

**postnord**



# PostNord

Interim report for third quarter and the first nine months of 2020

## Overview

The result improved significantly also in the third quarter of the year. The efficiency programs continued to perform well and combined with the high parcel volumes contributed to the improvement in income. Growth in e-commerce led to very high parcel volumes, while mail volumes continued to decline as a result to the ongoing trend of digitalization. Delivery quality in the parcels business was adversely affected by the corona pandemic, whereas delivery quality in the mail business remained high.

### Third quarter 2020\*

- Significantly improved income
- Target of 40 percent reduction in emissions achieved, from base year 2009
- Start of pilot project for every other day deliveries in Sweden

### Effects of the corona pandemic\*

- Continued high growth in e-commerce
- Decrease in advertising mailings and incoming foreign mail

SEKm	July-September 2020	July-September 2019	January-September 2020	January-September 2019
Net sales	8,919	9,026	27,751	28,011
Operating income (EBIT)	747	57	1,578	149
Adjusted operating income (EBIT)	520	103	1,238	360
Income before tax	674	-22	1,359	-77
Net income for the period	580	-51	1,105	-166
Earnings per share (SEK)	0.29	-0.03	0.55	-0.08
Cash flow from operating activities	1,342	0	3,274	927
Net debt ratio (net debt/equity)**	87%	199%	87%	199%
Return on capital employed (ROCE)	12.2%	3.3%	12.2%	3.3%

\*The report comments on developments in July-September 2020 compared to the same period in 2019, unless otherwise indicated. The term like-for-like refers to changes in fixed currency for comparable units.

\*\*Net debt ratio including pensions but excluding lease liabilities

## Comments by the President and Group CEO

The current pandemic is affecting us all in different ways. For PostNord's part, growth in e-commerce has had great impact on our parcels business. As a result, we find today that we have reached levels that we had not expected to see for a couple of years. Even so, the sharply higher volume of parcels has also brought challenges, but by working with our customers we have maintained our important mission: to deliver parcels and letters. With that, we help to make everyday life easier for everyone who lives and works in the Nordic region. I am proud of how well we have handled the transformation.

Like-for-like net sales increased slightly over the quarter, to SEK 8,919m for the Group as a whole. The relative shares of our various businesses continued to shift. Parcel volumes increased by ten percent. In all, we handled 46 million parcels, with an ever-increasing share being delivered to the home. The mail business accounts for a declining share of our business. In the quarter, mail volumes fell by ten percent. Operating income improved considerably, to SEK 747 (57) m. Changes in cus-

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“As far as our ambition to reduce carbon dioxide emissions is concerned, I am proud to confirm that during the quarter we achieved our target of reducing the Group's total emissions by 40 percent, from the 2009 level.”

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tomers behavior and the uncertainty arising from the pandemic also mean challenges. During the quarter, we recorded parcel quality of 96 percent, which falls short of our level of ambition. We focus intensively at all times on ensuring that all parcels reach their recipient on time. Over the quarter, delivery quality for mail in Sweden was high (nearly 99 percent), exceeding the legal requirement in Sweden by a wide margin. In Denmark, we faced challenges with mail quality (approximately 94 percent). However, the result for the quarter was above the

legal requirement in Denmark. The extra costs incurred through the pandemic for sickness compensation were offset by government compensation to mitigate the effects of the pandemic, as well as by high efficiency in handling the sharply higher volume of parcels. This, combined with progress in our internal efficiency programs, helped to bring about the improved result.

As mail volumes fall, we face an increasing need to adapt the mail business. In late September, we started off a pilot project in every other day letter deliveries in the Swedish market. The results of the trial have been encouraging, which bodes well for the future. On October 1, the Swedish government set out the terms of reference for an inquiry into how the universal postal service is to be financed. This is a complex subject, and I understand that the inquiry needs to take time. At the same time, the situation in society is moving fast, and if the Swedish mail business is not to start operating at a loss, regulatory relaxations need to be put into place in parallel.

In Denmark, dialogue with politicians concerning a long-term financially sustainable letter business continues. The DKK 112m approved by the Danish government to compensate for the extra costs associated with the universal postal service in the second half of 2020 is now up for approval by the EU Commission. In parallel with that decision, we are also looking forward to a new long-term agreement with the Danish government from the turn of the year.

As far as our ambition to reduce carbon dioxide emissions is concerned, I am proud to confirm that during the quarter we achieved our target of reducing the Group's total emissions by 40 percent, from the 2009 level. This is a good starting-point for the work that we are now embarking on to achieve our ambition of operating fossil-free by 2030.

The future is still a great deal more uncertain than normal, but my view is that - with a clear strategy, high commitment and highly-skilled employees - we have good conditions for continuing our transformation into the favorite carrier of the Nordic region.

Annemarie Gardshol  
*President & Group CEO*

# Net sales and income

## Net sales

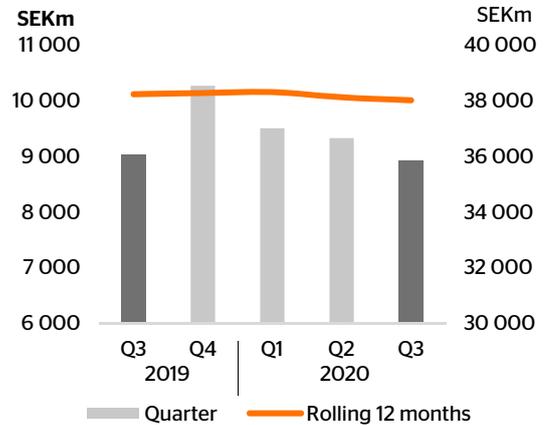
Net sales amounted to SEK 8,919m (9,026) in the third quarter, +2.9 percent in fixed currency for like-for-like units.

The trend of falling mail volumes as a result of increased digitalization continued. In all, 311 million letters were handled, a volume decline of 10 percent (9). Import volumes and unaddressed direct mail decreased sharply as a result of the corona pandemic.

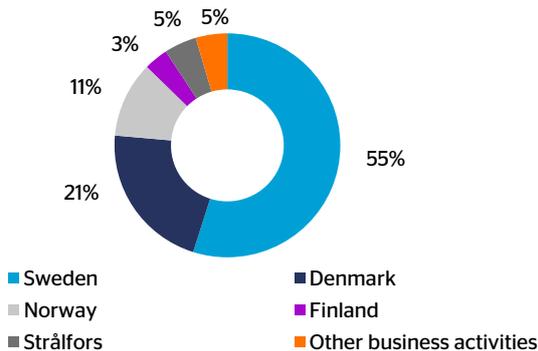
The product mix in the parcels and logistics business changed during the pandemic through changed consumer behavior, in which the demand for home deliveries and similar delivery arrangements increased sharply. Volumes to B2C (Business-to-Consumer) customers increased by 16 percent, compared to the same quarter last year, but tapered off compared to the previous quarter. Volumes to B2B (Business-to-Business) customers fell by 2 percent.

Other operating income increased to SEK 455m (132), mainly due to property sales and compensation for the universal postal service in Denmark.

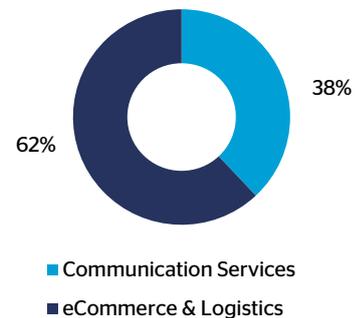
## Net sales



## Net sales per segment



## Net sales per service category

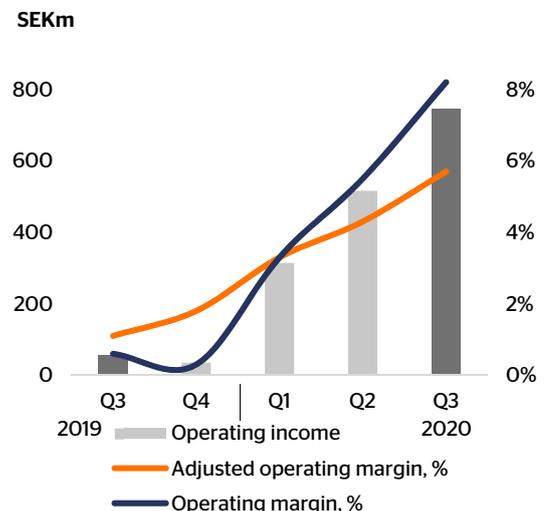


## Income

Operating profit totaled SEK 747m (57) in the third quarter, an operating margin of 8.4 percent (0.6). Income benefited from the measures undertaken within the ongoing efficiency programs, buoyant demand in the parcels business and high productivity. Government compensation in connection with the corona pandemic amounted to around SEK 20m, to compensate for sick leave costs. Capital gains from property sales in Sweden and Denmark contributed SEK 227m. Adjusted operating income therefore totaled SEK 520m (103). Net financial items amounted to SEK -73m (-79), mainly consisting of interest expense in connection with leases, pensions and loans. Tax for the period totaled SEK -94m (-29) and income for the period SEK 580m (-51).

Return on capital employed (ROCE) improved to 12.2 percent (3.3), above all as a result of the improved income.

## Operating income



# Cash flow and financial position

## Cash flow

Cash flow from operating activities totaled SEK 1,342m (0). The change arose in the main via the improved profit, together with a decrease in operating receivables, including part-settlement of surpluses from PostNord Försäkringsförening totaling SEK 400m (-), repayment of VAT and a decrease in trade receivables. Changes in operating liabilities were attributable to seasonal fluctuations and lower trade payables. Cash flow from investing activities totaled SEK 687m (-162). Disposal of a subsidiary contributed SEK 922m (-), for more details see Note 4. Investments in property, plant and equipment and in non-current intangible assets during the period totaled SEK 254m (166). Investments were made above all in vehicles, expansion of the Langhus Terminal (Norway) and sorting equipment for the parcel terminals. Cash flow from financing activities totaled SEK -349m (-303).

## Net debt

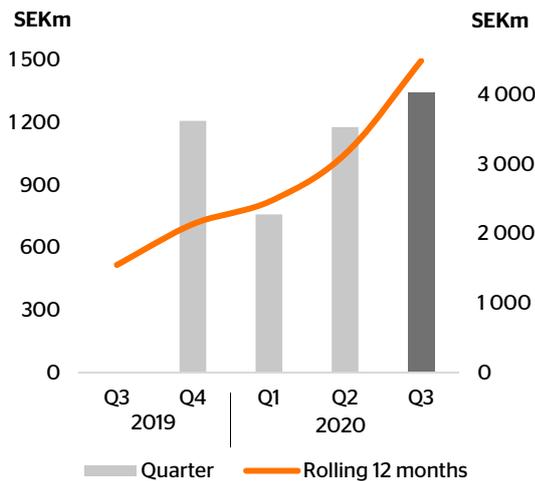
The Group's net debt, including pensions and lease liabilities, decreased by SEK 903m over the third quarter, mainly as a result of property sales and part-settlement of surpluses from PostNord Försäkringsförening (PFF), which made positive contributions to cash and cash equivalents.

Lease liabilities increased for new leased premises and the change in the pension liability in the quarter was low, as a result of a lower discount rate but also positive returns at Postens Pensionsstiftelse. The remaining surpluses after the part-settlement at PFF are recognized at SEK 236m in Other non-current receivables. The net debt ratio including pensions and lease liabilities was 285 percent (408). The Group's net debt/equity ratio excluding lease liabilities amounted to 87 percent (199), which was above the Group's target of 10-50 percent. The interest-bearing debt excluding lease liabilities amounted to SEK 3,787m (3,878). Financial preparedness at the end of the quarter amounted to SEK 9,053m (4,914), of which cash and cash equivalents totaled SEK 6,053m (2,914) and unutilized credit facilities SEK 3,000m (2,000).

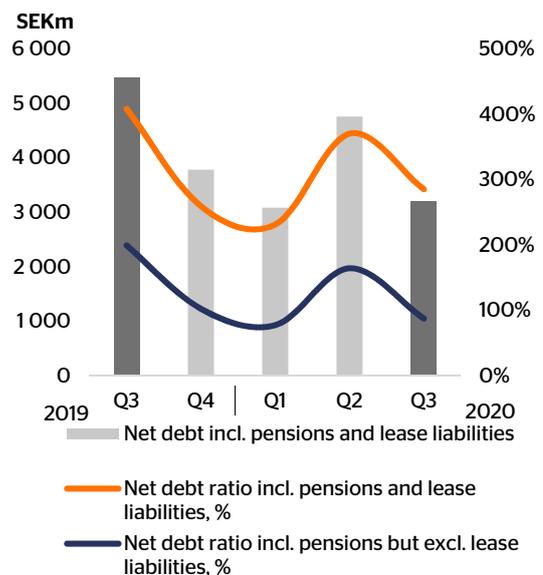
## Equity

The Group's equity increased to SEK 3,331m from SEK 2,806m on June 30, 2020. The change for the quarter is attributable to the income of SEK 580m for the period and a change of net SEK -55m after tax in the pension commitment.

Cash flow from operating activities



Net debt and net debt ratio



<b>Net debt</b>	<b>Sep. 30</b>	<b>June 30</b>	<b>Mar. 31</b>	<b>Dec. 31</b>	<b>Sep. 30</b>
<b>SEKm</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
Interest-bearing liabilities	10,169	9,524	9,830	9,550	9,513
Pensions and disability pension plans	5,656	5,532	3,346	3,500	4,710
Long- and short-term investments	-293	-297	-309	-198	-197
Cash and cash equivalents	-6,053	-4,377	-3,764	-3,398	-2,914
<b>Net debt incl. pensions and lease liabilities</b>	<b>9,479</b>	<b>10,382</b>	<b>9,103</b>	<b>9,454</b>	<b>11,112</b>
Net debt ratio incl. pensions and lease liabilities	285%	370%	231%	259%	408%
<b>Net debt incl. pensions but excl. lease liabilities</b>	<b>3,201</b>	<b>4,753</b>	<b>3,187</b>	<b>3,776</b>	<b>5,476</b>
Net debt ratio incl. pensions but excl. lease liabilities	87%	164%	79%	102%	199%
<b>Net debt excl. pensions and leases</b>	<b>-2,455</b>	<b>-779</b>	<b>-159</b>	<b>276</b>	<b>767</b>
Net debt ratio excl. pensions and lease liabilities	-67%	-27%	-4%	7%	28%

## Sustainability information

### Delivery quality

Delivery quality in Sweden is still above the legal requirement of 95 percent for stamped letters that must be delivered to the intended recipient within two working days, and has maintained a level of 98.3 percent (97.8) over the past 12 months. In Denmark, quality also exceeded the legal requirement. Over the past 12-month period, delivery quality for the "Brevet" service was 94.8 percent (95.4), compared with the legal requirement that 93 percent of letters must be delivered to the intended recipient within five working days.

Overall delivery quality for parcels in the PostNord Group was 96.0 percent (95.6) over the past 12-month period.

### Personnel

The average number of employees (FTEs) totaled 28,655 (29,774). The decline is largely due to the transformation in Denmark and Sweden, but also in other countries. The number of employees in the Group functions has also decreased.

Sick leave rose slightly, perhaps as a result of the corona pandemic, to 5.8 percent (5.3) on a trailing 12-month basis, where the individual months show limited impact. Over a multi-year perspective, sick leave has gradually fallen.

At the end of the quarter, the proportion of women at management levels 1-3 was 37 percent (36). At levels 4-6, the figure was 33 percent (32).

### Sustainable supply chain

The target for a sustainable supply chain in 2020 is that 80 percent of purchase volumes from significant suppliers should be from those who accept and comply with PostNord's Supplier Code of Conduct. The outcome for the year's first quarter was 76 percent (71). During the quarter, 70 suppliers were requested to carry out a self-assessment and three on-site audits were performed. The ongoing corona pandemic means that most on-site audits that would have been carried out in the third quarter have been deferred.

### Climate impact

Emissions for the third quarter amounted to 123,668 tonnes of carbon dioxide, -4 percent compared with the third quarter of 2019 and -40 percent compared with the base year 2009, in like-for-like units. The goal of -40 percent by the end of 2020 compared to the base year 2009 was therefore met in the third quarter.

The biggest reductions in emissions were achieved in the Swedish business, with a higher blending of biofuel, as well as a reduction in transport volumes for third-party logistics. Emissions in the Danish business were unchanged, but increased in other segments.

## Parent Company

The Parent Company conducted limited operations, in the form of intra-Group services. No net sales were recognized during this or the corresponding quarter last year.

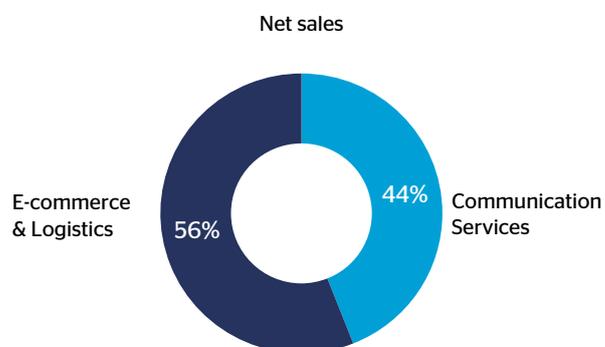
Net income for the period totaled SEK -20m (-15).

## PostNord Sweden

**Net sales** totaled SEK 5,428m (5,433), an increase of 3 percent (0) for like-for-like units. Parcel volumes increased by 6 percent (1), partly due to the sharp increase in e-commerce. Mail volumes fell by 10 percent (10), including a substantial decline in unaddressed direct mail.

**Operating profit** amounted to SEK 701m (223). The ongoing efficiency programs, the increase in postal rates on January 1 and the growth in demand for parcel deliveries all contributed to the improvement in income, together with a property sale which delivered a capital gain of SEK 202m.

**Delivery quality** for letters was 98.3 percent (97.8). The sharp rise in the number of parcels, changes in seasonal patterns caused by the pandemic and higher short-term absences created challenges in production. Nevertheless, delivery quality was recorded at 95.7 percent (96.8) for the quarter. A pilot project in every other day deliveries began towards the end of the quarter and the initial results are encouraging.



### Net sales and adjusted operating margin



# 98.3%

Delivery quality, mail. Legal requirement 95%  
Period from October 2019 to September 2020

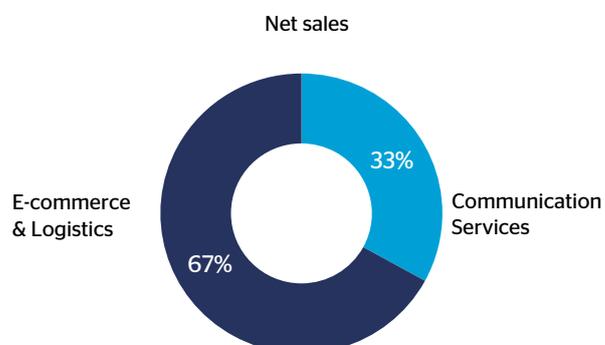
SEKm	July-September		Like-for-like Change	January-September		Like-for-like Change
	2020	2019		2020	2019	
Net sales	5,428	5,433	3%	16,960	16,972	2%
– Communication Services (external)	2,199	2,278	–3%	7,031	7,418	–5%
– eCommerce & Logistics (external)	2,787	2,801	6%	8,607	8,582	4%
– Internal	442	354	25%	1,322	973	36%
Operating income (EBIT)	701	223	214%	1,485	751	98%
Operating margin	12.9%	4.1%	-	8.8%	4.4%	-
Items affecting comparability	202	-	-	202	-	-
Adjusted operating income (adjusted EBIT)	499	223	124%	1,283	751	71%
Adjusted operating margin	9.2%	4.1%	-	7.6%	4.4%	-

## PostNord Denmark

**Net sales** totaled SEK 2,123m (2,075), an increase of 5 percent (2). Mail volumes fell by 12 percent (10), while parcel volumes increased by 14 percent (12), driven above all by strong demand from B2C customers. The proportion of sales represented by the mail business continued to fall, to a third of total sales for PostNord Denmark in the quarter.

**Operating income** improved to SEK 17m (-51). The ongoing transformation program was one factor in the improvement in income. Income was also positively impacted by compensation from the Danish government for the cost of mail deliveries. A capital gain of DKK 25m also made a positive contribution to income.

**Delivery quality** for letters, at 94.8 percent (95.4), exceeded the legal requirement, while delivery quality for parcels rose to 97.4 percent (97.1) during the quarter and 96.3 percent (96.6) over the past 12-month period.



### Net sales and adjusted operating margin



# 94.8%

Delivery quality, mail Legal requirement 93%  
Period from October 2019 to September 2020

SEKm	July-September		Like-for-like Change	January-September		Like-for-like Change
	2020	2019		2020	2019	
Net sales	2,123	2,075	5%	6,576	6,451	1%
– Communication Services (external)	648	785	-15%	2,084	2,544	-18%
– eCommerce & Logistics (external)	1,317	1,173	15%	3,997	3,504	14%
– Internal	158	118	30%	495	403	22%
Operating income (EBIT)	17	-51	-	72	-116	162%
Operating margin	0.8%	-2.5%	-	1.1%	-1.8%	-
Items affecting comparability	25	-	-	138	-	-
Adjusted operating income (adjusted EBIT)	-8	-51	-	-66	-116	-
Adjusted operating margin	-0.4%	-2.5%	-	-1.0%	-1.8%	-

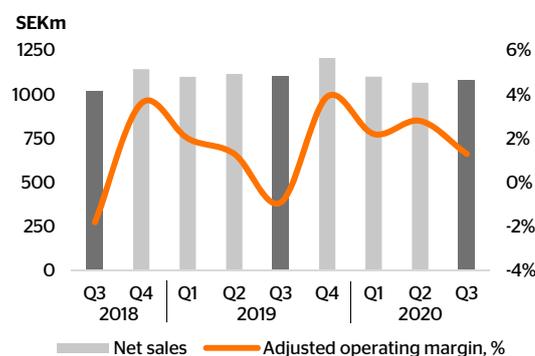
## PostNord Norway

**Net sales** increased by 9 percent (9) in fixed currency for like-for-like units, to SEK 1,082m (1,105). Customers are increasingly demanding suppliers capable of delivering to both B2B customers and B2C customers. PostNord Norway is exploiting this capability to good effect and gaining market shares. Volumes to B2B customers fell by 4 percent (1), while volumes to B2C customers increased by 22 percent (18).

**Operating profit** totaled SEK 14m (-10). The extra costs incurred as a result of the changes in the demand situation were offset by price increases.

**Delivery quality** rose slightly to 96.0 percent (95.2) for the quarter and to 96.1 percent (95.9) for the past 12-month period.

Net sales and adjusted operating margin



SEKm	July-September		Like-for-like Change	January-September		Like-for-like Change
	2020	2019		2020	2019	
Net sales	1,082	1,105	9%	3,249	3,321	7%
– Communication Services (external)	19	18	19%	59	49	31%
– eCommerce & Logistics (external)	865	905	7%	2,623	2,725	5%
– Internal	198	183	13%	567	546	14%
Operating income (EBIT)	14	-10	-	68	28	144%
Operating margin	1.3%	-0.9%	-	2.1%	0.8%	-
Items affecting comparability	-	-	-	-	-	-
Adjusted operating income (adjusted EBIT)	14	-10	-	68	28	144%
Adjusted operating margin	1.3%	-0.9%	-	2.1%	0.8%	-

## PostNord Finland

**Net sales** totaled SEK 342m (334), an increase of 5 percent (12) in fixed currency for like-for-like units. Sales to physical shops fell compared with the preceding year, but recovered compared with the preceding quarter. At the same time, a number of business deals were completed in the healthcare sector, and in all B2C volumes increased by 6 percent (13). B2C volumes increased by as much as 70 percent (-4) percent as a result of a continuingly record-high number of home deliveries.

**Operating income** was largely in line with the corresponding period last year, at SEK 6m (6).

**Delivery quality** declined slightly, to 95.6 percent (96.5) during the quarter and 95.3 percent (95.9) over the past 12-month period.

Net sales and adjusted operating margin



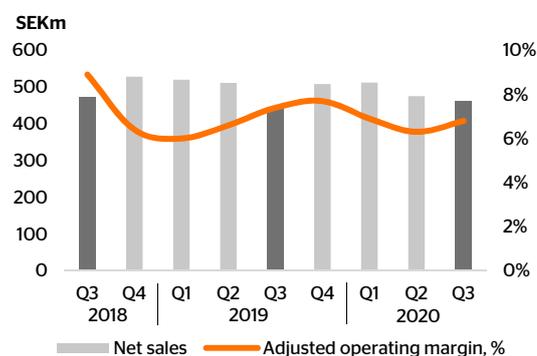
SEKm	July-September		Like-for-like Change	January-September		Like-for-like Change
	2020	2019		2020	2019	
Net sales	342	334	5%	1,005	967	4%
– Communication Services (external)	0	3	-	0	8	-
– eCommerce & Logistics (external)	229	203	17%	675	601	12%
– Internal	113	128	7%	330	358	-8%
Operating income (EBIT)	6	6	2%	7	11	-34%
Operating margin	1.8%	1.8%	-	0.7%	1.1%	-
Items affecting comparability	-	-	-	-	-	-
Adjusted operating income (adjusted EBIT)	6	6	2%	7	11	-34%
Adjusted operating margin	1.8%	1.8%	-	0.7%	1.1%	-

## PostNord Strålfors

**Net sales** totaled SEK 461m (445), an increase of 7 percent (-7). The market for printed matter has only marginally been affected by the corona pandemic. At the same time, the long-term trend, a structurally declining market for printed matter in the wake of digitization, remains.

**Operating profit** totaled SEK 31m (33), representing an operating margin of 6.8 percent (7.5). Against the background of the structural declining market, the transformation program currently under way will be crucial to PostNord Strålfors. The initiative of streamlining physical distribution, embedding consistently low administration costs and increasing the share of digital services progressed well during the quarter.

Net sales and adjusted operating margin



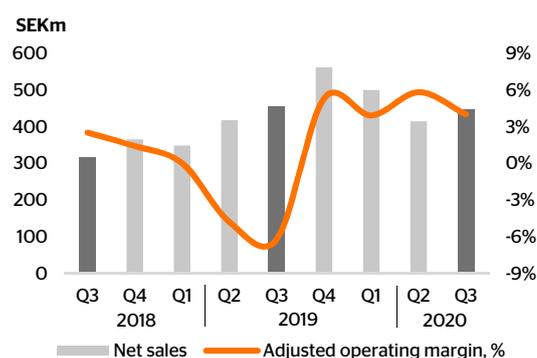
SEKm	July-September		Like-for-like Change	January-September		Like-for-like Change
	2020	2019		2020	2019	
Net sales	461	445	7%	1,447	1,476	0%
– Communication Services (external)	415	408	2%	1,323	1,366	-3%
– Internal	46	37	20%	124	110	13%
Operating income (EBIT)	31	33	-5%	96	98	-2%
Operating margin	6.8%	7.5%	-9%	6.7%	6.6%	1%
Items affecting comparability	0	0		0		
Adjusted operating income (adjusted EBIT)	31	33	-5%	96	98	-2%
Adjusted operating margin	6.8%	7.5%	-	6.7%	6.6%	

## Other business activities

**Net sales** totaled SEK 447m (455), an increase of 3 percent in fixed currency for like-for-like units. The corona pandemic affected the business conditions for Direct Link, as it did for the rest of the industry, with very sharp falls globally in transportation capacity in the aviation sector. As a result, customers either rearranged mode of transport for their postal products or warehoused them. Both income and cost per delivery increased sharply, as the alternative modes of transport available are more expensive.

**Operating income** improved to SEK 18m (-28). The cost structure and an ability to adapt customer offerings are the principal factors driving the improvement in profit compared with the corresponding period last year.

Net sales and adjusted operating margin



SEKm	July-September		Like-for-like Change	January-September		Like-for-like Change
	2020	2019		2020	2019	
Net sales	447	455	3%	1,359	1,221	12%
– Communication Services (external)	54	55	-2%	168	167	1%
– eCommerce & Logistics (external)	393	400	4%	1,173	1,048	14%
– Internal	0	1	-100%	18	5	239%
Operating income (EBIT)	18	-28	-	61	-48	-
Operating margin	4.0%	-6.2%		4.5%	-3.9%	
Items affecting comparability	0	0		0		
Adjusted operating income (adjusted EBIT)	18	-28	-	61	-48	-
Adjusted operating margin	4.0%	-6.2%		4.5%	-3.9%	

## Major events in July-September 2020

### **The Universal Service Obligation (USO) for PostNord Denmark**

At the end of June, the agreement between Post Denmark A/S and the Danish government for the universal service obligation was extended. The agreement requires approval from the EU Commission, and the compensation had not yet been received at the end of the quarter. However, the judgement is that the compensation does not offset PostNord's costs in Denmark. Our dialogue with politicians concerning a long-term sustainable mail business in Denmark continues, and there remains a pressing need to bring about a long-term agreement, as the current agreement between PostNord Denmark and the Danish government expires at the turn of the year.

For information regarding major events in the January-June 2020 period, see the interim reports for the first and second quarters.

## Major events after the reporting period

### **Swedish government appoints a new commission of inquiry into the postal service**

In January, Anders Ygeman, Minister for Energy and Digital Development, announced that a commission of inquiry would be appointed to review how the universal postal service should be financed. On October 1, the government set out the terms of reference for the inquiry.

The inquiry's terms of reference are for example:

- To examine which services specifically should be included within a universal postal service.
- To estimate the costs.
- To analyze possible models of financing.
- To determine whether it is possible and necessary for certain parts of the country to finance postal services at a service level that is higher than the general service level.
- To determine whether it is appropriate, subject to licensing and fee-paying requirements, for providers of parcel handling services to contribute financially to the universal postal service.

The inquiry is led by commissioner Britt Bohlin, former Member of Riksdagen and County Governor of Jämtland Province. It is to be conducted by January 2023, at the latest.

### **Jörgen Hellberg new CIO of PostNord**

On November 1, Jörgen Hellberg is to begin his work at PostNord and will take up the position of CIO on December 1. Jörgen Hellberg is currently serving as CIO and PMO Director of the Ellos Group. He previously held senior IT-related positions in companies such as IKEA, Getinge Group, NetOn-Net and Finnveden. Jörgen Hellberg brings to PostNord his vast experience in leading IT organizations and projects in groups undergoing transformation.

Jörgen Hellberg was born in 1969. He studied economics and leadership at institutes of higher education such as Halmstad University. Jörgen Hellberg will be joining the Group Executive Team and is replacing CIO Björn Ekstedt.

## Impact of the corona pandemic

Like society at large, PostNord is affected by the coronavirus pandemic. There is a risk that suppliers and customers may get into difficulties. Neither customer losses nor bad debts have changed significantly since the pandemic broke out in March, but the judgement remains that this may become a risk at the point in time in the future when the State aid measures are scaled down. In addition, PostNord's own capacity to delivery is being examined. It is therefore particularly important:

- *To take responsibility.* The universal postal service is something that we care about. Many people depend on us being able to deliver our services and in an extraordinary situation, this dependence becomes especially acute. Against that background, it is important to maintain a good delivery capacity and quality, even under difficult conditions. We are working hard to ensure secure deliveries for our customers and recipients, while looking after our employees at all times.
- *To maintain financial preparedness.* We are reviewing costs, investment plans and financing options in order to meet the increased uncertainty that the pandemic is causing.
- *To see beyond the pandemic.* Sound judgements will be needed to equip ourselves properly for life after the pandemic. Customer behaviors that have changed during the pandemic will not necessarily return to what they were before the outbreak.

In March, sick leave in all segments increased as a result of the coronavirus pandemic, to 8.7 (5.8) percent. Sick leave gradually returned to more normal levels in the succeeding months. In the third quarter, sick leave overall showed no significant deviation from the corresponding period last year. However, short-term absence, for childcare and illness, at times had major impact locally, above all at small workplaces where the effect of a sudden fall in employee numbers is noticeable, as it affects a larger proportion of capacity.

PostNord has received around SEK 100m in government compensation directly related to the corona pandemic, of which SEK 20m was received in the third quarter. The major share of the compensation related to sick leave.

A review of future investment needs has been carried out and a number of investments have been postponed to the future. Investments in the first nine months of the year totaled SEK 682m, SEK 168m lower than in the corresponding period last year.

To strengthen financial preparedness, the Group's revolving credit facility was increased from SEK 2,000m to SEK 3,000m in the second quarter. At the end of the period, the facility was unused.

Emissions from business air travel have been very low since the outbreak of the pandemic compared with the corresponding period last year.

Solna, October 23, 2020

PostNord AB (publ), CIN 556771-2640

Annemarie Gardshol  
President & Group CEO

# Review report

PostNord AB  
CIN 556771-2640

## **Introduction**

We have reviewed the interim financial information (the interim report) for PostNord AB on September 30, 2020 and the nine-month period ending 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 23, 2020  
KPMG AB

Tomas Gerhardsson  
Authorized Public Accountant

## Group Income statement

SEKm	Note	July-September 2020	2019	January-September 2020	2019
	1				
Net sales		8,919	9,026	27,751	28,011
Other operating income		455	132	1,184	272
<b>Operating revenue</b>	3	<b>9,373</b>	<b>9,158</b>	<b>28,934</b>	<b>28,283</b>
Personnel expenses		-3,594	-3,649	-11,523	-11,842
Transportation expenses		-2,458	-2,818	-7,685	-8,376
Other operating expenses		-1,921	-1,978	-6,213	-6,042
Depreciation and impairments		-653	-654	-1,936	-1,873
<b>Operating expenses</b>		<b>-8,625</b>	<b>-9,099</b>	<b>-27,356</b>	<b>-28,133</b>
<b>OPERATING INCOME</b>	3	<b>747</b>	<b>57</b>	<b>1,578</b>	<b>149</b>
Financial income		11	4	37	16
Financial expenses		-84	-84	-255	-243
<b>Net financial items</b>		<b>-73</b>	<b>-79</b>	<b>-218</b>	<b>-227</b>
<b>Income before tax</b>		<b>674</b>	<b>-22</b>	<b>1,359</b>	<b>-77</b>
Tax		-94	-29	-254	-89
<b>NET INCOME</b>		<b>580</b>	<b>-51</b>	<b>1,105</b>	<b>-166</b>
<b>Attributable to</b>					
Parent Company shareholders		579	-52	1,102	-168
Non-controlling interests		1	1	3	2
Earnings per share, SEK		0.29	-0.03	0.55	-0.08

## Group Statement of comprehensive income

SEKm	July-September 2020	2019	January-September 2020	2019
<b>NET INCOME</b>	<b>580</b>	<b>-51</b>	<b>1,105</b>	<b>-166</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that cannot be transferred to net income</b>				
Revaluation of pension liabilities	-70	-1,172	-1,572	-3,149
Change in deferred tax	15	242	324	649
<b>Total</b>	<b>-55</b>	<b>-930</b>	<b>-1,248</b>	<b>-2,500</b>
<b>Items that have been or may be transferred to net income</b>				
Cash flow hedges after tax	0	0	-1	-2
Translation differences	0	46	-177	257
<b>Total</b>	<b>0</b>	<b>46</b>	<b>-178</b>	<b>255</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-55</b>	<b>-884</b>	<b>-1,426</b>	<b>-2,245</b>
<b>COMPREHENSIVE INCOME</b>	<b>525</b>	<b>-935</b>	<b>-321</b>	<b>-2,411</b>
<b>Attributable to</b>				
Parent Company shareholders	524	-936	-324	-2,413
Non-controlling interests	1	1	3	2

## Group Statement of financial position

SEKm	Note	Sep. 30 2020	Sep. 30 2019	Dec. 31 2019
	1			
<b>ASSETS</b>				
Goodwill		2,523	2,692	2,619
Other non-current intangible assets		486	706	608
Property, plant and equipment		7,038	8,002	8,113
Right-of-use assets		6,191	5,783	5,813
Participations in associated companies		135	93	111
Non-current interest-bearing receivables	6	281	197	198
Other non-current receivables	6	481	1,017	874
Deferred tax assets		960	728	491
<b>Total non-current assets</b>		<b>18,096</b>	<b>19,217</b>	<b>18,826</b>
Inventories		95	111	105
Tax assets		310	264	222
Trade receivables	6	4,280	4,617	4,928
Prepaid expenses and accrued income		867	936	823
Other current receivables	6	198	218	464
Current interest-bearing receivables	6	-	-	0
Cash and cash equivalents	6	6,053	2,914	3,398
Assets held for sale		79	64	126
<b>Total current assets</b>		<b>11,884</b>	<b>9,125</b>	<b>10,064</b>
<b>TOTAL ASSETS</b>		<b>29,980</b>	<b>28,342</b>	<b>28,891</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>		<b>3,331</b>	<b>2,729</b>	<b>3,654</b>
<b>LIABILITIES</b>				
Non-current interest-bearing liabilities	6	3,281	3,876	3,872
Long-term lease liabilities		5,040	4,427	4,476
Other non-current liabilities		42	80	180
Pensions		5,725	5,556	4,211
Other provisions	5	2,215	2,927	2,548
Deferred tax liabilities		117	159	142
<b>Total non-current liabilities</b>		<b>16,420</b>	<b>17,025</b>	<b>15,428</b>
Current interest-bearing liabilities	6	506	-	-
Current lease liabilities		1,342	1,210	1,202
Trade payables	6	2,423	2,398	2,811
Tax liabilities		425	54	80
Other current liabilities	6	1,524	915	1,099
Accrued expenses and deferred income		3,263	3,026	3,439
Other provisions	5	745	984	1,083
Liabilities categorized as assets held for sale		-	-	95
<b>Total current liabilities</b>		<b>10,229</b>	<b>8,588</b>	<b>9,809</b>
<b>TOTAL LIABILITIES</b>		<b>26,649</b>	<b>25,613</b>	<b>25,237</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,980</b>	<b>28,342</b>	<b>28,891</b>

## Group Statement of cash flows

SEKm	Note	July-September 2020	2019	January-September 2020	2019
<b>OPERATING ACTIVITIES</b>					
Income before tax		674	-22	1,359	-77
Adjustments for non-cash items <sup>1</sup>		213	527	707	1,262
Income tax paid		-47	-20	-134	-125
<b>Cash flows from operating activities before change in working capital</b>		<b>840</b>	<b>485</b>	<b>1,932</b>	<b>1,060</b>
<b>Cash flow from changes in working capital</b>					
Increase(-)/decrease(+) in inventories		5	-3	9	-11
Increase(-)/decrease(+) in other operating receivables		1,115	353	1,591	584
Increase(+)/decrease(-) in other operating liabilities		-618	-835	-258	-706
<b>Changes in working capital</b>		<b>502</b>	<b>-485</b>	<b>1,342</b>	<b>-133</b>
<b>Cash flow from operating activities</b>		<b>1,342</b>	<b>0</b>	<b>3,274</b>	<b>927</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		-242	-141	-650	-690
Sale of property, plant and equipment		24	4	25	12
Acquisitions of non-current intangible assets		-12	-25	-32	-160
Sale of subsidiary, effect on cash and cash equivalents	4	922	-	1,088	-
Acquisition of financial assets		-7	-1	-7	-4
Sale of financial assets		2	1	11	103
<b>Cash flows from investing activities</b>		<b>687</b>	<b>-162</b>	<b>435</b>	<b>-739</b>
<b>FINANCING ACTIVITIES</b>					
Amortized loans		-	-	-84	-1,615
New loans		-	-	-	2,095
Amortized lease liabilities		-334	-307	-962	-846
Dividend paid		-	-	-2	-2
Increase(+)/decrease(-) in other interest-bearing liabilities		-15	4	-	-4
<b>Cash flows from financing activities</b>		<b>-349</b>	<b>-303</b>	<b>-1,048</b>	<b>-372</b>
<b>CASH FLOWS FOR THE PERIOD</b>					
Cash and cash equivalents, at beginning of period		4,377	3,374	3,398	3,088
Translation difference in cash and cash equivalents		-4	5	-6	10
<b>Cash and cash equivalents, closing balance</b>		<b>6,053</b>	<b>2,914</b>	<b>6,053</b>	<b>2,914</b>
<sup>1</sup> Adjustments for non-cash items:					
Depreciation and impairments		653	654	1,936	1,873
Change in pension liability		76	112	-21	154
Other provisions		-180	-257	-740	-784
Capital gain, property, plant and equipment sold		-39	12	-144	17
Capital gain, sale of subsidiaries		-202	-	-222	-
Other comments		-95	6	-102	2
<b>Total</b>		<b>213</b>	<b>527</b>	<b>707</b>	<b>1,262</b>

## Group Statement of changes in equity

January-September 2019	Equity attributable to the Parent Company's shareholders						Total equity capital
	Capital stock <sup>1</sup>	Miscellaneous contributed capital	Translation reserve	Hedging reserve	Retained earnings	Non-controlling interests	
SEKm							
<b>Opening balance Jan. 1, 2019</b>	<b>2,000</b>	<b>10,621</b>	<b>-1,611</b>	<b>0</b>	<b>-5,870</b>	<b>2</b>	<b>5,142</b>
<b>Comprehensive income for the period</b>							
Net income for the period	-	-	-	-	-168	2	-166
Other comprehensive income for the period	-	-	257	-2	-2,500	-	-2,245
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>257</b>	<b>-2</b>	<b>-2,668</b>	<b>2</b>	<b>-2,411</b>
Dividend	-	-	-	-	-	-2	-2
<b>Shareholders' equity, closing balance Sep. 30, 2019</b>	<b>2,000</b>	<b>10,621</b>	<b>-1,354</b>	<b>-2</b>	<b>-8,538</b>	<b>2</b>	<b>2,729</b>
<b>October-December 2019</b>	<b>Equity attributable to the Parent Company's shareholders</b>						<b>Total equity capital</b>
	Capital stock <sup>1</sup>	Miscellaneous contributed capital	Translation reserve	Hedging reserve	Retained earnings	Non-controlling interests	
SEKm							
<b>Opening balance Oct. 1, 2019</b>	<b>2,000</b>	<b>10,621</b>	<b>-1,354</b>	<b>-2</b>	<b>-8,538</b>	<b>2</b>	<b>2,729</b>
<b>Comprehensive income for the period</b>							
Net income for the period	-	-	-	-	-73	0	-73
Other comprehensive income for the period	-	-	-155	2	1,151	-	998
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-155</b>	<b>2</b>	<b>1,078</b>	<b>0</b>	<b>925</b>
<b>Shareholders' equity, closing balance Dec. 31, 2019</b>	<b>2,000</b>	<b>10,621</b>	<b>-1,509</b>	<b>0</b>	<b>-7,460</b>	<b>2</b>	<b>3,654</b>
<b>January-September 2020</b>	<b>Equity attributable to the Parent Company's shareholders</b>						<b>Total equity capital</b>
	Capital stock <sup>1</sup>	Miscellaneous contributed capital	Translation reserve	Hedging reserve	Retained earnings	Non-controlling interests	
SEKm							
<b>Opening balance Jan. 1, 2020</b>	<b>2,000</b>	<b>10,621</b>	<b>-1,509</b>	<b>0</b>	<b>-7,460</b>	<b>2</b>	<b>3,654</b>
<b>Comprehensive income for the period</b>							
Net income for the period	-	-	-	-	1,102	3	1,105
Other comprehensive income for the period	-	-	-177	-1	-1,248	-	-1,426
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-177</b>	<b>-1</b>	<b>-146</b>	<b>3</b>	<b>-321</b>
Dividend	-	-	-	-	-	-2	-2
<b>Shareholders' equity, closing balance September 30, 2020</b>	<b>2,000</b>	<b>10,621</b>	<b>-1,686</b>	<b>-1</b>	<b>-7,606</b>	<b>3</b>	<b>3,331</b>

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

## Summary Parent Company income statement

SEKm	Note	July-September		January-September	
		2020	2019	2020	2019
	1				
Other operating income		4	16	11	23
<b>Operating revenue</b>		<b>4</b>	<b>16</b>	<b>11</b>	<b>23</b>
Personnel expenses		-4	-1	-11	-41
Other expenses		-4	-17	-14	-60
<b>Operating expenses</b>		<b>-8</b>	<b>-18</b>	<b>-25</b>	<b>-101</b>
<b>OPERATING INCOME</b>		<b>-4</b>	<b>-2</b>	<b>-14</b>	<b>-78</b>
Interest income and similar income items		2	0	6	0
Interest expenses and similar items		-18	-13	-47	-37
<b>Financial items</b>		<b>-16</b>	<b>-13</b>	<b>-41</b>	<b>-37</b>
<b>Income after financial items</b>		<b>-20</b>	<b>-15</b>	<b>-55</b>	<b>-115</b>
Appropriations		-	-	-	-
<b>Income before tax</b>		<b>-20</b>	<b>-15</b>	<b>-55</b>	<b>-115</b>
Tax		-	-	-	-
<b>NET INCOME</b>		<b>-20</b>	<b>-15</b>	<b>-55</b>	<b>-115</b>

## Parent Company Statement of comprehensive income

SEKm	July-September		January-September	
	2020	2019	2020	2019
Net income for the period	-20	-15	-55	-115
Other comprehensive income for the period	-	-	-	-
<b>COMPREHENSIVE INCOME</b>	<b>-20</b>	<b>-15</b>	<b>-55</b>	<b>-115</b>

## Summary Parent Company balance sheet

SEKm	Note	Sep. 30,	Sep. 30	Dec. 31
		2020	2019	2019
	1			
<b>ASSETS</b>				
Financial assets		10,894	10,890	10,893
<b>Total non-current assets</b>		<b>10,894</b>	<b>10,890</b>	<b>10,893</b>
Current receivables		8,196	8,099	8,288
<b>Total current assets</b>		<b>8,196</b>	<b>8,099</b>	<b>8,288</b>
<b>TOTAL ASSETS</b>		<b>19,089</b>	<b>18,990</b>	<b>19,181</b>
<b>EQUITY AND LIABILITIES</b>				
Equity		15,635	15,499	15,690
Non-current liabilities		2,937	3,431	3,434
Current liabilities		517	60	57
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,089</b>	<b>18,990</b>	<b>19,181</b>

# Notes to the financial statements

## Note 1 - Accounting principles

The consolidated accounts have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and supplementary 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 same accounting principles and calculation methods have been used in this interim report as in the 2019 annual report, with the exception of the significant assessments and estimates described below.

### New and revised accounting principles

The new or revised IFRS that entered into force in 2020 have not had any impact on the consolidated financial statements. A number of new or revised IFRS that will come into effect in the next few financial years have not been adopted early in the preparation of these financial statements. They are not expected to have a material impact on the Group's or the Parent Company's forthcoming financial reports.

### Significant assessments and estimates

The Group continuously monitors credit risk, including payment information regarding trade receivables. The Group's trade receivables are spread over various customers, sectors and regions in which the Group operates. Collective provision for expected credit losses based on historical proportion of losses is supplemented by case-by-case assessment of trade receivables. The levels of historical credit losses and proportion of losses are low. In general, the Group monitors and assesses, on a case-by-case basis, trade receivables that have been due for payment for more than 60 days. In addition, it assesses on a case-by-case basis major trade receivables where there are indications of increased credit risk. As a consequence of the coronavirus pandemic, the assessment remains that the risk of credit losses is increased, especially for customers in the retail sector. Against that background, the provision for expected credit losses has been increased. The increase is based partly on an adjustment of the historical proportion of losses and partly on a case-by-case increase of individual provisions.

## Note 2 - Risks

The Parent Company and the Group are exposed to strategic, operational and financial risks. For further information on risks, uncertainties, other aspects of risk management and significant assessments and estimates, see PostNord's 2019 Annual and Sustainability Report (page 23 and Note 2, page 44).

In common with society at large, PostNord has been affected by the coronavirus pandemic. Thanks to continuity planning, PostNord has been able to maintain our delivery capacity at an acceptable level and PostNord continues to plan on an ongoing basis to enable deliveries to continue. In addition to increased sick leave among its own personnel, PostNord is also sensitive to a lack of available transportation capacity as a result of increased sick leave at sub-contractors. The current pandemic is also affecting activities throughout the sector and the markets in which PostNord operates, which will affect sales and the product mix. The long-term impact will be determined by the duration of the outbreak and the restrictions ordered by the government concerned, which will affect trade and industry as a whole. PostNord is actively using the means at its disposal to adapt its operations to the prevailing situation.

## Note 3 - Operating segments

The Group's division into segments is primarily based on the companies' geographical domicile, plus the segments PostNord Strålfors and Other business activities, which are coordinated according to the nature of the operations. Market pricing is applied to legal transactions between PostNord's segments. PostNord has reviewed the Group's internal pricing for cross-border parcel and pallet services and has adjusted its prices, with effect from January 1, 2020. The pricing structure has been adjusted in response to changes in conditions within the Group and the changes in PostNord's market and product mix in recent years. The operating segments reflect the operational structure.

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

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

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

**PostNord Strålfors** operates in information logistics. The company develops and offers communications solutions for companies with a large customer base. **Other business activities** incorporates other business activities and Direct Link. Direct Link operates in global distribution of marketing communications and lightweight goods, mainly for e-retailers. The business is conducted in the USA, the UK, Germany, Poland, Singapore, Hong Kong and Australia. The **Other and eliminations** segment consists of shared services and corporate functions including the Parent Company and Group.

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adjustments. Group adjustments consist of IFRS measurement for pensions under IAS 19 Employee Benefits and IFRS 16 Leases. An operational allocation of the cost of earning defined-benefit pensions is made between Other and eliminations and PostNord Sweden so that each segment carries its share of the earned entitlement. Eliminations consists of the elimination of internal transactions.

## Notes to the financial statements

### Net sales per segment

SEKm	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
PostNord Sweden	6,315	5,783	5,757	5,433	6,281	5,824	5,708	5,428
- of which internal	306	290	329	355	441	458	418	443
PostNord Denmark	2,355	2,147	2,228	2,075	2,389	2,187	2,265	2,123
- of which internal	130	130	155	118	174	161	171	157
PostNord Norway	1,143	1,099	1,116	1,105	1,206	1,100	1,066	1,082
- of which internal	214	171	192	182	231	174	196	198
PostNord Finland	323	309	324	334	333	314	349	342
- of which internal	119	107	123	128	126	101	116	113
PostNord Strålfors	528	520	511	445	508	512	475	461
- of which internal	39	34	39	37	39	34	44	46
Other business activities	365	348	417	455	561	499	414	447
- of which internal	2	2	2	1	0	1	0	0
Other and eliminations	-805	-735	-839	-822	-1,011	-932	-949	-964
<b>Group</b>	<b>10,225</b>	<b>9,471</b>	<b>9,514</b>	<b>9,026</b>	<b>10,267</b>	<b>9,504</b>	<b>9,328</b>	<b>8,919</b>

### Operating income per segment

SEKm, unless otherwise indicated	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
PostNord Sweden	342	283	245	223	341	338	446	701
- Operating margin, %	5.4	4.9	4.3	4.1	5.4	6.0	7.8	12.9
PostNord Denmark	50	-54	-10	-51	-39	2	53	17
- Operating margin, %	2.1	-2.5	-0.4	-2.5	-1.6%	0.0	2.3	0.8
PostNord Norway	41	22	15	-10	35	24	30	14
- Operating margin, %	3.6	2.0	1.3	-0.9	2.9	2.0	2.8	1.3
PostNord Finland	8	2	3	6	-9	-5	6	6
- Operating margin, %	2.5	0.6	0.9	1.8	-2.7	-1.6	1.7	1.8
PostNord Strålfors	34	31	34	33	39	35	30	31
- Operating margin, %	6.4	6.0	6.6	7.4	7.7	6.8	6.3	6.7
Other business activities	6	0	-20	-28	30	19	24	18
- Operating margin, %	1.6	0.0	-4.8	-6.2	5.3	3.8	5.8	4.0
Other and eliminations	-288	-122	-337	-116	-362	-99	-72	-40
<b>Operating income</b>	<b>193</b>	<b>162</b>	<b>-70</b>	<b>57</b>	<b>35</b>	<b>314</b>	<b>517</b>	<b>747</b>
- Operating margin, %	1.9	1.7	-0.7	0.6	0.3	3.3	5.5	8.4

## Notes to the financial statements

## Adjusted operating income per segment

	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEKm, unless otherwise indicated	2018	2019	2019	2019	2019	2020	2020	2020
PostNord Sweden SEKm	380	283	245	223	361	338	446	499
Adjusted operating margin, %	6.0	4.9	4.3	4.1	5.7	6.0	7.8	9.2
PostNord Denmark SEKm	19	-54	-10	-51	25	2	-59	-8
Adjusted operating margin, %	0.8	-2.5	-0.4	-2.5	1.0	0.0	-2.6	-0.4
PostNord Norway SEKm	41	22	15	-10	47	24	30	14
Adjusted operating margin, %	3.6	2.0	1.3	-0.9	3.9	2.0	2.8	1.3
PostNord Finland SEKm	8	2	3	6	-7	-5	6	6
Adjusted operating margin, %	2.5	0.6	0.9	1.8	-2.1	-1.6	1.7	1.8
PostNord Strålfors SEKm	34	31	34	33	39	35	30	31
Adjusted operating margin, %	6.4	6.0	6.6	7.4	7.7	6.8	6.3	6.7
Other business activities SEKm	5	0	-20	-28	30	19	24	18
Adjusted operating margin, %	1.4	0.0	-4.8	-6.2	5.3	3.8	5.8	4.0
Other and eliminations SEKm	-287	-122	-172	-70	-314	-99	-72	-40
Adjusted operating income SEKm	200	162	95	103	181	314	404	520
Adjusted operating margin, %	2.0	1.7	1.0	1.1	1.8	3.3	4.3	5.8

## Net sales per operating segment and service category

Operating segments SEKm	Service category			
	Communication Services		eCommerce & Logistics	
	Jul.-Sep. 2020	Jul.-Sep. 2019	Jul.-Sep. 2020	Jul.-Sep. 2019
PostNord Sweden	2,199	2,278	2,787	2,801
PostNord Denmark	648	785	1,317	1,173
PostNord Norway	19	18	865	905
PostNord Finland	-	3	229	203
PostNord Strålfors	415	408	-	-
Other business activities	54	55	393	400
<b>Total</b>	<b>3,335</b>	<b>3,547</b>	<b>5,591</b>	<b>5,482</b>

The above table shows PostNord's external net sales per service category and operating segment.

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. The relative shares of income recognized at one point in time were 97 percent (95) and over time 3 percent (5). Services in e-Commerce & Logistics consist of logistics services for deliveries to, from and within the Nordic region. The focus is on distribution of parcels, groupage, pallet goods and bulk logistics (part loads), as well as third-party logistics. The services in Communication Services consist of services in business and market communications, newspaper distribution and a postal service for individual customers. For a more detailed description of PostNord's services, see the Annual and Sustainability Report 2019.

## Notes to the financial statements

**Note 4 - Acquisitions and disposals**

No acquisitions have been made in 2020 and 2019.

<b>Effects of disposals on assets and liabilities, SEKm</b>	<b>Jan.-Sep. 2020</b>	<b>Jan.-Sep. 2019</b>
Property, plant and equipment	606	-
Current assets	108	-
<b>Total assets</b>	<b>714</b>	<b>-</b>
Other current liabilities	-101	-
<b>Total liabilities</b>	<b>-101</b>	<b>-</b>
<b>Net asset</b>	<b>613</b>	<b>-</b>
Purchase consideration received	1,097	-
Less deposit	-9	-
<b>Net effect on cash and cash equivalents</b>	<b>1,088</b>	<b>-</b>

**Sales of subsidiaries**

In the first quarter of 2020, PostNord Group AB sold all shares in the companies Lokesvej 18 ApS (Hilleröd HUB) and Kometvej 15 ApS (Horsens HUB), Denmark.

In the second quarter of 2020, PostNord Group AB sold all shares in PostNord Termo AB.

In the third quarter of 2020, PostNord Group AB sold all shares and participations in Kardinalmärket 1 AB och KB Sveterm. The consideration received was SEK 922m. Assets sold consisted in the main of properties in Norrköping that had been used for third-party logistics operations. Agreements have been entered into to lease back the properties in 4 and 15 years, respectively, whereby an additional right-of-use asset and lease liability have been recognized. A judgement has been made that it is not reasonably certain that options for extension will be exercised. The sale-and-leaseback transactions have provided the Group with increased cash and cash equivalents while enabling the Group to continue using the premises. In accordance with IFRS 16, PostNord has recognized income from the transaction that corresponds to the rights transferred to the buyer. The income from the asset sold is, in accordance with IFRS 16, recognized in the amount of SEK 202m. The remaining portion of the capital gain is recognized as accrued over the term of the lease.

**Note 5 - Other provisions**

<b>January-September 2020, SEKm</b>	<b>Opening balance</b>	<b>Provisions</b>	<b>Reversals</b>	<b>Utilization</b>	<b>Other<sup>1</sup></b>	<b>Closing balance</b>
Transformation measures	2,371	27	-	-809	43	1,632
Non-vested pension commitments	1,191	28	-	-181	218	1,257
Miscellaneous	69	-	-	-	2	71
<b>Total</b>	<b>3,631</b>	<b>55</b>	<b>-</b>	<b>-990</b>	<b>263</b>	<b>2,960</b>
<i>Of which, current</i>	<i>1,083</i>					<i>745</i>
<i>Of which, Non-current</i>	<i>2,548</i>					<i>2,215</i>

<b>January-September 2019, SEKm</b>	<b>Opening balance</b>	<b>Provisions</b>	<b>Reversals</b>	<b>Utilization</b>	<b>Other<sup>1</sup></b>	<b>Closing balance</b>
Transformation measures	3,147	156	-1	-809	169	2,662
Non-vested pension commitments	1,157	35	-	-209	183	1,166
Miscellaneous	68	2	-	-	11	83
<b>Total</b>	<b>4,372</b>	<b>193</b>	<b>-1</b>	<b>-1,018</b>	<b>363</b>	<b>3,911</b>
<i>Of which, current</i>	<i>980</i>					<i>984</i>
<i>Of which, non-current</i>	<i>3,392</i>					<i>2,927</i>

<sup>1</sup> Miscellaneous includes translation effect of currency fluctuations, revaluation effect in pensions, discounting effect in provisions and reclassifications.

## Notes to the financial statements

## Not 6 - Financial instruments

Carrying amount and fair value of financial assets and liabilities, SEKm	September 30, 2020						Carrying amount	Fair value
	Financial assets recognized at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured value via income	Derivatives used for hedging purposes	Financial liabilities measured at amortized cost			
<b>Assets</b>	285	10,738	-	-	-	11,023	11,023	
<i>of which, derivatives</i>	49	-	-	-	-	49	49	
<b>Liabilities</b>	-	-	-8	-2	-8,403	-8,413	-8,438	
<i>of which, loan liabilities</i>	-	-	-	-	-3,787	-3,787	-3,812	
<i>of which, derivatives</i>	-	-	-8	-2	-	-10	-10	
<b>Total financial assets and liabilities, by category</b>	<b>285</b>	<b>10,738</b>	<b>-8</b>	<b>-2</b>	<b>-8,403</b>	<b>2,610</b>	<b>2,585</b>	

Carrying amount and fair value of financial assets and liabilities, SEKm	September 30, 2019						Carrying amount	Fair value
	Financial assets recognized at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured value via income	Derivatives used for hedging purposes	Financial liabilities measured at amortized cost			
<b>Assets</b>	3	8,096	-	-	-	8,099	8,099	
<i>of which, derivatives</i>	3	-	-	-	-	3	3	
<b>Liabilities</b>	-	-	-13	-3	-7,617	-7,633	-7,664	
<i>of which, loan liabilities</i>	-	-	-	-	-3,876	-3,876	-3,907	
<i>of which, derivatives</i>	-	-	-13	-3	-	-16	-16	
<b>Total financial assets and liabilities, by category</b>	<b>3</b>	<b>8,096</b>	<b>-13</b>	<b>-3</b>	<b>-7,617</b>	<b>466</b>	<b>435</b>	

The Group's assets in financial instruments are mainly valued at amortized cost and consist mainly of accounts receivable, cash and cash equivalents and terminal dues. The Group's assets in currency derivatives are measured at fair value via income.

The Group's interest-bearing liabilities largely consist of long- and short-term loan liabilities, trade payables and terminal fees, which are recognized at amortized cost. Liabilities for currency derivatives are recognized at fair value via income. The Group's interest rate derivatives used for hedging purposes are recognized at fair value via comprehensive income.

# Notes to the financial statements

## Note 7 - Related parties

In the first quarter 2020, Post Danmark A/S received compensation of DKK 112m from the Danish government for maintaining the universal postal service in Denmark in the period January-June 2020.

At the end of June, the agreement with the Danish government was extended until December 31. The agreement requires approval from the EU Commission, and at the end of the third quarter the compensation had not yet been received. The compensation of DKK 56m, the amount pertaining to the third quarter, is recognized as income in the quarter, since the judgement in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is that the conditions of the agreement will be fulfilled and that Post Danmark A/S will receive the compensation.

## Note 8 - Definitions and alternative key performance indicators

### Alternative key performance indicators

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

#### **Return on operating capital (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.

#### **Adjusted return on operating capital**

Adjusted 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.

#### **Financial preparedness**

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

#### **EBITDAI**

Operating income excluding depreciation and impairments.

#### **Adjusted operating income**

Operating income excluding items affecting comparability.

#### **Adjusted operating margin**

Adjusted operating income in relation to net sales.

#### **Items affecting comparability**

Items affecting comparability are substantial, nonrecurring or not 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 liabilities, provision for pensions and lease liabilities, minus cash and cash equivalents, financial investments, financial receivables as described in IAS 19 that are recognized as other Non-current receivables and short-term investments.

#### **Net debt ratio**

Net liabilities in relation to equity.

#### **Net debt ratio (IFRS 16 not applied)**

Net debt excluding current and long-term lease liabilities in relation to equity.

#### **Operating capital**

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

#### **Operating margin**

Operating income in relation to net sales.

### Other key performance indicators:

#### **Core staff**

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

#### **Average number of employees (FTE)**

The total number of paid employee hours divided by the standard number of hours for a full-time employee during the cumulative period from the beginning of the year.

#### **Earnings per share**

Share of net earnings attributable to Parent Company shareholders divided by the average number of shares outstanding.

## Notes to the financial statements

## Note 8 - Definitions and alternative key performance indicators (cont.)

Reconciliation with financial statements					
SEKm	Sep. 30 2020	June 30 2020	Mar. 31 2020	Dec. 31 2019	Sep. 30 2019
Current interest-bearing liabilities	506	5	0	0	0
Current lease liabilities	1,342	1,265	1,246	1,202	1,210
Non-current interest-bearing liabilities	3,281	3,784	3,804	3,872	3,876
Long-term lease liabilities	5,040	4,470	4,780	4,476	4,427
Pensions <sup>1</sup>	5,725	5,601	4,111	4,211	5,556
Non-current interest-bearing receivables	-189	-190	-199	-198	-197
Non-current interest-bearing receivables, leases	-92	-95	-98	-	-
Other non-current receivables <sup>2</sup>	-69	-69	-765	-711	-846
Current interest-bearing receivables	-	-	-	0	0
Current interest-bearing receivables, leases	-11	-11	-11	-	-
Cash and cash equivalents	-6,053	-4,377	-3,764	-3,398	-2,914
<b>Net debt</b>	<b>9,479</b>	<b>10,382</b>	<b>9,103</b>	<b>9,454</b>	<b>11,112</b>

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

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

POSTNORD

Quarterly data

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SEKm, if not otherwise stated	2018	2018	2019	2019	2019	2019	2020	2020	2020
<b>Group</b>									
Net sales	8,840	10,225	9,471	9,514	9,026	10,267	9,504	9,328	8,919
Other operating income	112	104	56	84	132	79	311	418	455
Operating expenses	-9,025	-10,136	-9,365	-9,668	-9,099	-10,313	-9,501	-9,230	-8,625
<i>of which, personnel expenses</i>	-3,730	-4,280	-4,040	-4,153	-3,649	-4,176	-3,953	-3,976	-3,594
<i>of which, transport expenses</i>	-2,783	-2,938	-2,785	-2,773	-2,818	-2,924	-2,713	-2,514	-2,458
<i>of which, other expenses</i>	-2,204	-2,602	-1,956	-2,108	-1,978	-2,495	-2,202	-2,090	-1,921
<i>of which, depreciation and impairments</i>	-309	-315	-584	-635	-654	-718	-632	-651	-653
Operating income (EBITDAI)	236	508	746	565	711	753	947	1,168	1,400
Operating margin (EBITDAI), %	2.7%	5.0%	7.9%	5.9%	7.9%	7.3%	10.0%	12.5%	15.7%
Operating income (EBIT)	-73	193	162	-70	57	35	314	517	747
Operating margin (EBIT), %	-0.8%	1.9%	1.7%	-0.7%	0.6%	0.3%	3.3%	5.5%	8.4%
Adjusted operating income (Adjusted EBIT)	-65	200	162	95	103	181	314	404	520
Cash flow from operating activities	-371	617	435	492	0	1,205	757	1,175	1,342
Net debt	-164	1,614	7,545	9,414	11,112	9,454	9,103	10,382	9,479
Return on capital employed (ROCE), %	-10.9%	-12.4%	-7.9%	2.4% <sup>1</sup>	3.3% <sup>1</sup>	1.6% <sup>1</sup>	2.6%	7.0%	12.2%
Adjusted return on capital employed, %	2.8%	1.9%	4.6%	4.4%	5.3%	4.6% <sup>1</sup>	5.3%	7.6%	10.8%
Average number of employees (FTE)	30,790	29,596	28,461	28,117	29,774	28,156	27,077	27,695	28,655
Staffing numbers (basic) at end of period	29,623	29,886	29,959	28,324	27,871	27,679	27,228	26,882	26,506
<b>Volumes, millions of mails produced:</b>									
Sweden, priority mail	150	171	163	149	140	156	149	139	132
Sweden, non-priority mail	173	203	205	179	156	198	178	138	134
Denmark, priority mail/Quickbrev	8	9	7	6	6	6	6	5	5
Denmark, non-priority and business mail	50	58	58	58	45	52	48	37	40
Group total, Mail	381	441	433	392	347	412	381	319	311
<b>Volumes, millions of parcels produced (net)<sup>2</sup>:</b>									
<i>(volumes between countries eliminated)</i>									
Business-to-business	15	16	15	14	14	15	14	12	14
Business-to-consumer	24	32	26	28	28	33	28	36	32
<i>Of which, collect</i>	20	27	21	23	22	27	22	26	24
<i>Of which, home deliveries</i>	4	5	5	5	5	7	7	10	8
Parcels, Group total	39	48	41	42	42	49	42	48	46

<sup>1</sup> In the Interim Reports for Quarters 2, 3 and 4 of 2019 and the Annual and Sustainability Report for 2019, Return on operating capital (ROCE) was wrongly stated. The correct figures are shown above in the table Quarterly data.

In the Annual and Sustainability Report for 2019, Adjusted return on operating capital was also stated wrongly; the correct figure is 4.6 percent.

<sup>2</sup> The figures for volumes of parcels produced have been adjusted for the period Quarter 3 2018 to Quarter 2 2020.

## Financial calendar

- Interim report January-December 2020 February 2, 2021
- Annual and Sustainability Report 2020 March 2021
- Annual General Meeting April 27, 2021
- Interim report January- March 2021 April 27, 2021
- Interim report January-June 2021 July 16, 2021
- Interim report January-September 2021 October 28, 2021

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This information is such that PostNord AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person indicated above, at 8.00 a.m. CET on October 23.

The logo for PostNord, featuring the word "postnord" in a bold, blue, lowercase sans-serif font.