & eliminations	-64	-48	-255	-221
Adjusted operating income (EBIT)	-65	-123	-71	66
<i>Items affecting comparability, PostNord Denmark:</i>				
Other income, government subsidy	-	-	1,533	-
Provisions for restructuring measures	-	-77	-2,562	-462
Capital gain on sale of property	-	-	73	-
Exchange rate difference, items affecting comparability	-8	-	-21	-
Operating income (EBIT)	-73	-199	-1,048	-396

* 2017 figures restated to reflect new segment reporting, see Note 3.

Operating income for the third quarter was SEK -73m (-199) million. Items affecting comparability, SEK -8m (-77) net, are recognized in the period. These consist of currency effects relating to items affecting comparability recognized earlier.

Adjusted operating income totaled SEK -65m (-123). The improvement is attributable mainly to the transformation in Denmark and cost savings.

Net financial items totaled SEK -13m (-12) for the period. The Group's tax liability totaled SEK -36m (-13) for the quarter and SEK -117m (-120) on an accumulated basis. The relatively high tax liability arises because deferred tax has not been recognized regarding Denmark's deficit, since it is estimated that the tax loss carry-forward cannot be utilized within a reasonable period. Sweden's new tax rules for the business sector, which provide for a two-stage reduction in the rate of corporation tax after December 31, 2018, made a positive contribution to the Group's deferred taxes in the amount of SEK 21m in the quarter. Net income totaled SEK -122m (-224).

Operating income on an accumulated basis was SEK -1,048m (-396). Items affecting comparability of SEK -977m (-462) on an accumulated basis consist above all of State aid received in Denmark and provision for terminating the employment of personnel in Denmark with special employment conditions.

Cash flows and financial position

CASH FLOWS

SEKm	Jul-Sep		Jan-Sep	
	2018	2017	2018	2017
Cash flow from operating activities	-371	-370	1,466	1,542
Cash flow from investing activities	-358	170	-668	-515
Cash flow from financing activities	-779	-13	-56	272
Cash flow for the period	-1,508	-213	742	1,299
Cash and cash equivalents, closing balance	2,648	2,872	2,648	2,872

Cash flows from operating activities before changes in working capital totaled SEK 77m (59). Working capital showed a change of SEK -448m (-429) during the quarter, mainly as a result of seasonal fluctuations. Cash flow from operating activities totaled SEK -371m (-370).

Investments in property, plant and equipment and in non-current intangible assets during the period totaled SEK 211m (232). The investments were made above all in new terminals, vehicles, third-party logistics equipment and IT development.

Changes regarding acquisition and disposal of financial assets were attributable in the main to the Group's liquidity management. Investments in commercial paper increased by SEK 150m during the period. In the same period last year, these investments decreased by SEK 400m.

The Group's equity increased to SEK 6,564m from SEK 6,266m on June 30, 2018. The change arose primarily through net income for the period, revaluation of pension commitments and a positive translation difference as a result of the Norwegian krone strengthening against the Swedish krona.

NET DEBT

SEKm	Sep. 30	June 30	Mar. 31	Dec. 31	Sep. 30
	2018	2018	2018	2017	2017
Interest-bearing debt	3,742	4,525	3,797	3,778	4,019
Pensions and disability pension plans	-903	-389	-1,395	-1,145	201
Long- and short-term investments	-355	-204	-334	-494	-422
Cash and cash equiv.	-2,648	-4,157	-1,823	-1,901	-2,872
Net debt	-164	-225	245	238	926
Net debt ratio	-2%	-4%	3%	3%	14%

The Group's net debt is positive at SEK 164m net.

Interest-bearing debt at the end of the period consisted of long-term loans of SEK 1,887m (3,712) and short-term loans of SEK 1,855m (307). During the quarter, an SEK 2,000m bank loan was repaid and refinancing obtained via the issue of MTN bonds totaling SEK 1,300m in the capital market. Pensions and disability pension plans benefited above all from strong yields from assets under management during the quarter. The closing balance of current liabilities in commercial paper increased to SEK 800m (300).

The net debt ratio at the end of the period was -2% (14), below the Group target of 10-50%.

Adjusted return on capital employed (ROCE) was 2.8% (-2.2).

At the end of the quarter, the Group's financial preparedness totaled SEK 4,799m (5,012), represented by cash and cash equivalents of SEK 2,648m (2,872), short-term investments of SEK 151m (141) and unutilized long-term confirmed credit facilities of SEK 2,000m (2,000).

Sustainability

The average number of employees (FTEs) totaled 30,084 (31,422), a fall of 1,338 since Q3 2017. The number of employees has been reduced to align the business with lower revenue from products adversely affected by digitization, and to boost the Group's competitiveness. Sick leave totaled 5.6% (5.0). The level is still high, but has gradually fallen and is now 0.1 percentage point lower than at year-end. In order to address the problem of sick leave, both rehabilitation and preventive measures have been taken. In the third quarter, the proportion of women at management levels 1-3 was 36.3%, an increase of 1% from the second quarter (35.3). The proportion of women at management levels 4-6 was 32.5%, a decrease from previous quarter (32.3).

During the first nine months of the year, carbon dioxide emissions totaled 252,839 tonnes, 5% lower than in the same period in 2017, and a reduction of 34% since the base year 2009. The target is a reduction of 40% by the end of 2020. All units apart from Sweden have cut their emissions. The explanation lies in the reduction obligation quota system introduced at mid-year 2018 in Sweden, which has made it more difficult to buy fuel with high biofuel blends. In Denmark, our climate impact is falling thanks to transport optimization measures and the new production model. Norway is anticipating high Christmas volumes, but the forecast is that we will meet our target. PostNord Strålfors' good results were attributable firstly to the relocation of production from Denmark to Ljungby in Sweden and secondly to a constant volume of transportation with a proportion of green electricity that has risen to 89% in Finland.

Delivery quality for stamped letters in Sweden has remained steady since January at around 99%, which is above the new legal requirement that 95% of stamped letters must be delivered to the intended recipient within two business days. The outcome for September was 99.4% and for the trailing 12-month period 98.6%. In Denmark, an all-new production model was implemented in January, requiring a huge transformation in the Danish production system. In September, quality rose to 96.5% for Denmark's Brevet. This was the third consecutive month with a result at or near 97%. Delivery on a trailing 12-month basis was 94.9%, which was above the legal requirement of 93%. In parcels, volumes continue to increase in pace with the growth in e-commerce. The weighted quality in parcels for the PostNord Group was 95.5% in September and 94.4% on a trailing 12-month basis.

The long-term goal - to be achieved by no later than 2020 - is for 80% of the Group's total purchasing to be made from suppliers who comply with the Code of Conduct. At the end of the third quarter, the proportion of total Group purchases from suppliers signed up to PostNord's Code of Conduct for Suppliers was around 70% (including procurement of services from service partners). During the third quarter, work on checking supplier compliance with the Code of Conduct for Suppliers continued. In the year to date, approximately 260 suppliers have been requested to perform a self-assessment and 20 have undergone an on-site audit. At the end of the quarter, 48% of total purchase volumes originated from suppliers who had successfully undergone PostNord's process to verify compliance with the Code of Conduct. The selection of sub-contract suppliers to undergo the audit is based on the perceived risk from their business.

Parent Company

The Parent Company conducted very limited operations, in the form of intra-Group services. No net sales were recognized during the quarter or in the comparable quarter last year. Net income for the period totaled SEK -13m (-15) and on an accumulated basis SEK -41m (-74).

Related parties

On October 20, 2017, PostNord's owners - the Swedish and Danish States - entered into an agreement under which they will make a contribution of SEK 2.2bn. According to the agreement, PostNord received SEK 1,533m from the Danish State in June 2018 on receiving the EU Commission's approval of the State subsidy to maintain the universal postal service. The subsidiary is provided specifically to cover the costs of terminating the employment of personnel in Denmark with special employment conditions. In addition, an SEK 267m contribution of shareholder's equity will be made by the Danish State and an SEK 400m contribution of shareholder's equity by the Swedish State. The capital contribution will be made on receiving approval from the EU Commission.

POSTNORD SWEDEN

SEKm	Jul.-Sep.		Jan.-Sep.	
	2018	2017	2018	2017
Net sales	5,425	5,245	16,910	16,404
Δ ("like for like")	3%	-1%	3%	-2%
-Comm. Sw. (ext.)	2,521	2,578	8,087	8,276
Δ ("like for like") -eComm. & Log. (ext.)	-2%	-6%	-2%	-6%
2,649	2,436	8,044	7,424	
Δ ("like for like")	9%	7%	8%	5%
- internal	255	231	778	704
Op. income (EBIT)	105	120	465	652
Op. margin (EBIT)	1.9%	2.3%	2.7%	4.0%

* Changes excluding acquisitions/divestments and exchange rates.

Net sales in Sweden increased by in all 3%.

At Communication Services, sales decreased via continued digitization, resulting in a 12% decline in mail volumes, including addressed direct mail.

Sales for eCommerce & Logistics increased mainly through further strong growth in e-commerce, in which B2C parcels increased by 25%, although third-party logistics and heavy logistics are also showing growth.

The decrease in earnings for the quarter and on an accumulated basis arose primarily through the decrease in the amount of letters, but also because of costs incurred to ensure quality.

POSTNORD DENMARK

SEKm	Jul.-Sep.		Jan.-Sep.	
	2018	2017	2018	2017
Net sales	1,993	1,977	6,203	6,301
Δ ("like for like")	-8%	-9%	-8%	-11%
-Comm. Sw. (ext.)	832	906	2,640	3,064
Δ ("like for like") -eComm. & Log. (ext.)	-16%	-22%	-19%	-23%
1,051	965	3,207	2,908	
Δ ("like for like")	0%	6%	3%	7%
- internal	110	108	356	330
Op. income (EBIT)	-152	-304	-1,416	-1,004
Op. margin (EBIT)	-7.6%	-15.4%	-22.8%	-15.9%
Items aff. comp.	-8	-77	-977	-462
Adj. Op. Inc. (EBIT)	-143	-226	-439	-541
Adj. Op. Marg. (EBIT)	-7.2%	-11.4%	-7.1%	-8.9%

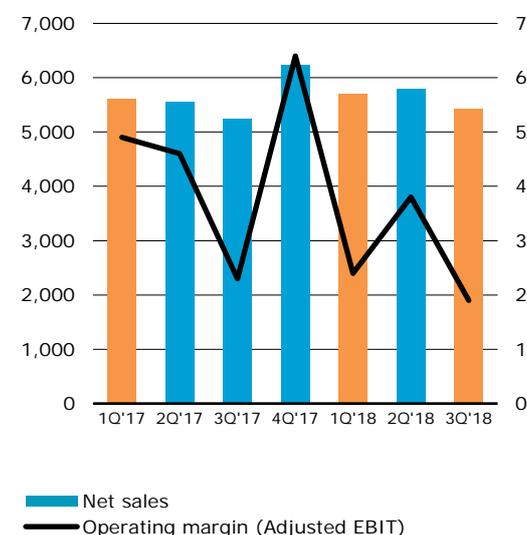
* Changes excluding acquisitions/divestments and exchange rates.

In Communication Services, sales fell as a result of a 11% decrease in Denmark's mail volumes and because Post Danmark, as part of its restructuring, decided that from the beginning of 2018 distribution of unaddressed direct mail and weekly newspapers would no longer be offered. In eCommerce & Logistics, like-for-like sales were on a level with those of the preceding year.

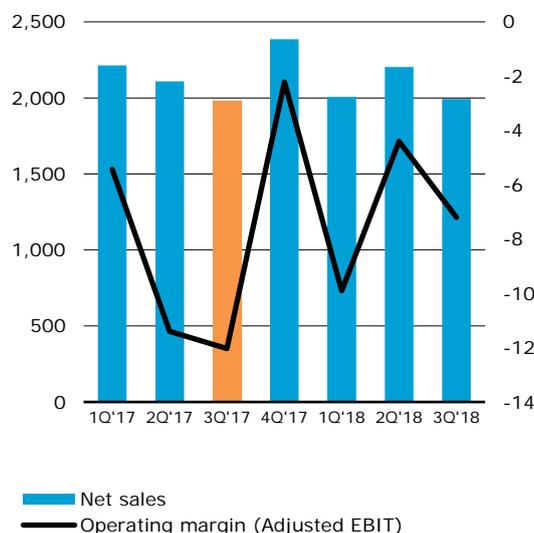
Items affecting comparability for the quarter, SEK -8m (-77) net are charged to operating income and consist of currency effects on items from the preceding quarter. These items comprise government subsidy received, provision for termination of employment of personnel with special employment conditions and capital gains on sales of properties.

Adjusted operating income for the quarter and on an accumulated basis indicates a lower loss as a result of cost savings in the transformation program.

Sales and operating margin



Sales and operating margin



POSTNORD NORWAY

SEKm	Jul.-Sep.		Jan.-Sep.	
	2018	2017	2018	2017
Net sales	1,019	920	3,050	2,810
Δ ("like for like")	4%	0%	6%	-4%
-Comm. Sw. (ext.)	16	10	38	34
Δ ("like for like") -eComm.& Log.(ext.)	41%	3%	10%	25%
Log.(ext.)	829	758	2,485	2,347
Δ ("like for like")	3%	-5%	3%	-8%
- internal	175	152	526	428
Op. income (EBIT)	-18	-12	0	10
Op. margin (EBIT)	-1.8%	-1.3%	0.0%	-0.4%

* Changes excluding acquisitions/divestments and exchange rates.

Sales increased during the quarter, mainly through growth in B2C parcels. Continued competition in the market led to lower average revenue. The lower operating income in the quarter was due to lower-than-anticipated volumes.

POSTNORD STRÅLFORS

SEKm	Jul.-Sep.		Jan.-Sep.	
	2018	2017	2018	2017
Net sales	474	478	1,523	1,553
Δ ("like for like")	-5%	2%	-5%	-2%
-Comm. Sw. (ext.)	440	444	1,419	1,451
Δ ("like for like")	-5%	-4%	-5%	-3%
- internal	34	34	104	102
Op. income (EBIT)	42	33	134	132
Op. margin (EBIT)	8.9%	6.9%	8.8%	8.5%

* Changes excluding acquisitions/divestments and exchange rates.

Like-for-like sales showed a certain decline as a result of digitization which led to reduced volume in physical items.

The improved operating income for the quarter was attributable mainly to good growth in digital services.

POSTNORD FINLAND

SEKm	Jul.-Sep.		Jan.-Sep.	
	2018	2017	2018	2017
Net sales	291	250	853	751
Δ ("like for like")	7%	3%	6%	2%
-Comm. Sw. (ext.)	2	2	8	9
Δ ("like for like") -eComm.& Log.(ext.)	-5%	-28%	-20%	-19%
Log.(ext.)	187	166	566	511
Δ ("like for like")	3%	-3%	4%	-3%
- internal	102	82	279	231
Op. income (EBIT)	6	3	11	3
Op. margin (EBIT)	2.1%	1.2%	1.3%	0.4%

* Changes excluding acquisitions/divestments and exchange rates.

Sales increased during the quarter, mainly through strong growth in B2C parcels.

The improvement in operating income was the result of growth above all in B2C parcels and efficiency improvements in transport.

OTHER BUSINESS ACTIVITIES

SEKm	Jul.-Sep.		Jan.-Sep.	
	2018	2017	2018	2017
Net sales	317	284	955	922
Δ ("like for like")	3%	11%	4%	2%
-Comm. Sw. (ext.)	58	57	177	172
Δ ("like for like") -eComm.& Log.(ext.)	1%	0%	3%	-4%
Log.(ext.)	258	226	774	748
Δ ("like for like")	3%	10%	0%	0%
- internal	1		5	
Op. income (EBIT)	8	7	13	32
Op. margin (EBIT)	2.5%	2.5%	1.4%	3.5%

* Changes excluding acquisitions/divestments and exchange rates.

Sales overall increased, although underlying differences between the markets were evident. APAC (Asia Pacific) shows good growth, but operations in the EU report lower sales.

The improvement in income arose mainly through the increase in revenue.

MAJOR EVENTS AFTER THE REPORTING PERIOD

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

Solna, October 26, 2018
 PostNord AB (publ), CIN 556771-2640

Håkan Ericsson
President and Group CEO

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 8.00 a.m. CET on October 26, 2018.

FINANCIAL CALENDAR

Year-end report 2018	February 1 2019
Annual and Sustainability Report 2018	Week 12 2019
Annual General Meeting	April 24 2019
Interim report January-March 2019	April 24 2019
Interim report January-June 2019	July 17 2019
Interim report January September 2019	October 25 2019

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Review report

PostNord AB
CIN 556771-2640

Introduction

We have reviewed the interim financial information (interim report) for PostNord AB on September 30, 2018 and the nine-month period that ended on that date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report on the basis of our limited review.

Focus and scope of the review

We performed our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review comprises making enquiries, mainly to those responsible for financial and accounting matters, performing an analytical review and undertaking other review measures. A review has different focus to and substantially more limited scope than the focus and scope of an audit conducted in accordance with International Standards on Auditing (ISAs) and other generally accepted auditing standards. The assessment performed in a review does not enable us to obtain a level of assurance that would make us aware of all key circumstances that may have been possible to identify had an audit been performed. The conclusion expressed on the basis of a review does not therefore give the same assurance as a conclusion expressed on the basis of an audit.

Conclusion

On the basis of our review, nothing has come to light that gives us reason to believe that the interim report has not, in all material aspects, been drawn up for the Group according to IAS 34 and the Swedish Annual Accounts Act, and for the Parent Company according to the Swedish Annual Accounts Act.

Stockholm, October 26, 2018

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

Group financial statements

Income statement

SEKm	Note	Jul-sep 2018	Jul-sep 2017	Jan-sep 2018	Jan-sep 2017	Jan-dec 2017
	1					
Net sales		8,840	8,547	27,444	26,942	37,007
Other income		112	76	1,949	208	324
Income	3	8,952	8,623	29,394	27,150	37,331
Personnel expenses	4	-3,730	-3,828	-14,509	-12,577	-16,792
Transport expenses		-2,783	-2,588	-8,286	-7,654	-10,542
Other expenses		-2,204	-2,085	-6,712	-6,328	-8,804
Depreciation, amortization and impairments		-309	-321	-935	-987	-1,317
Expenses		-9,025	-8,822	-30,442	-27,546	-37,455
OPERATING INCOME		-73	-199	-1,048	-396	-124
Financial income	6	17	17	19	34	60
Financial expenses		-19	-29	-44	-62	-72
Net financial items		-13	-12	-25	-28	-12
INCOME BEFORE TAX		-86	-211	-1,073	-424	-136
Tax		-36	-13	-117	-120	-201
NET INCOME		-122	-224	-1,190	-544	-337
Attributable to						
Parent company shareholders		-123	-224	-1,192	-546	-339
Non-controlling interests	1	1	0	2	2	2
Earnings per share, SEK		-0.06	-0.11	-0.59	-0.27	-0.17

Statement of comprehensive income

SEKm	Jul-sep 2018	Jul-sep 2017	Jan-sep 2018	Jan-sep 2017	Jan-dec 2017
NET INCOME	-122	-224	-1,190	-544	-337
OTHER COMPREHENSIVE INCOME					
Items that cannot be transferred to net income					
Revaluation of pension liabilities	594	-301	173	-196	214
Change in deferred tax	-131	66	-38	43	-47
Total	463	-235	135	-153	167
Items that have been or may be transferred to net income					
Cash flow hedges after tax	-3	1	-2	3	4
Translation differences	-40	-1	258	-107	-118
Total	-43	0	256	-104	-114
TOTAL OTHER COMPREHENSIVE INCOME	420	-235	391	-257	53
COMPREHENSIVE TOTAL INCOME	298	-459	-799	-801	-284
Attributable to					
Parent company shareholders	297	-459	-801	-803	-286
Non-controlling interests	1	0	2	2	2

Statement of financial position

SEKm	Note	30 sep 2018	30 jun 2018	31 mar 2018	31 dec 2017	30 sep 2017
	1					
ASSETS						
Goodwill		2,653	2,668	2,634	2,560	2,568
Other intangible assets		744	762	778	792	808
Property, plant and equipment		7,902	8,028	7,871	7,822	7,647
ventures		81	81	92	81	75
Financial investments	6	204	200	198	198	282
Non-current receivables		1,179	1,078	1,551	1,285	869
Deferred tax assets		75	101	112	123	77
Total non-current assets		12,838	12,918	13,236	12,861	12,326
Inventories		108	103	91	88	93
Tax assets		218	229	232	226	190
Trade receivables	6	4,776	4,734	4,368	4,833	4,418
Prepaid expenses and accrued income ¹⁾		1,617	1,758	1,584	1,402	1,332
Other receivables ¹⁾		188	240	165	167	213
Short-term investments	6	151	4	136	296	141
Cash and cash equivalents	6	2,648	4,157	1,823	1,901	2,872
Assets held for sale		100	108	129	125	137
Total current assets		9,806	11,333	8,528	9,038	9,396
TOTAL ASSETS		22,644	24,251	21,764	21,899	21,722
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		-1,491	-1,448	-1,558	-1,747	-1,737
Retained earnings		-3,902	-4,242	-2,970	-2,845	-3,372
Total equity attributable to parent company shareholders		6,561	6,264	7,426	7,362	6,845
Non-controlling interests		3	2	4	3	3
TOTAL EQUITY		6,564	6,266	7,430	7,365	6,848
LIABILITIES						
Non-current interest-bearing liabilities	6	1,887	1,594	3,574	3,556	3,712
Other non-current liabilities		54	53	52	52	44
Pensions		144	660	-	-	996
Other provisions	4	2,743	3,332	1,565	1,724	1,361
Deferred tax liabilities		679	579	831	744	529
Total non-current liabilities		5,507	6,218	6,022	6,076	6,642
Current interest-bearing liabilities	6	1,855	2,931	223	222	307
Trade payables	6	2,374	2,687	2,394	2,638	2,164
Tax liabilities		0	58	30	42	52
Other current liabilities	6	1,783	1,509	1,585	1,457	1,706
Accrued expenses and prepaid income		2,992	3,471	3,547	3,507	3,191
Other provisions	4	1,569	1,111	533	592	812
Total current liabilities		10,573	11,767	8,312	8,458	8,232
TOTAL LIABILITIES		16,080	17,985	14,334	14,534	14,874
TOTAL EQUITY AND LIABILITIES		22,644	24,251	21,764	21,899	21,722

Statement of cash flows

SEKm	Jul-sep 2018	Jul-sep 2017	Jan-sep 2018	Jan-sep 2017	Jan-dec 2017
OPERATING ACTIVITIES					
Income before tax	-86	-211	-1,073	-424	-136
Adjustments for non-cash items ¹⁾	263	463	3,279	2,274	1,933
Paid income tax	-100	-193	-269	-303	-398
Cash flow from operating activities before changes in working capital	77	59	1,937	1,547	1,399
Cash flow from changes in working capital					
Increase(-)/decrease(+) in inventories	-4	-2	-20	8	13
Increase(-)/decrease(+) in other operating receivables	57	72	32	667	93
Increase(+)/decrease(-) in other operating liabilities	-520	-502	-470	-663	-106
Other changes in working capital	19	3	-13	-17	-38
Changes in working capital	-448	-429	-471	-5	-38
Cash flow from operating activities	-371	-370	1,466	1,542	1,361
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	-171	-201	-711	-534	-958
Sale of property, plant and equipment	5	2	21	12	23
Acquisition of other intangible fixed assets	-40	-31	-117	-176	-238
Acquisition of financial assets	-152	-	-156	-417	-589
Sale of financial assets	-	400	295	600	695
Cash flow from investing activities	-358	170	-668	-515	-1,067
FINANCING ACTIVITIES					
Amortized debts	-2,075	-2,225	-2,229	-2,225	-2,483
New loans	1,296	2,225	2,171	2,525	2,525
Dividend paid	-	-	-2	-2	-2
Increase(+)/decrease(-) in other interest-bearing liabilities	-	-13	4	-26	-9
Cash flow from financing activities	-779	-13	-56	272	31
CASH FLOW FOR THE PERIOD					
Cash and cash equivalents, opening balance	4,157	3,086	1,901	1,577	1,577
Translation difference in cash and cash equivalents	-1	-1	5	-4	-1
Cash and cash equivalents, closing balance	2,648	2,872	2,648	2,872	1,901

¹⁾ Adjustments for non-cash items

Depreciation and impairments of non-current assets	309	321	935	987	1,317
Change in pension liability	111	-2	446	1,228	774
Other provisions	-161	127	1,966	41	-219
Other	4	17	-68	18	61
Total	263	463	3,279	2,274	1,933

Statement of changes in equity

Equity attributable to the parent company's shareholders

SEKm	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance Jan 1, 2017	2,000	9,954	-1,631	-2	-2,673	3	7,651
Net income for the period	-	-	-	-	-546	2	-544
Other comprehensive income for the period	-	-	-107	3	-153	-	-257
Total comprehensive income for the period	-	-	-107	3	-699	2	-801
Dividend	-	-	-	-	-	-2	-2
Closing balance Sep 30, 2017	2,000	9,954	-1,738	1	-3,372	3	6,848

Equity attributable to the parent company's shareholders

MSEK	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance Oct 1, 2017	2,000	9,954	-1,738	1	-3,372	3	6,848
Net income for the period	-	-	-	-	207	-	207
Other comprehensive income for the period	-	-	-11	1	320	-	310
Total comprehensive income for the period	-	-	-11	1	527	-	517
Dividend	-	-	-	-	-	-	-
Closing balance Dec 31, 2017	2,000	9,954	-1,749	2	-2,845	3	7,365

Equity attributable to the parent company's shareholders

MSEK	Capital stock ¹⁾	Contributed equity	Translation differences	Hedging reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance Jan 1, 2018	2,000	9,954	-1,749	2	-2,845	3	7,365
Net income for the period	-	-	-	-	-1,192	2	-1,190
Other comprehensive income for the period	-	-	258	-2	135	-	391
Total comprehensive income for the period	-	-	258	-2	-1,057	2	-799
Dividend	-	-	-	-	-	-2	-2
Closing balance Sep 30, 2018	2,000	9,954	-1,491	-	-3,902	3	6,564

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

Parent company financial reports in brief

Income statement

SEKm	Note	Jul-sep 2018	Jul-sep 2017	Jan-sep 2018	Jan-sep 2017	Jan-dec 2017
	1					
Other income		3	4	10	12	16
Income		3	4	10	12	16
Personnel expenses		-5	-6	-18	-22	-30
Other expenses		-1	-1	-4	-5	-12
Operating expenses		-6	-7	-22	-27	-42
OPERATING INCOME		-3	-3	-12	-15	-26
Interest income and similar income items		0	0	2	0	-
Interest expense and similar expense items		-9	-12	-31	-56	-65
Financial items		-9	-12	-29	-56	-65
Income after financial items		-13	-15	-41	-71	-91
Balance sheet appropriations		-	-	-	-	90
Income before tax		-13	-15	-41	-71	-1
Tax		-	-	-	-3	-3
NET INCOME		-13	-15	-41	-74	-4

Statement of comprehensive income

SEKm	Jul-sep 2018	Jul-sep 2017	Jan-sep 2018	Jan-sep 2017	Jan-dec 2017
Net income	-13	-15	-41	-74	-4
Other comprehensive income for the period	-	-	-	-	-
COMPREHENSIVE INCOME	-13	15	-41	-74	-4

Balance sheet

SEKm	Note	30 sep 2018	30 jun 2018	31 mar 2017	31 dec 2017	30 sep 2017
	1					
ASSETS						
Financial assets		11,703	11,701	11,699	11,699	11,698
Total non-current assets		11,703	11,701	11,699	11,699	11,698
Current receivables		7,207	8,803	7,226	7,320	7,384
Total current assets		7,207	8,003	7,226	7,320	7,384
TOTAL ASSETS		18,910	19,704	18,925	18,928	19,082
EQUITY AND LIABILITIES						
Equity		15,723	15,736	15,753	15,764	15,694
Non-current liabilities		1,330	1,032	2,978	2,978	3,078
Current liabilities		1,858	2,937	194	186	310
TOTAL EQUITY AND LIABILITIES		18,910	19,704	18,925	18,928	19,082

Notes to financial statements

Note 1 – Accounting principles

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, supplemented by rules in the Swedish Annual Accounts Act. The provisions of Chapter 9 of the Swedish Annual Accounts are applied in the Parent Company. Other disclosures in accordance with IAS 34.16A are presented both in the financial statements and other parts of the interim report.

The Group and the Parent Company apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers with effect from January 1, 2018. The adoption of IFRS 9 and IFRS 15 has not required any adjustment to the Group's opening equity either in 2017 or 2018. In the case of IFRS 15, PostNord has opted for full retrospective application, meaning that revenue for the year shown for comparison is recognized in accordance with IFRS 15. This gives an impact of SEK -72m on net sales and other costs in 2017 is reduced by a corresponding amount. For more information, see Note 3.

In the case of IFRS 9, information provided for comparison has not been restated. Changes in principles for impairments of loan and trade accounts receivable affect recognized income for the Group and its financial position. The Group has taken the view that all financial assets previously measured at fair value should continue to be measured at fair value and that loan and trade receivables also continue to meet the criteria to be recognized at amortized cost. The Group applies the simplified approach to recognition of expected credit losses on trade receivables. This means that expected credit losses for the remaining time to maturity are taken into account. In the case of certain receivables and cash and cash equivalents, the general approach is taken to expected credit losses. These receivables generally have a short time to maturity.

During the quarter, the Group received a government subsidy of SEK 1,533m from the Danish State. Under IAS 20, government subsidiaries are recognised in the statement of financial position and the statement of comprehensive income when there is reasonable assurance that the company will fulfill the conditions associated with the subsidies and that the subsidies will be obtained. Government subsidies are recognised as other operating income in net income over the same periods as the costs that the subsidies are intended to compensate for.

Otherwise, the same accounting policies and calculation methods have been used in the interim report as in the 2017 annual report for the Group and Parent Company.

New IFRS not yet adopted

A number of new or revised IFRSs will come into effect in the next few financial years and have not been adopted early in the preparation of these financial statements. Work on IFRS 16 continues. The analysis of the lease portfolio has been completed and system implementation is in progress. The Group will apply the modified retroactive approach, in which the accrued effect of the transition will be recognized in the opening balance on January 1, 2019.

Note 2 - Risks

The Parent Company and the Group are exposed to strategic, operational and financial risks. The Danish business is undergoing a far-reaching transition to a new production model in order to bring about long-term sustainable profitability. This will involve major restructuring costs and the anticipation of losses during the transformation. On May 28, the EU Commission notified its approval of the SEK 1,533m government subsidy to fund compensation from the Danish State to Post Danmark A/S to meet the extra costs of the universal postal service. On June 11, PostNord's Board of Directors agreed to carry through with immediate effect the previously announced transformation of PostNord Denmark that had been pending the EU's approval of the financing arrangement. See PostNord's 2017 Annual and Sustainability Report (page 26 and Note 2 on page 52), for a description of risks, uncertainties, other risk management and significant assessments and estimates.

Note 3 – Segments

The Group's organization into segments is principally based on the companies' registered geographical domicile. The PostNord Strålfors segment is organized on the basis of the nature of the business. Market pricing applies to internal dealings between the Group's segments. Effective 2018, segment reporting is amended with regard to the segments Direct Link and Other, as described in the following.

Figures presented for comparison are restated.

- Formerly, the segments were reported inclusive of costs of Group-wide functions, that were not invoiced, using an operating allocation model. As of this report, the above-mentioned costs of Group-wide functions are reported via Other and eliminations.
- A new segment comprising Other business activities is formed of the previous segments Direct Link and other business activities formerly reported via the segment Other.
- At Group level, the cost of and allocation for non-vested pensions in Sweden are measured for the "interim provisions" in accordance with IAS 19. This IAS adjustment is transferred from the segment Other to the segment PostNord Sweden.

PostNord Sweden operates in the mail, logistics and e-commerce sectors in the Swedish market and is responsible for all PostNord's fulfillment operations.

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

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

PostNord Strålfors operates in the information logistics sector. The company develops and offers communications solutions in the printing, distribution and digital fields.

Other business activities comprises Direct Link, which operates in global distribution of market communications and lightweight goods, mainly on behalf of e-retailers, and other business activities on a minor scale. Direct Link's business is conducted in the USA, the United Kingdom, Germany, Singapore, Hong Kong and Australia.

Other & eliminations fall within Group-wide functions, including the Parent Company and consolidation adjustments.

Net sales per segment	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEKm	2017	2017	2017	2017	2018	2018	2018
PostNord Sweden	5,608	5,551	5,245	6,235	5,694	5,791	5,425
-of which internal	241	233	231	271	269	254	255
PostNord Denmark	2,214	2,108	1,977	2,386	2,006	2,204	1,993
-of which internal	112	110	108	145	119	126	110
PostNord Norway	961	929	920	1,061	965	1,065	1,019
-of which internal	126	151	152	204	157	194	175
PostNord Finland	251	250	250	277	268	294	291
-of which internal	73	76	82	91	83	94	102
PostNord Strålfors	557	518	478	528	519	531	474
-of which internal	32	36	34	44	34	37	34
Other business activities	321	317	284	334	317	322	317
-of which internal	1	0	0	-1	2	1	1
Other and eliminations	-584	-606	-607	-755	-667	-705	-680
Total Group	9,328	9,067	8,547	10,066	9,102	9,502	8,839

Operating income per segment	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEKm if not otherwise stated	2017	2017	2017	2017	2018	2018	2018
PostNord Sweden	274	258	120	397	138	222	105
-as % of net sales, EBIT	4.9	4.6	2.3	6.4	2.4	3.8	1.9
PostNord Denmark	-195	-505	-304	-35	-199	-1,065	-152
-as % of net sales, EBIT	-8.8	-24.0	-15.4	-2.2	-9.9	-48.3	-7.6
PostNord Norway	23	-1	-12	35	1	17	-18
-as % of net sales, EBIT	2.4	-0.1	-1.3	3.3	0.1	1.6	-1.8
PostNord Finland	1	-1	3	5	1	4	6
-as % of net sales, EBIT	0.4	-0.4	1.2	1.8	0.3	1.4	2.1
PostNord Strålfors	56	43	33	39	47	46	42
-as % of net sales, EBIT	10.1	8.3	6.9	7.4	9.0	8.6	8.9
Other business activities	14	11	7	13	4	2	8
-as % of net sales, EBIT	4.4	3.5	2.5	3.9	1.2	0.6	2.5
Other and eliminations	-79	-97	-48	-181	-66	-127	-64
Operating income	94	-292	-199	273	-74	-901	-73
-as % of net sales, EBIT	1.0	-3.2	-2.3	2.7	-0.8	-9.5	-0.8

Note 3 – Segments, contd.

Adjusted operating income per segment SEKm if not otherwise stated	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
PostNord Sweden	274	258	120	397	138	222	105
-as % of net sales, Adjusted EBIT	4.9	4.6	2.3	6.4	2.4	3.8	1.9
PostNord Denmark	-97	-218	-226	-33	-199	-96	-143
-as % of net sales, Adjusted EBIT	-4.4	-10.3	-11.4	-1.4	-9.9	-4.4	-7.2
PostNord Norway	23	-1	-12	35	1	17	-18
-as % of net sales, Adjusted EBIT	2.4	-0.1	-1.3	3.3	0.1	1.6	-1.8
PostNord Finland	1	-1	3	5	1	4	6
-as % of net sales, Adjusted EBIT	0.4	-0.4	1.2	1.8	0.3	1.4	2.1
PostNord Strålfors	56	43	33	39	47	46	42
-as % of net sales, Adjusted EBIT	10.1	8.3	6.9	7.4	9.0	8.6	8.9
Other business activities	14	11	7	13	4	2	8
-as % of net sales, Adjusted EBIT	4.4	3.5	2.5	-3.7	1.2	0.6	2.5
Other and eliminations	-79	-97	-48	-181	-66	-127	-64
Adjusted operating income	193	-5	-123	273	-74	68	-65
-as % of net sales, Adjusted EBIT	2.1	0.0	-1.4	2.7	-0.8	0.7	-0.7

Net Sales, external

Segments	Business Areas			
	Communication Services		eCommerce & Logistics	
	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
PostNord Sweden	8,087	8,276	8,044	7,424
PostNord Denmark	2,640	3,064	3,203	2,908
PostNord Norway	39	34	2,485	2,347
PostNord Finland	8	9	568	511
PostNord Strålfors	1,419	1,451	-	-
Other business activities	177	172	774	748
Total	12,370	13,006	15,074	13,938
Point in time for revenue recognition				
At one point in time	11,879	12,448	14,809	13,697
Over time	491	558	265	241
Total	12,370	13,006	15,074	13,938

The above table shows PostNord's external net sales per service category (business area) and point in time for revenue recognition. The Group applies IFRS 15 as of 2018. The impact is SEK -42 (-54) on net sales with a corresponding reduction in other costs. PostNord's revenue is mostly recognized at one point in time. The main items in revenue recognition over time are third-party logistics, subscription services and mail services.

Business area eCommerce & Logistics offers logistics services for deliveries to, from and within the Nordic region. The focus is on distribution of parcels, consignment goods, pallet goods and bulk logistics (mixed-cargo groupage). Communication Services consist of services in business and market communications, newspaper distribution and postal service for individual customers. For a more detailed description of PostNord's service, see the Annual Report.

Note 4 Other provisions

2018 Jan.-Sep., SEKm	Opening balance	Provisions	Reversals	Utilizations	Impact of translation	Closing balance
Restructuring measures	1,127	2,599	-5	-452	32	3,301
Non-vested pension commitments	1,098	39	-	-239	29	927
Other	90	1	-	-11	4	84
Total	2,316	2,639	-5	-702	65	4,312
<i>Of which, current</i>	<i>592</i>					<i>1,569</i>
<i>Of which, non-current</i>	<i>1,724</i>					<i>2,743</i>

2017 Jan.-Sep., SEKm	Opening balance	Provisions	Reversals	Utilizations	Impact of translation	Closing balance
Restructuring measures	1,048	567	-9	-409	-2	1,195
Non-vested pension commitments	831	30	-	-	23	884
Other	107	-	-	-14	-	93
Total	1,986	597	-9	-423	21	2,173
<i>Of which, current</i>	<i>597</i>					<i>812</i>
<i>Of which, non-current</i>	<i>1,389</i>					<i>1,361</i>

Provision was made during the second quarter of 2018 regarding costs associated with termination of employment for employees in Denmark with special employment conditions. The restructuring program for the Danish business consists of a reduction of in all around 4,000 full-time employees in the Danish business.

Note 5 – Acquisitions and disposals

No acquisitions or disposals took place during the year or the preceding year.

Note 6 – Financial instruments

Sep 30, 2018

Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets measured at fair value	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities measured at fair value via other comprehensive	Financial liabilities measured at amortized cost	Carrying amount and Fair value	
						Carrying amount	Fair value
Financial investments	-	21	-	-	-	21	21
Derivatives	2	-	-	-	-	2	2
Trade receivables	-	4,775	-	-	-	4,775	4,775
Terminal fees ¹⁾	-	924	-	-	-	924	924
Short-term investments	-	151	-	-	-	151	151
Cash and cash equivalents	-	2,648	-	-	-	2,648	2,648
Long-term interest-bearing liabilities	-	-	-	-	-1,707	-1,707	-1,716
Current interest-bearing liabilities	-	-	-	-	-1,855	-1,855	-1,859
Trade payables	-	-	-	-	-2,374	-2,374	-2,374
Other current liabilities	-	-	-	-	-1,783	-1,783	-1,783
Derivatives	-	-	-16	-	-	-16	-16
Terminal fees	-	-	-	-	-337	-337	-337
Total financial assets and liabilities, by category	2	8,519	-16	0	-8,056	449	436

December 31, 2017

Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets measured at fair value	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities measured at fair value via other comprehensive	Financial liabilities measured at amortized cost	Carrying amount and Fair value	
						Carrying amount	Fair value
Financial investments	-	17	-	-	-	17	17
Derivatives	0	-	-	-	-	0	0
Trade receivables	-	4,833	-	-	-	4,833	4,833
Terminal fees ¹⁾	-	707	-	-	-	707	707
Short-term investments	-	296	-	-	-	296	296
Cash and cash equivalents	-	1,901	-	-	-	1,901	1,901
Long-term interest-bearing liabilities	-	-	0	-	-3,382	-3,382	-3,481
Current interest-bearing liabilities	-	-	-	-	-222	-222	-222
Trade payables	-	-	-	-	-2,638	-2,638	-2,638
Other current liabilities	-	-	-	-	-1,457	-1,457	-1,457
Derivatives	-	-	-2	-3	-	-5	-5
Terminal fees	-	-	-	-	-317	-317	-317
Total financial assets and liabilities, by category	0	7,754	-2	-3	-8,016	-267	-366

Note 6 – Financial instruments, contd.

Sep 30, 2017

Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets measured at fair value	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities measured at fair value via other comprehensive	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	-	106	-	-	-	106	106
Derivatives	3	-	-	-	-	3	3
Trade receivables	-	4,418	-	-	-	4,418	4,418
Terminal fees ¹⁾	-	560	-	-	-	560	560
Short-term investments	-	141	-	-	-	141	141
Cash and cash equivalents	-	2,872	-	-	-	2,872	2,872
Long-term interest-bearing liabilities	-	-	-	-	-3,539	-3,539	-3,557
Current interest-bearing liabilities	-	-	-	-	-307	-307	-307
Trade payables	-	-	-	-	-2,164	-2,164	-2,164
Other current liabilities	-	-	-	-	-1,706	-1,706	-1,706
Derivatives	-	-	-3	-3	-	-6	-6
Terminal fees	-	-	-	-	-361	-361	-361
Total financial assets and liabilities, by category	3	8,097	-3	-3	-8,077	17	-1

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

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 7 – Definitions and alternative key-ratios

Alternative key ratios:

In the interim report, references are made to a number of financial measures that are not defined in accordance with IFRS. These measures provide supplementary information and are used to aid external stakeholders and management in their analysis of the Company's operations. Because not all companies calculate financial measures in the same way, these are not always comparable with measures employed by other companies. As a result, these financial measures should not be regarded as substitutes for measures as defined in IFRS.

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, also defined as net debt plus equity

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

	Sep. 30	Jun.30	Mar.31	Dec.31	Sep.30
SEKm	2018	2018	2018	2017	2017
Interest-bearing debt, current	1,855	2,931	223	222	307
Interest-bearing debt, non-current	1,887	1,594	3,574	3,556	3,712
Pensions ¹⁾	144	660	-	-	996
Financial investments	-204	-200	-198	-198	-282
Non-current receivables ²⁾	-1,047	-1,049	-1,395	-1,145	-795
Short-term investments	-151	-4	-136	-296	-140
Cash and cash equivalents	-2,648	-4,157	-1,823	-1,901	-2,872
Net debt	-164	-225	245	238	926

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 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 (based on quarterly values) 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

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

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEKm, unless otherwise specified	2016	2016	2016	2017	2017	2017	2017	2018	2018	2018
PostNord Group ²⁾										
Net sales ¹⁾	9,590	8,895	10,355	9,328	9,067	8,547	10,065	9,102	9,503	8,840
Other income	76	70	63	70	62	76	116	144	1,693	112
Expenses ¹⁾	-9,936	-9,065	-11,430	-9,304	-9,420	-8,822	-9,909	-9,321	-12,096	-9,025
<i>of which, personnel expenses</i>	-4,427	-3,891	-4,578	-4,237	-4,512	-3,828	-4,215	-4,086	-6,693	-3,730
<i>of which, transport expenses</i>	-2,574	-2,483	-2,748	-2,552	-2,514	-2,588	-2,888	-2,688	-2,815	-2,783
<i>of which, other expenses</i>	-2,452	-2,328	-2,534	-2,191	-2,052	-2,085	-2,476	-2,242	-2,267	-2,204
<i>of which, depreciation, amortization and impairments</i>	-483	-363	-1,570	-324	-342	-321	-330	-305	-321	-309
Operating income (EBITDAI)	213	262	558	418	51	122	602	231	-580	236
Operating margin (EBITDAI)	2.2%	2.9%	5.4%	4.5%	0.6%	1.4%	6.0%	2.5%	-6.1%	2.7%
Operating income (EBIT)	-270	-101	-1,012	94	-291	-199	272	-74	-901	-73
Operating margin (EBIT)	-2.8%	-1.1%	-9.8%	1.0%	-3.2%	-2.3%	2.7%	-0.8%	-9.5%	-0.8%
Cash flows from operating activities	364	-656	1,424	990	922	-370	-181	-25	1,862	-371
Net debt	1,020	2,783	354	-688	32	926	238	245	-225	-164
Return on capital employed	-2.3%	-3.8%	-12.1%	-15.0%	-15.9%	-17.5%	-1.6%	-3.9%	-12.4%	-10.9%
Average number of employees (FTE)	33,365	33,897	32,405	30,960	31,210	32,096	31,134	29,469	29,998	30,790
Number of staffing (basic) at end of period	33,884	32,766	32,657	32,358	31,910	30,905	30,797	30,355	30,500	29,623
Volumes, millions of mails produced:										
Sweden, priority mail	190	172	201	185	176	160	191	174	168	150
Sweden, non-priority mail	238	224	259	263	217	207	238	226	199	173
Denmark, priority mail/Quickbrev	27	20	22	12	10	9	10	9	9	8
Denmark, non-priority and business mail	67	63	71	74	64	56	72	62	60	50
Volumes, millions of parcels produced (net): <i>(Eliminated for internal group volumes)</i>										
Parcels, group total	35	33	41	36	37	37	45	39	43	40

1) Figures for comparison have been restated to show the effect of IFRS 15. Although not for 2016.

2) IFRS 9 is applied from 2018 onward.