

Annual and Sustainability Report 2018



postnord



Positioned for continued growth in logistics and digital communication

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

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About the Annual and Sustainability Report

The Board of Directors and the President & Group CEO of PostNord AB (publ.), corporate identity number 556771-2640, hereby present their Annual and Sustainability Report for the 2018 financial year.

The Annual and Sustainability Report encompasses the whole PostNord Group unless otherwise specified. The Board of Directors' report comprises pages 8-43 and the section on operations subject to licensing and notification on page 94. It has been audited as described in the Auditor's Report on pages 83-86.

The statutory Sustainability Report comprises descriptions of PostNord's external environment, business model, strategy and employees on pages 8-20, risk management on page 33, and in-depth

information on sustainability on pages 87-97. The auditor's statement regarding the Statutory Sustainability Report is on page 98.

PostNord's Sustainability Report has been prepared in accordance with the GRI Standards: Core option.

Information on sustainability is provided mainly on pages 8-20, 33, and 87-97. Full information on the scope of the Sustainability Report is given in the GRI Index on pages 96-97. The auditor's Limited Assurance Report on PostNord ABs Sustainability Report and statement regarding the Statutory Sustainability Report is on page 98.

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

PostNord in brief 2018



SEK **37.7** BILLION
Sales



SEK **129** MILLION
Adjusted operating income
(adjusted EBIT)



7,000
Distribution points/partner outlets,
and collect-in-store outlets
in the Nordic region



30 THOUSAND
Employees, FTE

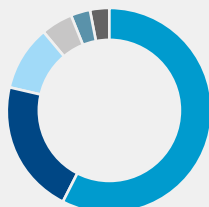


171 MILLION
Parcels



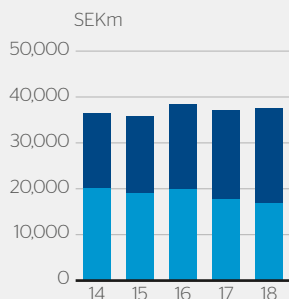
3.3 BILLION
Letters and other
mail items

Net sales by segment
2018, SEKm



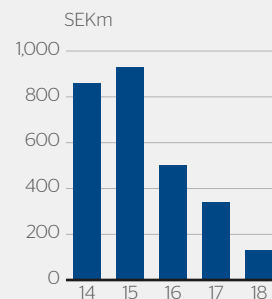
■ Sweden, 58% ■ Strålfors, 5%
■ Denmark, 21% ■ Finland, 3%
■ Norway, 10% ■ Other business activities, 3%

Net sales by business area
2014-2018, SEKm



■ Communication Services
■ eCommerce & Logistics

Adjusted operating income
2014-2018, SEKm



Total solutions for communication and logistics in the Nordic region

PostNord is the complete supplier of communication and logistics in the Nordic region. We develop products and services with Nordic coverage and combine them into solutions that are tailor-made for each customer, unifying and strengthening our clients' market penetration, flows of goods, and customer communications.

Products and services for business customers



Market penetration

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

Examples of services:

- Target group analysis
- Physical direct mail
- Digital marketing



Flows of goods

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

Examples of services:

- Warehousing
- Outbound logistics
- Returns management
- Third-party logistics
- Tracking solutions



Customer communications

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

Examples of services:

- Invoice mailing
- Campaign evaluation

Products and services for private individuals and recipients

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

Consumers have increasingly high expectations and want more control, for example over where their parcels are delivered - to their place of work, their home, or perhaps another safe place where they live. PostNord is constantly developing its services to meet these needs. We provide facilities for recipients, in particular our 7,000 distribution points/partner outlets and the PostNord app.



Our vision

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

Our mission

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

Important events and results 2018

During the year, PostNord focused on restructuring its business, simplifying procedures for customers, and developing long-term, sustainable solutions in logistics, communication, and e-commerce.

New postal regulation

A new postal regulation were introduced on January 1, 2018 replacing the requirement for overnight delivery of franked letters with a requirement for two-day delivery. On the same date, the quality standard was raised from 85 to 95 percent. The longer delivery time makes it possible to phase out air freight, replacing it mainly with rail transport, thus reducing both our impact on the climate and our costs.

New VAT administration

From March 1, 2018, PostNord is required by the Swedish Customs Agency to ensure that VAT is paid by the recipient on all direct imports from countries outside the EU customs union.

PostNord Listens

We ran a nationwide roadshow in Sweden so that we could listen to what the general public had to say about us. In a similar activity in Denmark, we invited residents to meet us at one of our post offices.



Changes to the Board

At the Annual General Meeting on April 26, 2018, Måns Carlson, Christian Ellegaard, Peder Lundquist, Jens Moberg, and Anitra Steen were all re-elected. Mats Abrahamsson, Gunnel Duveblad, and Jesper Lok decided not to seek re-election and were replaced by new Board members Sonat Burman Olsson, Ulrica Messing, and Charlotte Strand.

At an extraordinary general meeting on August 14, 2018, Christian W Jansson was elected Chairman of the Board and Christian Frigast was elected Vice Chairman. The outgoing Chairman Jens Moberg and Board member Anitra Steen stepped down at the general meeting.

State subsidies to Post Danmark

In June, Post Danmark A/S received SEK 1,533 million from the Danish state, following the EU Commission's approval of the state aid. On June 11, the Board agreed to complete the restructuring of PostNord Denmark and provision was made for the costs of a settlement for employees with special terms and conditions in Denmark.

Contributions from owners

In December 2018 PostNord received a capital injection of SEK 667 million, of which SEK 400 million was from the Swedish state and SEK 267 million was from the Danish state, in accordance with the 2017 agreement between the Swedish and Danish states.



New agreements with partners and partner outlets

Several important agreements were concluded during the year. PostNord's Nordic agreement with Zalando was extended by three years. Partner agreements with ICA, Coop, and Axfood were extended and new agreements entered into with Reitan Convenience, the owners of Pressbyrå and 7-Eleven.

Increased availability

Overall, the number of distribution points in Sweden, Denmark, Norway, and Finland increased by approximately 1,000.

New 3D printing opportunities

In the 3D printing field, PostNord Strålfors launched a number of exciting solutions and entered into a partnership agreement with Sony Mobile.

High quality in peak season

Black Friday and Christmas shopping make the final three months of the year PostNord's most intensive period. Thanks to our thorough preparations, we were able to provide high quality deliveries throughout the season. We deployed our resources to maximum effect and supported our services with extra personnel.

Group	2018	2017
Net sales, SEKm	37,669	37,007
Operating profit, SEKm	-855	-124
Adjusted operating income, SEKm	129	338
Net income for the period, SEKm	-1,067	-337
Cash flow from operating activities, SEKm	2,083	1,361
Return on capital employed, %	-12.4	-1.6
Adjusted return on operating capital, %	1.9	4.4
Net debt, SEKm	1,614	238
Net debt ratio (net debt/equity), %	31	3
Net debt, excl. pensions, SEKm	2	1,383
Net debt ratio (net debt/equity), excl. pensions, %	0	19
Financial preparedness, SEKm	5,188	4,196
Employees, FTE	29,962	31,350



We make everyday life easier

During the year, the quality of our delivery of letters and parcels was good and stable. The year was characterized by continued restructuring of the business as a consequence of reduced letter volumes and strong growth in parcels.

PostNord has a strong position in the market and our aim is to continue to grow at least as rapidly as the market in which logistics play a major role. Our strategy is producing results and we are seeing positive trends in several of our priority areas.

Better quality

Customer trust and confidence is increasing, following a period of decline. This is due to improved quality of delivery, increased attention to customers' needs, and innovative customer and consumer oriented services, such as our recipient app, which we are working continuously to improve.

In 2018 we were able to get closer to our customers and consumers and create dialogue by running nationwide roadshows in Sweden and Denmark.

Easier for the consumer

Our main focus is on making life easier for consumers by acting on what they tell us they want. We aim to do this by increasingly providing delivery methods to suit the individual consumer's needs in any situation. As one step towards this, we have increased our number of partner outlets, and thus availability, across the Nordic region. In addition, in the first quarter of 2019, we have introduced a product for home delivery without signed confirmation of receipt in Sweden, which we were already offering in Denmark and Norway.

Investing in the future

We are addressing the challenges of increasing digitalization throughout the Nordic region by restructuring our letters business, which is rapidly decreasing in volume, into parcels, logistics and digital services, where volumes are increasing sharply. We are investing in additional parcel terminals, new vehicles to improve the working environment and reduce climate impact, and more partner outlets to increase availability across the Nordic region.

Comprehensive changes in Denmark

We introduced a new production model for letters in Denmark on January 21, 2018, the

biggest change in the Danish company's history. During the year, despite this major restructure, we exceeded the Danish 93% legal quality requirement for mail consignments. Following payment of the Danish state contribution of SEK 1,533 million that was also approved by the EU Commission, the restructuring of the Danish arm of the business is now fully underway and producing results.

Frequency of delivery a challenge

In Sweden, letter volume are rapidly declining, which means that the number of letters per household visited is also falling rapidly. This also means there is a need for a change to postal regulations in Sweden. We have had a temporary respite due to the new Postal Ordinance that has been in force since January 1, 2018. This has allowed us to adjust the postage rate in order to temporarily cover the increased unit cost per letter. At the same time, the overnight delivery requirement has been removed, which to some extent reduces costs - it has also had a positive environmental effect as we have been able to reduce our use of air transportation.

The regulatory changes have been necessary ones but, because we have to relate to a reality that is rapidly changing, further changes to the regulations will be needed in coming years. We need flexible regulations that provide

“Our main focus is on making everyday life easier for our customers and consumers.”



“In order to address a new future driven by digitalization, we are putting a lot of energy into developing solutions for e-commerce and digital communication.”

predictability and are financially sustainable. The fall in letter volumes has a substantial effect on PostNord's business and is thus a key issue for the Group.

Addressing the future

In order to address a new future driven by digitalization, we are putting a lot of energy into developing solutions for e-commerce and digital communication. Our focus is on making everyday life easier for the consumer. To increase our competitiveness as the preferred distributor to the end consumer, we have introduced the Swedish Bank ID method of authentication into our PostNord app. Using this to identify yourself when collecting mail is a unique solution and part of society's continued transformation from physical to digital communication.

Nordic coverage a strength

While adapting for the future, we also need to improve profitability. This requires a high performance from the business in terms of both efficiencies and investment. Sales are mainly at a local level in each of the countries, but our unique strength is at the Nordic level, with major customers who see the Nordic region as a single market.

PostNord 10 years old and PostNord Strålfors 100 years old

On June 24, 2019, it will be ten years since the Swedish and Danish postal services were merged to form PostNord, an occasion we plan to mark.

PostNord Strålfors, which operates in all four of our Nordic countries, is developing strongly with good profitability. We are developing business in 3D printing and in physical communication combined with digital solutions, which currently constitutes 50 percent of our income. In 2019, PostNord Strålfors will be 100 years old, and will be celebrating with a range of activities including an open house in Ljungby, the place where Strålfors was founded.

Continued focus on sustainability

During the year we have linked our work on sustainability more clearly to Agenda 2030. Starting from our Code of Conduct for Suppliers, our work has included improving the working environ-



ment for external drivers. With the aim of reducing the current shortage of drivers, we have embarked on a new project with the Swedish Public Employment Service, the Swedish Agency for Economic and Regional Growth, and We Link Sweden to bring new arrivals in Sweden into the job market by providing driver training.

Reducing climate impact

We are continuing our journey towards reduced reliance on fossil fuels by restructuring our production processes and our fleet of vehicles. Despite increasing volumes, we are reducing our impact on the climate in line with our objective – a reduction of 40 percent in real terms between 2009 and 2020 – in part by introducing an integrated production model that makes it easier to handle letters and parcels together.

The past year

The year was characterized by a very substantial restructuring process. My sincere thanks go to all my colleagues for their commitment and the professional way in which they have helped to make this happen. I would also like to thank all our customers and partners for their excellent work and I look forward to developing our business further so as to create value for our customers, owners, and other stakeholders.

Solutions for tomorrow

An exciting new year is now underway, one that will hold both opportunities and challenges for our Group. We are addressing the future by continuing to work at a rapid pace to restructure our business, focusing on customers, and developing long-term, sustainable solutions in logistics and communication.

Håkan Ericsson
President and Group CEO

A vital part of the business community and society

PostNord is a leader in communication and logistics to, from, and within the Nordic region. Our remit here includes delivering post and mail items to all private individuals and companies in Sweden and Denmark. PostNord facilitates business, retail, and communication on a daily basis.

PostNord connects the Nordic region

Our comprehensive distribution network connects companies, authorities, and private individuals in the Nordic region, making us a vital part of Nordic society and the region's business community. PostNord enables its customers to do business, send and receive goods, and communicate with each other. We do this every day, irrespective of where our customers happen to be or the distance between point A and point B.

This creates considerable opportunities, not least in e-commerce, and also for business owners and residents in the more sparsely-populated parts of the region. E-tailers reach not only Nordic customers but also the global market. Consumers can buy goods from businesses across the world.

A postal service for the whole community

One thing distinguishes PostNord from all other postal operators in Sweden and Denmark.

We are the only company entrusted with the important task of delivering post to all private

individuals and companies in each country. In sparsely-populated areas we are usually the only provider.

A new reality requires new conditions

It is now clear that a new reality requires new conditions for community postal services. The background to this is that our communication habits are changing faster than ever. Since 2000, the number of letters sent has more than halved. In Denmark, the volume of letters has declined by more than 80 percent.

In order to ensure our business is profitable in today's market conditions, PostNord is undertaking a vigorous restructuring process. In addition, there is a need for regulation that is predictable and flexible. Some changes have already been made - Denmark's postal services act was updated in 2016 and Sweden's in 2018 - but more are needed, mainly in respect of frequency of delivery and pricing. There is more information about this challenge on page 12.

“In order to ensure we can be profitable in today's market conditions, PostNord is undertaking a vigorous restructuring process. In addition, there is a need for regulation that is predictable and flexible.”



Transition to fossil-free transport

PostNord's gradual transition to fossil-free transport has major significance for the whole industry. One impetus for our work on this is the Swedish government's objective for the Swedish vehicle fleet to be independent of fossil fuels by 2030.

A key element of our activity in this area is the streamlining and optimizing of our logistics. We are one of only a few players in e-commerce to have direct contact with both retailers and consumers. PostNord thus plays an important role in the transition to more environmentally-friendly alternatives for logistics and distribution. In addition, PostNord's route to fossil-fuel independence is via electrification and biofuels.

Electric bicycles and small electric cars have long featured in PostNord's vehicle fleet. And many forms of transport, particularly in urban areas, require only muscle power. PostNord currently has just under 3,000 electric bicycles and a large number of ordinary bicycles. Sustainable transport is also provided by other vehicles. In the long term, electrically-powered transport will win out as it is quiet, energy-efficient, has low emissions, and costs little to run and maintain.

Rail freight is one element in PostNord's electrified transportation service. Currently, around 65 percent of letters in Sweden are carried between terminals by train. On January 1, 2018, there was a change in the regulations and priority mail must now be delivered within two days. This means that some can be transported by train rather than by air.

Biofuels enable us to transport heavy loads with less impact on the climate. We are working to increase the percentage of renewable fuels we use as far as we can. For a number of years we have focused on HVO, a synthetic diesel fuel made from renewable raw materials. We are also assessing other options so that we can further increase the percentage of renewable fuel we use.

“PostNord's gradual transition to fossil-free transport has major significance for the whole sector.”



Strong consumers are driving the market

Digitalization is the single strongest influence on PostNord's communication, e-commerce, and logistics business.

Communication - letter volumes declining and digital communication increasing

DRIVERS

The way we communicate continues to change - digitalization is increasing and we are sending fewer and fewer letters. In fact, letter volumes in Sweden have more than halved since the turn of the millennium. In Denmark, the process has been even faster, partly because of legal requirements in respect of digital communication to and from the public sector. Digitalization brings with it both challenges and opportunities.

COMPETITIVENESS FACTORS

PostNord is the only provider of a universal postal service in Denmark and Sweden. Meanwhile there is stiff competition in the market, in particular in densely populated areas. For PostNord to be able to deliver this universal service, meet the communication needs of the market, and deliver returns to its owners, the right conditions need to be in place. There is a particular need for more flexible legislation and rules that respond to changing communication needs and behaviors.

POSITION

PostNord continues to adapt its mail business and activity as letter volume declines. Alongside this we are developing new services, both combinations of physical and digital communication and purely digital services.

E-commerce - record growth

DRIVERS

E-commerce currently represents around ten percent of total retail in Sweden¹⁾ and by 2025 it is forecast to have increased to between a fifth and a third²⁾ of the total. The growth is due to the entrance into the market of more e-commerce businesses, new technical solutions and consumers becoming increasingly accustomed to shopping online. An additional factor in this growth is a demand for increased choice and convenience.

COMPETITIVENESS FACTORS

The increasing influence of the consumer is a clear trend. Now that people are living increasingly digital lives, shopping behavior is changing rapidly. An e-retailer needs to keep up to speed to be assured of success in a market with stiffening competition. It is crucial that we understand consumers and offer solutions that match their needs.

High levels of growth in e-commerce are attracting new investors and players, which is increasing competition still further. One of the most important competitive factors is effective and seamless logistics. Delivery is now an important, integrated part of the shopping experience - consumers want to have control over when, where, and how their purchases are delivered, and what delivery will cost.

Two powerful trends are the omnichannel concept, where the consumer has the same purchasing experience irrespective of channel, and information logistics, which provides track-and-trace and control over deliveries in real time.

POSITION

PostNord has unique coverage - we reach all households in Sweden, Denmark, Norway, and Finland. In total, PostNord has over 7,000 distribution points/partner outlets across the Nordic region. This, together with our solid expertise, means that many leading e-retailers in the Nordic countries choose us as their partner. It also ensures that there will continue to be good opportunities for growth. A substantial proportion of PostNord's new contracts relates to the rapidly-growing e-commerce segment.

PostNord continues to work systematically to provide a good, ongoing basis for world-class e-commerce in the Nordic region. By offering common products and services and the most extensive distribution network in the Nordic countries, we bring e-retailers and consumers closer together.

Changing letter volumes

Sweden

All letters 2018, since 2017	-11%
All letters since 2000	-52%
Priority letters since 2000	-63%

Denmark

All letters 2018, since 2017	-13%
All letters since 2000	-82%
Priority letters/Quickbrev, since 2000	-97%

E-commerce in the Nordic region

Consumers who have shopped online in an average month (millions)

	2018	2017
Sweden	6.8	3.6
Denmark	3.6	1.9
Norway	3.5	1.8
Finland	2.6	1.4

According to surveys carried out for PostNord by TNS Kantar Sifo in 2017 and 2018. The surveys are based on self-assessment.

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

²⁾ Svensk Handel (Swedish trade association): "Det stora detaljhandelsskiftet 2018" (The big retail shift 2018)

Logistics - increasing demand for total solutions

DRIVERS

The logistics market includes everything from home delivery of parcels to advanced services such as third-party logistics. The major drivers are global growth and increasing international trade. Europe is the Nordic region's most important trading partner, while trade between the Nordic countries represents a significant proportion of total trade in the region. This means that the demand for total, cross-border solutions for the Nordic region is growing.

The demand for more advanced services is increasing steadily, with significant demands in respect of delivery, flexibility, and communication.

COMPETITIVENESS FACTORS

The logistics market is characterized by stiff competition and downward pressure on prices.

Previously, competition in the Nordic market was mainly limited to traditional global and national logistics players, such as DHL,

DB Schenker, Bring, GLS, and Posti, and smaller, local providers in various logistics segments. The competitive landscape is now being redesigned with the emergence of new alliances and partnerships. New players are being established and expanding in consumer-related areas such as market places, payment solutions, and niche logistics and courier services. Their new business models are based on products or services for parts or the whole of the delivery chain and also on selling and using information shared between senders, carriers, and recipients.

POSITION

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

“Our comprehensive distribution network, our own vehicle fleet in the Nordic region, and international collaboration make PostNord a market leader in Nordic logistics.”



New challenges – an exciting future

Our almost 400 year journey has been punctuated by revolutionary changes. PostNord is now facing a series of challenges and exciting opportunities. We are continuing to move forward by adhering to our original concept: to convey goods and messages efficiently.

Current challenges

Over time, the Swedish and Danish postal authorities have moved from being government agencies to operating as businesses, from monopolies to competing with other organizations, and from being mainly local operators to regional players. Today, we are facing several major challenges:

DIGITALIZATION AND CAPACITY

Digitalization presents us with two directly opposing market trends: far fewer letters are being sent while parcel volumes are increasing. Between 2000 and 2018, letter volumes in Sweden declined by 52 percent and in Denmark by 82 percent.

We are addressing the challenge of digitalization and capacity by restructuring our business and investing in infrastructure and capacity. Find out more on page 16.

TRUST AND CONFIDENCE

It is essential to all our work that employees, customers, and recipients have confidence in the company. Our aim is to be even more responsive to people's needs and expectations, to ensure that everything we do is of high quality, and to develop new, relevant products, services and solutions. We are well aware that trust is based as much on what we actually do as on how we are perceived. Nothing is taken for granted, and we work tirelessly to gain the trust of employees, customers, and recipients at every point of contact.

We are addressing the challenge of trust through responsiveness, higher quality, and innovative services. Find out more on page 18.

THE FUTURE OF THE UNIVERSAL POSTAL SERVICE

It is an honor to have the important remit to deliver a universal post and mail service to all private individuals and companies in Sweden and Denmark. Our communication habits are

changing faster than ever, placing significant demands on mail management. At the same time, we are subject to laws and regulations, most of which were in place before the arrival of digitalization. Modern mail management requires a modern regulatory system. Two questions are particularly urgent: how often should we deliver letters and how much should we charge?

Frequency of delivery: Adjusting the frequency of delivery requirement would not significantly impact customers and recipients. It would, however, greatly assist in ensuring the postal service was financially sustainable. A new report from the Swedish Post and Telecom Authority (PTS)¹⁾ shows that the need to send and receive physical letters is relatively small. The private individuals and small companies surveyed stated that they prioritized predictability and having letters arrive within a reasonable space of time over having a delivery every weekday. Only five percent of the individual respondents felt it necessary to have physical letters delivered on a daily basis. In addition, three out of four respondents said that they anticipated they would be using digital letterboxes within a couple of years. This reinforces PostNord's view that deliveries should be less frequent but that we must also deliver what society needs.

Pricing: As letter volumes decline, the cost per letter handled increases. Meanwhile, postal charges are subject to a price ceiling. The original purpose of price regulation was to ensure people could communicate at a reasonable cost. Regulation has now had its day, as digital solutions enable us to communicate cheaply and efficiently. For most households, the cost of postage is negligible.

If we are to maintain a financially sustainable, universal postal service, it is essential that

the price ceiling is removed so that PostNord can adjust its prices in line with its costs.

PROFITABILITY

Distributing letters and parcels to almost every household and company in the Nordic region is labor-intensive and demanding in terms of infrastructure. The combination of price and pay increases and declining mail volumes is leading inevitably to a higher distribution cost per letter.

We are addressing the profitability challenge through a continued restructuring of our business and flexible, predictable, financially sustainable regulation.

CLIMATE

PostNord's own and procured transport services emit approximately 300,000 tonnes of carbon dioxide each year. Converting PostNord's transport services and operations to fossil-free fuels will require major investment.

We are addressing the climate challenge by optimizing PostNord's logistics system and investing in electrification and biofuels. Find out more on page 88.

The Group strategy shows the way forward

At PostNord, we are accustomed to taking on new tasks – change is a way of life. PostNord is facing tough challenges and exciting opportunities. We continue to move forward by adhering to our original concept: to convey goods and messages efficiently. The Group strategy shows the way forward.

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



A world-class business model for communication and logistics solutions

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

Business model and assumptions

We offer communications and logistics solutions to, from, and within the Nordic region. This includes ensuring that there is a universal postal service in Sweden and Denmark. All our activity is based on our aim to make everyday life easier. Our values – present, reliable, and sustainable – guide us to the right decisions and actions.

PostNord's customers are mainly e-commerce companies, authorities, and private individuals.

PostNord's business is influenced by two opposing trends. While we are facing major challenges in the letters sector that is subject to licensing, we are uniquely placed to continue to develop our digital communications and e-commerce and logistics business, which is currently undergoing strong growth. The growth is driven by new technical products and services and the demands of customers and consumers for simple solutions.

Structural capital

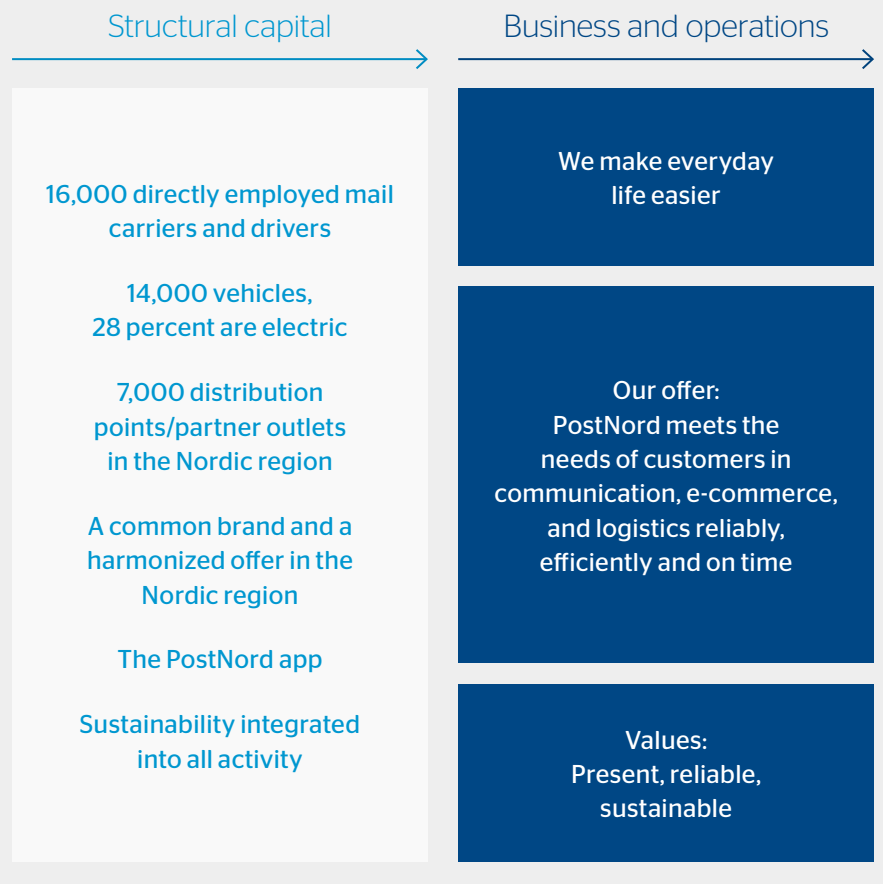
PostNord has a unique distribution network and structural capital – we cover the whole of the Nordic region, both urban and rural areas. PostNord's structural capital includes a large number of terminals, around 14,000 vehicles, approximately 16,000 directly employed drivers and mail carriers, and over 7,000 distribution points/partner outlets.

Business and operations

PostNord is set up to develop and provide total solutions and to benefit from economies of scale in terms of production. The Communication Services and eCommerce & Logistics business areas are responsible for product and service development for the whole of the Nordic region for their respective areas, while the country organizations are responsible for production and sales.

Strategic goals

PostNord is a leader in distribution and e-commerce in the Nordic region and also in physical and digital communication solutions. To reinforce our position, we need committed employees who take pride in their company and in meeting the needs of customers, and an information platform for efficient interaction with our customers, suppliers and consumers.



Competitive, profitable business in logistics, e-commerce,

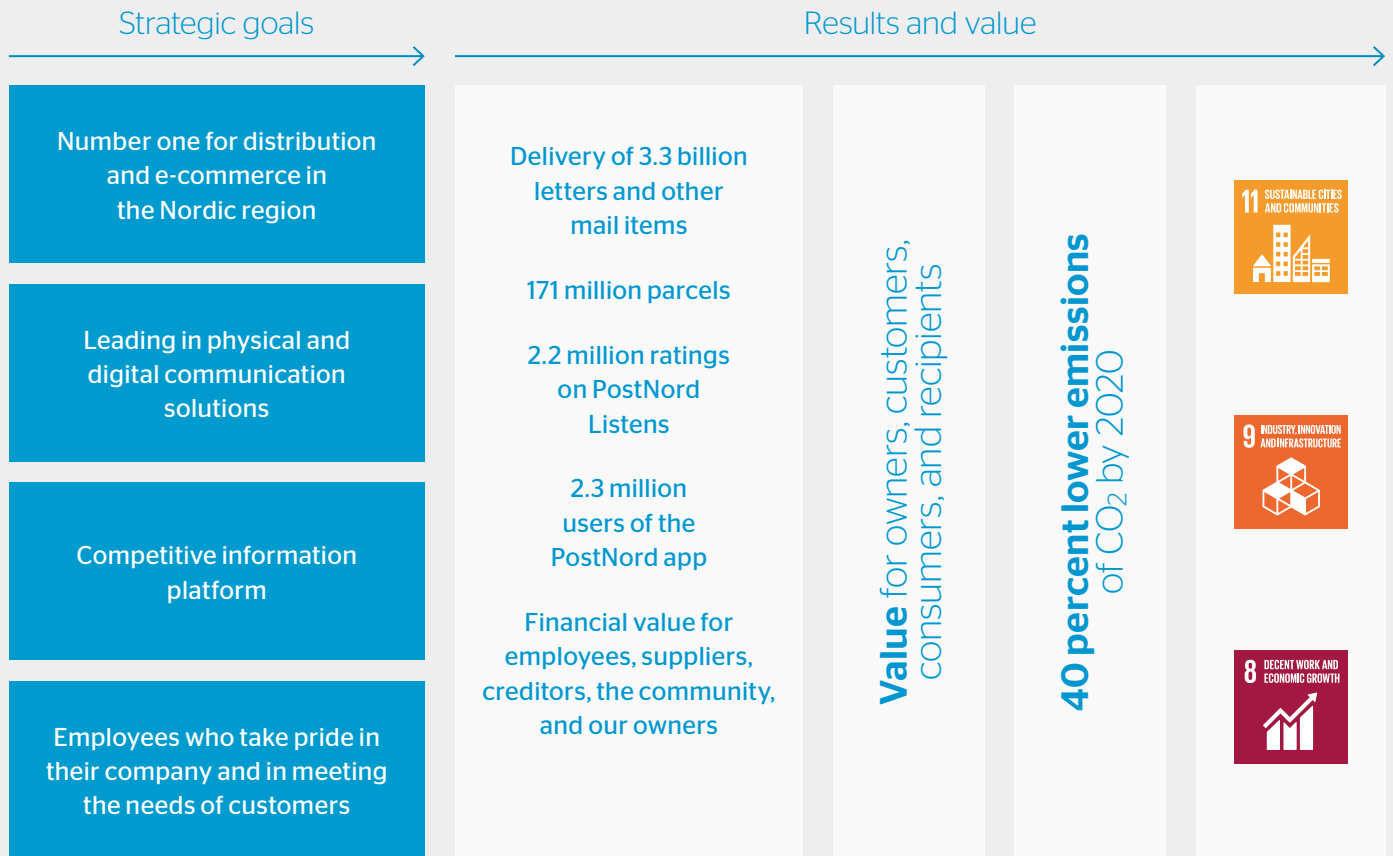
Results and value

PostNord connects companies, authorities, and private individuals. It facilitates business, trading, and communication throughout the Nordic region, both in towns and cities and in more sparsely-populated areas.

In 2018, PostNord delivered 3.3 billion letters and other mail items and 171 million parcels to the 27 million inhabitants and two million companies of the Nordic region.

The results and values that PostNord creates are of benefit far beyond our owners and our customers and their recipients. PostNord

helps to achieve several of the UN global goals for sustainable development, in particular those relating to sustainable cities and communities, sustainable industry, innovation and infrastructure, and decent work and economic growth. PostNord's gradual transition to fossil-free transport is also of major significance. The current goal is to reduce emissions by 40 percent between 2009 and 2020.



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

Values

PRESENT

Present means being available anytime and anywhere. It also means that PostNord Listens and understands what is going on right now – in society, in the lunch room, and in the distribution channel. It means always being present.

RELIABLE

We have been in existence for almost 400 years and will be here for many more years. Over the years, we have enabled people, communities,

and companies to communicate and run businesses. We take what we do very seriously and you can be sure that we will keep our promises, whether that means delivering on time or looking after each other.

SUSTAINABLE

We work hard to develop sustainability in our industry. We will always care about those who shape the company and respect the environment and the community around us.

Strategy for leadership in logistics and communication

The e-commerce, logistics, and communication markets are changing dramatically. That presents both challenges and opportunities. PostNord's clear strategy is enabling it to strengthen its position as a competitive Nordic logistics and communication player with a major focus on the growing e-commerce sector.

We have been restructuring the business for several years, mainly in terms of infrastructure, capacity, and workforce. Our aim is to guarantee a good postal service in Sweden and Denmark and pave the way to effective communication, e-commerce, and logistics solutions. In parallel with this, PostNord is developing its communication business, in part through new digital services and channels and in part through different combinations of physical and digital communication.

PostNord's work is guided by its strategic goals and a number of priorities. We have a clear direction of travel: PostNord is developing the leading e-commerce, logistics, and communication business in the Nordic region.



Strategic goals

NUMBER ONE FOR DISTRIBUTION AND E-COMMERCE IN THE NORDIC REGION

PostNord strengthens its position as the leading Nordic distribution and e-commerce company. This includes making the most of our unique Nordic network, further developing our products and services, and strengthening our relationship with recipients. We will continue to grow as the market grows.

LEADING IN PHYSICAL AND DIGITAL COMMUNICATION SOLUTIONS

PostNord will develop its leading position in communication services, in all channels. While optimizing our physical letter business, we will introduce digital services and services that combine physical and digital communication.

COMPETITIVE INFORMATION PLATFORM

PostNord will further develop its platform for information management and data analysis. A more integrated platform will allow for more efficient interaction with customers, partners, suppliers, and consumers, and create more efficient ways of working, new business models, and new communication interfaces.

EMPLOYEES WHO TAKE PRIDE IN THEIR COMPANY AND IN MEETING THE NEEDS OF CUSTOMERS

It is our employees who engage with our customers and recipients. Their commitment and willingness to assume responsibility is essential for delivering high quality. So it is important that PostNord is a workplace to be proud of. And it is important that employees feel greater pride in their company.

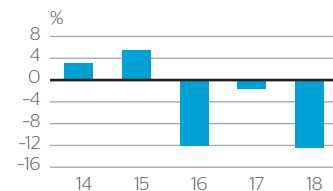
Financial goals

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

PROFITABILITY

Target: Return on capital employed 10.5 percent.

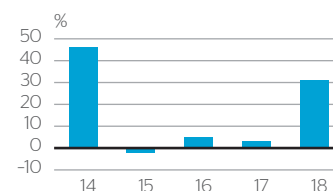
Outcome: -12.4 (-1.6) percent (inc. items affecting comparability)



CAPITAL STRUCTURE

Target: Net debt ratio 10-50 percent.

Outcome: 31 (3) percent



Sustainability goals

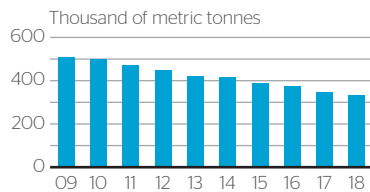
One of the Group's priorities and overriding goals for sustainable business is to be a leader in sustainability. There are three targets leading up to this overriding goal, all of which must be achieved by 2020.

CLIMATE

PostNord's main effect on the environment is climate impact. The Group has set an absolute goal for a reduction in carbon dioxide emissions, which is a challenge when production, in particular parcel volume, is rapidly increasing. We are taking action to restructure our operations and reduce emissions and climate impact on many fronts. Important aspects of this include efficiencies in all areas of the business and a high percentage of renewable fuels.

Target: PostNord's carbon dioxide emissions will be reduced by 40 percent by 2020 in relation to 2009 levels.

Outcome 2009-2020: 35 (32) percent

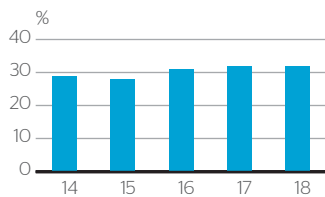


GENDER EQUALITY

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

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

Outcome: 32 (32) percent



SUPPLIERS

The goods and services purchased by PostNord come mainly from transport, fuel, staffing, and IT suppliers. Our success is built on long term, and sustainable collaboration with our suppliers. We work to provide good conditions for our suppliers to meet our requirements, and follow up on their compliance with them. Monitoring processes involve self-assessment and on site audits of selected suppliers.

Target: Based on a risk assessment, at least 80 percent of the Group's total spend will be with suppliers who accept and comply with the Code of Conduct for Suppliers.

Outcome: 54 (33) percent

Read about PostNord's actions and results in respect of the climate on pages 88 and 93, gender equality on pages 20 and 95, and suppliers on page 89.



Priorities for achieving our strategic goals

The Group ensures that PostNord's day-to-day work helps to achieve its overriding strategy by setting priorities. In concrete terms, the priorities aim to strengthen trust and confidence in PostNord, develop competitive products, services, and solutions, and lay the future foundations of the business.

Strengthen trust and confidence in PostNord WIN THE TRUST OF CUSTOMERS, CONSUMERS, AND EMPLOYEES

Winning the trust of and confidence of our customers and consumers is essential to PostNord's success. We need to listen to and understand the world around us and meet the demands made of us. We will win the trust of our customers and consumers by improving quality, both in our products and services and in the way we deliver to and communicate with customers and consumers.

However, everything starts with our employees – we are working together to improve our customers' experience and to make consumers' everyday lives easier. We will win the trust of our employees by, for example, involving them in our mission, implementing our strategy, and improving communication inside the company.

Our focus in 2018: Our work on the PostNord Listens initiative continued. This included increasing the number of information collection points to achieve better coverage. PostNord Listens was also launched internally. The aim is to gain a better understanding of how to strengthen our employees' commitment to and trust in the company and make it easier for

them to do a good job. We invested significantly in improving the quality of our work, including developing processes and planning resources.

Develop products, services, and solutions CREATE THE MOST COMPETITIVE OFFER IN E-COMMERCE

The e-commerce and distribution markets are growing and changing rapidly and competition meanwhile is stiffening. PostNord's coverage and product portfolio puts us in a unique position and we maintain this by constantly developing our offer to include innovative, new solutions. We expect digital products and services to represent an increasing proportion of our income.

An important aspect of our development is flexible, convenient "last mile" solutions, i.e. the final section of the supply chain including delivery to the end-customer. This includes new formats for home delivery, various partner outlet solutions, and delivery to parcel boxes.

Our focus in 2018: We continued to develop and promote the PostNord app. The app has over two million users in the Nordic countries and is our most important channel for communicating with recipients. We also focused heavily on increasing capacity and developing "last

mile" solutions. In addition, we continued to develop our Nordic customer portal for increased customer convenience.

TRANSFORM OUR LETTER BUSINESS

PostNord's letter business, including the universal postal service, is under considerable pressure from digitalization and changing competition. We need to transform our letter business to ensure future flexibility and profitability. Our focus is on optimizing our production model and building up preparedness, for both the short and the long term.

Our focus in 2018: We continued to analyze future trends in the letters market in terms of the impact of digitalization, regulation, and competition. We can achieve a great deal through our own considerable efforts but not everything – there needs to be flexible, predictable regulation particularly in respect of distribution and pricing. In Denmark, an all-new production model was implemented that required a substantial restructuring of the Danish production system. The main change involved integrating the letter flow into the parcel and logistics flows.

CREATE INNOVATIVE DIGITAL PRODUCTS AND CUSTOMER INTERFACES

PostNord is restructuring its business to focus more on digital communication, combining physical and digital products and services. Our aim is to be a partner for our customers in respect of digital and omnichannel products and services and to develop and promote a series of digital concepts and solutions for consumers. Our logistics business and consumer interface are also becoming more digitalized. PostNord is working hard to be at the forefront of meeting customer expectations and creating unified solutions that make everyday life easier for customers and consumers.

Our focus in 2018: During the year, PostNord started developing a digital assistant to be launched in 2019. Several initiatives aim to simplify management of administrative communication and important letters and messages. Logistics initiatives have been designed to provide consumers with a smoother delivery experience.

Build the right conditions for our business OPTIMIZE OUR CAPACITY FOR GROWTH

The strong growth of e-commerce presents great opportunities but also challenges. This priority includes a range of initiatives aimed at





optimizing our production model, developing existing and new products, and planning for future growth. Analysis is also underway to identify future investment needs in areas such as infrastructure and new technology.

Our focus in 2018: PostNord undertook comprehensive capacity analysis covering “last mile” operators, partner outlets, and other channels. Several actions were taken to increase capacity in the short and long term. We also worked to increase our operational efficiency by monitoring scanning points in our production process and ensuring that deliveries are dispatched to recipients as quickly as possible. In addition, we increased our capacity for parcels by establishing three new terminals and investing in vehicles.

COMPETITIVE INFORMATION PLATFORM

PostNord’s business is becoming increasingly dependent on information flows and data management in our relationships and work with our customers, partners, suppliers, and consumers. Information and data is becoming more consistent and is being analyzed in a more structured way. This gives us greater opportunities to improve our ways of working and production processes, and also enables us to develop new products and services while improving communication with consumers.

Our focus in 2018: PostNord IT focused on increasing the company’s competitiveness by quickly and flexibly responding to new customer and business needs with improved cost

effectiveness. They also met targets for availability and for robust operations and administration. PostNord IT also ensured that PostNord was compliant with GDPR and that its information and IT security systems provided protection for PostNord’s brand and data.

PROFITABILITY AND PRODUCTIVITY

PostNord operates within an industry experiencing increasing downward pressure on prices and low margins. We therefore continue to focus on increasing productivity and reducing costs. Initiatives in other areas, such as strategic purchasing, pricing, and sales, are also putting the Group in a good position to increase profitability.

Our focus in 2018: During the year, we continued to adapt the Group’s administrative costs. PostNord’s business areas and country organizations undertook several initiatives for increased product profitability. A process is underway to ensure payments for all actions carried out on behalf of customers are correct. Our various initiatives to simplify and improve online customer services, for example by using artificial intelligence, also help to increase efficiency and profitability.

ENSURE IT SYSTEMS ARE ROBUST AND EFFICIENT

Robust IT systems are essential for efficient operations. This priority features three overarching areas: reducing serious incidents, IT security, including data security and storage (GDPR), and cost reduction. It also aims to build capacity for future digital restructuring.

Our focus in 2018: The year saw a major focus on incident management and structured work on achieving the Group’s vision of zero incidents. A number of adjustments were made and some restructuring undertaken in respect of GDPR.

LEADING IN SUSTAINABILITY

Being a leader in sustainability is essential for PostNord’s business, both now and in the future. We have to balance many interests - finances, quality, climate impact, safety, and security, to name but a few - to be able to deliver on our mission and provide customers and recipients with sustainable products and services. We put a lot of effort into reducing the Group’s carbon dioxide emissions, not least because they constitute climate impact in our customers’ value chain. Another priority area is protecting individuals and property that may be affected by crime relating to PostNord’s business.

Our focus in 2018: During the year we coordinated our work on sustainability through a Framework for Sustainable Business. The aim was to create broader, more business-oriented, sustainability initiatives more clearly in line with the UN global sustainability goals.

Read more about PostNord’s priorities, important events, and results during the year for each segment on pages 24-28.



Employees crucial to the customer experience

Digitalization is increasing, e-commerce is growing, and consumers are making greater demands. Recipients' preferences determine the shape of PostNord's logistics, distribution, and associated services. For PostNord to be the consumer's first choice, employees need to be fully supported to do a really good job.

Service delivery starts from within

It is our colleagues in the front line – our drivers, mail carriers, and customer services staff – who deal directly with consumers and help determine their perceptions of our company. Consumer-driven e-commerce means, simply, that the recipient's perspective is given increasing weight in PostNord's overall ratings.

This new reality affects almost everything PostNord does and necessitates adaptation on our part. We are working hard to put the right conditions in place for employees who have direct contact with consumers and recipients. One important part of this is providing them with effective tools for dialogue, both internally and when meeting consumers.

A new intranet will form the hub of our digital workplace. We have also produced mobile tools for staffing and communication; for example, employees will be able to plan their own working hours. Several initiatives are underway to make employees' everyday working life easier, encouraging commitment to PostNord and pride in the organization.

Ongoing surveys ensure rapid action

To make sure we are going in the right direction, we frequently ask our employees to complete short surveys. These focus on employee engagement and what they think about the current changes, their immediate manager, and senior management. The surveys replace the previous annual staff survey.

During the year, we surveyed our employees five times. Overall, the results were better than last year. The highest ratings, higher than external benchmarks, were for the ability of the immediate manager to create an environment

of trust and to explain how individual employees contribute to achieving the team's targets, and the manager's own commitment. The areas where PostNord faces its biggest challenges are confidence in senior management decisions and their ability to communicate strategy and goals. As last year, too few employees say that they are proud to work at PostNord. Measures have been put in place to create the right conditions for the Group's employees and a climate of trust and are being implemented on an ongoing basis in the country organizations.

Leadership for a better customer experience

The ability of managers to lead change and the commitment of employees are essential for the success of the ongoing restructuring into a clear service-oriented organization.

The ability to lead change is a critical factor. PostNord has set out a number of desirable leadership behaviors. A PostNord manager must be clear, involve others, take responsibility, and deliver value. During the year, each country organization implemented training to support managers in their leadership roles.

Targets for gender-equal leadership

PostNord currently comprises about a third women and two thirds men. In 2010, a decision was taken to increase the proportion of women in managerial roles. The target is for at least 40 percent of the Group's managers and leaders to be women by 2020. A number of initiatives and activities are helping to achieve this target. For example, all management, leadership and project management posts are advertised both internally and externally. The initiative proving to be of greatest benefit is ensuring

that, for each recruitment round, the final candidates include both women and men.

The Panorama program at PostNord Sweden is one of the targeted initiatives to increase the proportion of women in management. The aim is to develop and motivate women to eventually take on major leadership roles. Diversity is also the cornerstone of PostNord's various talent and development programs – for example, Top Talent, PostNord Professionals, and a new Nordic mentoring program.

At the end of the year, 32 percent of PostNord's managers were women. The percentage of women in managerial roles at all levels is 30 percent or greater.

Restructuring with responsibility

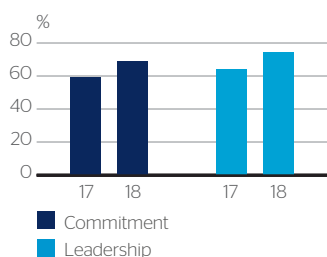
During the year, we continued the adjustment of our workforce. The biggest restructure to date took place at PostNord Denmark, which deployed a new production model in January 2018. The employees have been affected in several ways. A large number of employees with special terms and conditions (the right to three years' notice without obligation to work) left the company.

Adapting PostNord's operations to the declining letter volumes is challenging. We are acting responsibly to manage staff reductions, working closely with the unions. The work also involves minimizing work-related injuries.

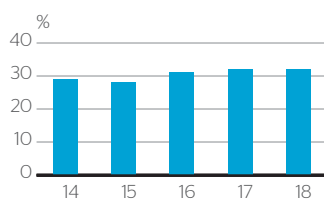


[Read more about PostNord's workforce on pages 92 and 95.](#)

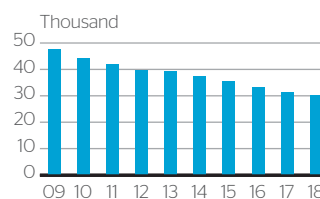
Commitment and leadership¹⁾



Proportion of women managers



Average number of employees (FTE)



¹⁾ PostNord's employee survey changed during the year. The employee index has been replaced by "commitment" and leadership index has been replaced by "leadership" forming two of PostNord's key indicators for employees.



Group

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

Net sales and income

PostNord's net sales decreased by 0.3 percent, excluding acquisitions, disposals and exchange rate effects. As a result of continued digitalization, mail volumes declined by 11 percent overall, of which 13 percent was in Denmark and 11 percent in Sweden. The Group's parcel volumes increased by 11 percent. Growth in e-commerce continues, with e-commerce-related B2C volumes rising 16 percent. Over the full year, sales of the Group's other logistics services (third-party logistics, groupage cargo and pallet) increased by 14 percent.

Group operating income totaled SEK -855m (-124). In all, income takes into account items affecting comparability of SEK -984m (-462) and mainly consists of state aid received in Denmark and provisions for terminating the contracts of employees in Denmark with special employment conditions. The Group's adjusted operating income was SEK 129m (338) for the full year. The decline is explained mainly by the rising pace of digitalization and increased costs of ensuring delivery quality in Sweden.

Net financial items totaled SEK -35m (-12). Income taxes totaled SEK -176m (-201). The relatively high tax liability arises because deferred tax in connection with PostNord Denmark's deficit has not been recognized, since it is estimated that the tax loss carry-forward cannot be utilized within the near future. Net income for the year totaled SEK -1,067m (-337).

Financial position and results

Equity totaled SEK 5,142m, compared to SEK 7,365m on December 31, 2017. The change is primarily attributable to the loss for the year, revaluation of pensions and a positive translation difference as a result of the Swedish krona strengthening against the Norwegian krone.

The Group's net debt totaled SEK 1,614m (238) including the Group's pension liability. Interest-bearing debt consists of a long-term portion of SEK 1,770m (3,556) and a current portion of SEK 1,619m (222).

The net debt ratio (net debt/equity) was 31 (3) percent, and was within the Group's target of 10-50 percent. The adjusted net debt ratio excluding the Group's pension liability was 0 percent (19). Adjusted return on capital employed (ROCE) was 1.9 percent (4.4).

At the end of the quarter, the Group's financial preparedness totaled SEK 5,188m (4,196),

represented by cash and cash equivalents of SEK 3,088m (1,901), short-term investments of SEK 101m (296) and unutilized long-term confirmed credit facilities of SEK 2,000m (2,000).

Cash flow from operating activities totaled SEK 2,083m (1,361). Cash flow was affected positively by state aid of SEK 1,533m. Working capital showed a change of SEK -320m (-38).

Investments for the year amounted to SEK 1,374m (1,196) and were made above all in new terminals, vehicles, third-party logistics equipment and IT development. Financial investments totaled SEK 156m (589). Changes regarding acquisition and disposal of financial assets were attributable in the main to the Group's liquidity management.

Statutory Sustainability Report

PostNord has prepared a statutory sustainability report that is separate from the Report of the Board. Page 1 clarifies the scope of the sustainability report.

Important events

JANUARY-MARCH

- New postal regulations were introduced on January 1, 2018 replacing the requirement for overnight delivery of franked letters with a requirement for two-day delivery. At the same time, the quality requirement was raised from 85 to 95 percent. The longer distribution time makes it possible to replace air transportation with primarily rail transportation. We thereby also reduce our impact on the climate and costs.
- From March 1, 2018, PostNord was required by the Swedish Customs Agency to ensure that VAT is paid by the recipient on all direct imports from countries outside the EU customs union.
- PostNord undertook a nationwide roadshow in Sweden so that we could listen to what the general public had to say about our business. A similar activity in Denmark saw residents invited to meet us at one of our post offices.

APRIL-JUNE

- At the Annual General Meeting on April 26, 2018, Måns Carlson, Christian Ellegaard, Peder Lundquist, Jens Moberg and Anitra Steen were all re-elected. Because Mats Abrahamsson, Gunnel Duveblad and Jesper Lok decided not



to seek re-election, they were replaced by new Board members Sonat Burman Olsson, Ulrica Messing and Charlotte Strand.

- At an extraordinary general meeting on August 14, 2018, Christian W. Jansson was elected Chairman of the Board and Christian Frigast was elected Vice Chairman. The outgoing Chairman Jens Moberg and Board member Anitra Steen stepped down at the general meeting.
- In June, Post Danmark A/S received SEK 1,533m from the Danish state, following the EU Commission's approval of the state aid. On June 11, 2018, the Board agreed to complete the restructuring of PostNord Denmark and SEK 2,562m were allocated for terminating the contracts of employees with special terms and conditions in Denmark.

JULY-SEPTEMBER

- Several important agreements were signed during the year. PostNord's Nordic agreement with Zalando was extended by three years. Partner agreements with ICA, Coop and Axfood were extended and new agreements were made with Reitan Convenience, owners of Pressbyrå and 7-Eleven.
- Overall, the number of distribution points in Sweden, Denmark, Norway and Finland increased by approximately 1,000.
- In the 3D printing field, PostNord Strålfors launched some exciting solutions and entered into a partnership agreement with Sony Mobile.

OCTOBER-DECEMBER

- Black Friday and Christmas shopping make the final three months of the year PostNord's most intensive period. Thanks to our thorough preparations, we were able to provide high quality deliveries throughout the season. We deployed our resources to maximum effect and reinforced with extra personnel.
- In December 2018 PostNord received a capital injection of SEK 667m, of which SEK 400m was from the Swedish state and SEK 267m was from the Danish state, in accordance with the 2017 agreement between the Swedish and Danish states.

Important events after the reporting period

No significant events occurred after the reporting period.

RESULTS, SEKm ¹⁾	2018	2017
Net sales	37,669	37,007
of which, Communication Services	16,797	17,688
of which, eCommerce & Logistics	20,873	19,319
Operating income (EBIT)	-855	-124
Operating margin (EBIT), %	-2.3	-0.3
Items affecting comparability, net	-984	-462
Adjusted operating income (adjusted EBIT)	129	338
Adjusted operating margin (adjusted EBIT), %	0.3	0.9
Income before tax	-890	-136
Net income for the year	-1,067	-337
Earnings per share, SEK	-0.53	-0.17
Cash flow from operating activities	2,083	1,361

¹⁾ For definitions, see Note 32, page 74.

For further information on developments in PostNord's country organization/operating segments, see pages 24-28 and Note 4.

	Dec. 31	
Net debt, SEKm	2018	2017
Interest-bearing liabilities	3,389	3,778
Pensions and disability pension plans	1,612	-1,145
Long- and short-term investments	-299	-494
Cash and cash equivalents	-3,088	-1,901
Net debt, incl. pensions	1,614	238

Parent Company

The Parent Company conducted very limited operations, in the form of intra-Group service. At December 31, it had two employees. No net sales were recognized during the year. Operating expenses totaled SEK 30m (42). Financial items totaled SEK -851m (-65). Of financial items, dividends from subsidiaries accounted for SEK 0m (0). Net income for the year totaled SEK -817m (-4) as a result of an impairment of the carrying amount of the shares in PostNord Group AB in the amount of SEK 815m (-).

Proposed appropriation of the Company's net income

The Board of Directors proposes that unappropriated earnings of SEK 3,472,754,151 be distributed as follows:

To be carried forward	SEK 3,472,754,151
Total	SEK 3,472,754,151

Dividend

Target: 40-60 percent of profit for the year

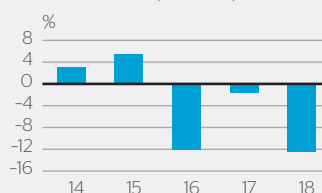
Outcome: SEK 0m proposed (0)

In view of the Company's continued restructuring requirements, the Board of Directors proposes that no dividend be paid in respect of the 2018 financial year.

Profitability

Target: Return on capital employed 10.5 percent

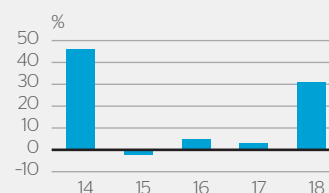
Outcome: -12.4 (-1.6) percent (incl. items affecting comparability)



Capital structure

Target: Net debt ratio 10-50 percent

Outcome: 31 (3) percent



PostNord Sweden

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

Market

Of some thirty postal operators in Sweden, PostNord Sweden is the leading player. The absolute leading competition is from various digital alternatives.

PostNord Sweden is a leader in parcel services in the e-commerce market. Significant pressure on prices is prevalent on the Swedish logistics market.

Strategic priorities

As a key component in improving the customer experience and increasing employee dedication, PostNord Sweden introduced a new organization with clearer overarching responsibility and a focus on leadership. Over 60 managers applied for their positions and many managers were externally recruited.

A pilot program was started at the terminal in Segeltorp to improve the customer experience. In the pilot program, quality and customer viewpoints have been broken down so that each respective team can follow its own result.

To increase capacity, two new parcel terminals in Örebro and Växjö were launched, and vehicles were purchased. In addition, two new groupage cargo terminals were established.

Several new services were launched to facilitate the process for recipients.

Important events 2018

A new Postal Ordinance in which the requirement of overnight delivery was altered to two-day delivery was introduced on January 1, 2018. Consequently, PostNord was able to reduce air transports and thus also its climate impact.

Annemarie Gardshol took over as CEO in February 2018.



Improvement initiatives to gain the world's trust continued. PostNord Sweden carried out a tour to 22 cities in Sweden. The result was over 20,000 conversations with various stakeholders and many viewpoints. The vast majority felt positive or neutral about PostNord's services. Many viewpoints were able to be addressed directly by the local organization.

Tullverket (Swedish Customs) announced that as of March 1, 2018, PostNord must ensure that VAT is paid by the recipient for shipments from countries outside of the EU customs union. To handle this change, PostNord established a temporary customs warehouse and new procedures. A fee of SEK 75 was introduced to cover the handling costs. The rapid change initially entailed some shortcomings, which unfortunately affected the recipients. In June, a simplified VAT handling solution was launched together with one of the major e-commerce platforms. At the end of the year, handling was moved to a new customs warehouse in Rosersberg.

In the TPL operation, in which PostNord supplies customers with warehouse management services, growth was good and several new contracts were signed.

Finance

Net sales totaled SEK 23,225m (22,639). Like-for-like sales for eCommerce & Logistics increased by 8 percent, mainly as a result of continued growth in e-commerce and other logistics operations. In Communication Services, sales fell by 3 percent due to reduced letter volumes, including addressed direct mail, by 11 percent. Operating income totaled SEK 807m (1,049). Adjusted operating income amounted to SEK 845m (1,049). The lower income resulted mostly from falling mail revenues that could not be fully offset via reduced costs and extra resources for assuring quality.

Outlook

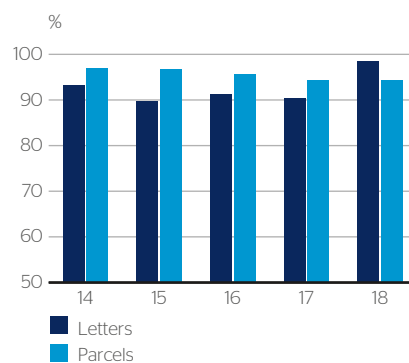
PostNord Sweden is continuing the restructuring of the business as a consequence of reduced letter volumes and increased parcel volumes due to a rise in e-commerce. One operational area must slow as the other speeds up, which is highly challenging.

At the same time, PostNord Sweden's efforts to gain the trust of customers, consumers and employees continues. PostNord Sweden needs flexible and predictable rules in order to maintain a financially sustainable letter distribution operation.

In 2018, trust in PostNord improved among all groups.

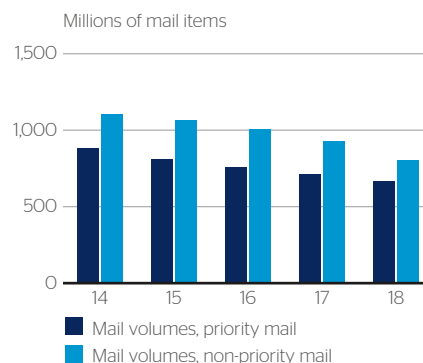
SEKm, unless otherwise indicated	2018	2017
Net sales	23,225	22,639
<i>of which, Communication Services (external)</i>	10,979	11,328
<i>of which, eCommerce & Logistics (external)</i>	11,162	10,334
<i>of which internal</i>	1,084	976
Operating income (EBIT)	807	1,049
Operating margin, %	3	5
Items affecting comparability, net	-38	0
Adjusted operating income (adjusted EBIT)	845	1,049
Adjusted operating margin, %	4	5
Priority mail, millions	663	712
Non-priority mail, millions	801	925
Average number of employees (FTE)	19,548	19,550
Employees at end of period	19,798	19,617

Delivery quality, letters and parcels¹⁾



¹⁾ Letters 2014-2017 refers to SWEX 1st class individual and letters 2018 refers to SWEX Letters (0-2).

Mail volumes



PostNord Denmark

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

Market

Denmark is among the world's most digitalized countries and it is the country that has experienced the greatest decline in letter volumes. In light of this, the logistics market - including the rise in e-commerce - is increasingly important for PostNord Denmark, and competition is tough in these markets.

Strategic priorities

A new production model for letter distribution was introduced in Denmark during the year. In a few years, the restructuring will give PostNord Denmark the conditions for profitability. The restructuring, which is the company's response to the comprehensive effects of digitalization in Denmark, may be the largest ever in a postal operation.

Important events 2018

With the inauguration of Denmark's largest parcel and shipping terminal in Køge, PostNord Denmark increased its capacity significantly. The new terminal is 25,000 square meters and encompasses numerous features and solutions, including parcel sorting, pallet/groupage cargo and TPL operations.

In conjunction with the transition to a new production model, PostNord Denmark left the market for unaddressed mail. The task of administering "No thank you to advertisements" was thereby passed to the company Forbruger-kontakt.



In response to the powerful growth in e-commerce, PostNord Denmark opened 100 new partner outlets and expanded the capacity of existing partner outlets. All of them opened in time for PostNord's peak season, which starts with Black Friday in November and lasts through Christmas.

Finance

Net sales totaled SEK 8,559m (8,685). In Communication Services, net sales fell by 18 percent. In eCommerce & Logistics, net sales grew by 3 percent. Operating income totaled SEK -1,366m (-1,115). Income takes into account items affecting comparability of SEK -946m (-462) and consists of state aid received, provisions for terminating the contracts of employees with special employment conditions, and capital gains on sales of properties. Adjusted operating income totaled SEK -421m (-654). The improvement in the loss is a consequence of the restructuring program.

Outlook

The restructuring of Post Denmark will continue in the next few years, with an ongoing reduction in costs. The focus is also on ensuring better customer experiences, including investments in new customer solutions that ensure availability and options for e-commerce consumers in Denmark. These measures, together with high and stable quality, are to contribute to restoring Danish consumers' trust in PostNord.

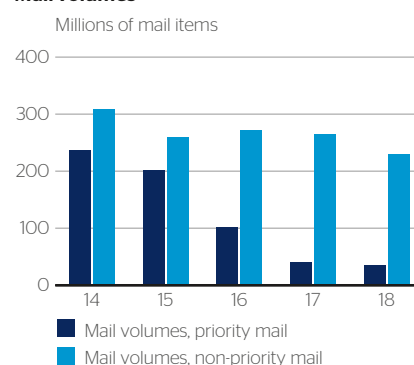
SEKm, unless otherwise indicated	2018	2017
Net sales	8,559	8,685
<i>of which, Communication Services (external)</i>	3,618	4,141
<i>of which, eCommerce & Logistics (external)</i>	4,454	4,070
<i>of which internal</i>	487	475
Operating income (EBIT)	-1,366	-1,115
Operating margin, %	-16	-13
Items affecting comparability, net	-946	-462
Adjusted operating income (adjusted EBIT)	-421	-654
Adjusted operating margin, %	-5	-8
Priority mail, millions	35	40
Non-priority mail, millions	230	265
Average number of employees (FTE)	7,247	8,645
Employees at end of period	6,852	8,069

Delivery quality, letters and parcels

%	2018	2017	2016
Quick ¹⁾	94.9	93.4	89.9
Brevet ¹⁾	95.4	95.1	93.0
Parcels	95.4	96.2	96.7

¹⁾ New products as of July 1, 2016.

Mail volumes



PostNord Norway

PostNord Norway provides services in logistics and communication.

Market

E-commerce is growing sharply in Norway, as in PostNord's other markets. This produces major opportunities, while the market is simultaneously characterized by stiff competition and pressure on prices. PostNord is one of Norway's largest logistics companies, with the nation's most comprehensive distribution network.

E-commerce in the food industry is growing sharply, which benefits PostNord. The company's relationships in grocery retailing offer new opportunities in the food industry.

Strategic priorities

PostNord Norway has a continued focus on cost efficiency, flexibility and quality in order to further strengthen its position on the Norwegian logistics market. Major investments in infrastructure and capacity have been made in recent years. PostNord Norway's focus on digital services is also in an exciting phase.

Important events 2018

PostNord Norway expanded production capacity, especially at the sorting facilities in Alfaset and Langhus. The company also established a new terminal for home delivery in Lørenskog.

Accessibility improved through 50 new service locations and 20 percent more capacity per service location. In addition, more and larger pick-up points were added, as well as a distribution point in i Grünerløkka.

The focus on customer and consumers' experiences continued. PostNord Norway's customer service increased the size of its staff and now handles significantly more inquiries. In addition, text-based chat robots or "bots" were introduced to improve efficiency.

Finance

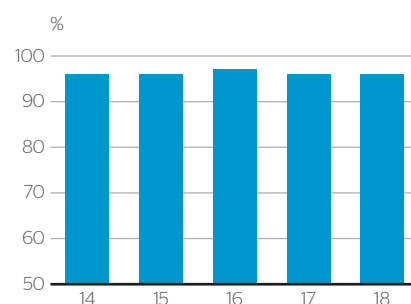
In total, net sales amounted to SEK 4,193m (3,871), an increase of 5 percent excluding currency effects. Operating income totaled SEK 42m (45). Continued cost adjustments have compensated for continued pressure on prices in the Norwegian market.

Outlook

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

SEKm, unless otherwise indicated	2018	2017
Net sales	4,193	3,871
<i>of which, Communication Services (external)</i>	54	46
<i>of which, eCommunication & Logistics (external)</i>	3,398	3,191
<i>of which internal</i>	741	633
Operating income (EBIT)	42	45
Operating margin, %	1.0	1.2
Average number of employees (FTE)	1,301	1,224
Employees at end of period	1,296	1,147

Delivery quality parcels



PostNord Finland

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

Market

Competition in the Finnish logistics market is intense. PostNord Finland is endeavoring to strengthen its position and expand by improving the operation and by offering competitive comprehensive solutions.

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

Strategic priorities

In 2018, the focus was on quality and profitability. Among other things, PostNord Finland focused on the customer experience for the company's development processes, with regard to both IT systems and internal processes.

Important events 2018

PostNord Finland implemented a new system for production management and pricing, together with harmonized and partially new services.

The operation model was adapted to meet the modified market demands. Changes were also made to the management group: among other things, Johanna Starck took over as the new CEO of PostNord Finland as of November 1, 2018.



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

Integration of PostNord Finland into the Group's overarching quality and environmental certificate began during the year and will be completed in 2019.

Finance

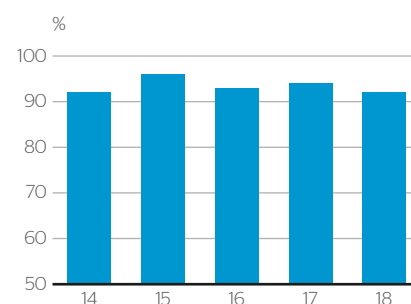
In total, net sales amounted to SEK 1,176m (1,028), an increase of 7 percent excluding currency effects. Operating income totaled SEK 19m (8). The improvement in income is due to good growth and continued cost adjustments.

Outlook

PostNord is the challenger of the Finnish logistics market and aims to develop a strong domestic network and an infrastructure for future growth. PostNord Finland will develop attractive services and make it easier for companies to become logistics customers. At the same time, there is a focus on creating a goal-oriented culture with dedicated and skilled employees.

SEKm, unless otherwise indicated	2018	2017
Net sales	1,176	1,028
<i>of which, Communication Services (external)</i>	11	12
<i>of which, eCommunication & Logistics (external)</i>	767	694
<i>of which internal</i>	399	322
Operating income (EBIT)	19	8
Operating margin, %	1.6	0.8
Average number of employees (FTE)	126	123
Employees at end of period	144	136

Delivery quality parcels



PostNord Strålfors

PostNord Strålfors' communication solutions give companies brand new opportunities for more personal, stronger relationships with their customers and suppliers.

About PostNord Strålfors

PostNord Strålfors is a strong player in customer communication. Its core competence lies in handling major data volumes and distributing them to the right person, via the right channel, at the right time.

PostNord Strålfors operates in Sweden, Denmark, Norway and Finland.

Market

With the broadest production portfolio, PostNord Strålfors has a leading position on the Nordic market for administrative customer communication. However, the market is highly competitive with many players in all segments in each country. The high pace of digitalization reduces demand for physical products and the market is characterized by increased consolidation.

Strategic priorities

PostNord Strålfors' role in the Group is to promote the digitalization offering for customer communication. At the same time, the company will retain an efficient and profitable operation in printing and scanning. In 2018, the pace of PostNord Strålfors' growth in digital communication picked up, with many new deals in omni-

channel, where the company's customers choose a combination of physical and digital channels.

Important events 2018

Ylva Ekborn took over as the new CEO of PostNord Strålfors Group on February 1, 2018.

In 2018, the Danish operation moved from Brøndby to PostNord's premises in Copenhagen. The focus on 3D printing continued with several launches and strategic partnerships. 3D printing production was established in Rosersberg. PostNord Strålfors' digital initiatives paid off in the form of new business and increased revenues from digital services.

PostNord Strålfors AB and PostNord Strålfors Group AB were merged into one company after the end of the year, in January 2019.

Finance

Digitalization entails reduced print volumes, but this is compensated to some extent by increased digital revenues. Net sales amounted to SEK 2,051m (2,081), a decline of 4 percent, excluding exchange rate effects. Operating income amounted to SEK 169m (171), of which about 50 percent derives from digital services.

Outlook

PostNord Strålfors continues its transformation toward becoming customers' digitalization partner by offering the leading channel-independent platform for customer communication. In parallel with digital development, work continues on offering efficient printing and scanning production while initiatives in the 3D area are developed. 2019 is the 100-year anniversary of the founding of Strålfors in Ljungby and ever since, it has been a company in continuous change while simultaneously being developed in close partnership with customers.

PostNord Strålfors is well-positioned for a printing market in decline.

SEKm, unless otherwise indicated	2018	2017
Net sales	2,051	2,081
<i>of which, Communication Services (external)</i>	1,908	1,935
<i>of which internal</i>	143	146
Operating income (EBIT)	169	171
Operating margin, %	8.2	7.7
Average number of employees (FTE)	706	769
Employees at end of period	763	788

Other business activities

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

About other business activities

Other business activities include Direct Link, Svensk Adressändring and Addresspoint.

About Direct Link

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

Direct Link is established via its local companies in Australia, China, Singapore, the UK, Germany and the US. Direct Link helps e-commerce businesses worldwide establish themselves in new markets, not least in the rapidly expanding Nordic market. The main focus of Direct Link's offering is global deliveries of goods, chiefly via postal services, but the offering also includes PostNord's entire service portfolio (B2C) to the four Nordic countries, i.e. parcels to consumers (MyPack), market analy-

sis, direct marketing and returns management. Direct Link also offers fulfilment, logistics solutions for warehousing, in Poland, Hong Kong and the US.

About Svensk Adressändring and Addresspoint

Svensk Adressändring offers opportunities to make notifications of transfer, and to order change of address, forwarding and mail holding. They collaborate with other postal operators, the Swedish Tax Agency and Statistics Sweden.

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

Finance

Net sales totaled SEK1,326 (1,254). Operating income totaled SEK 19m (45).

SEKm, unless otherwise indicated	2018	2017
Net sales	1,326	1,254
<i>of which, Communication Services (external)</i>	227	226
<i>of which, eCommunication & Logistics (external)</i>	1,092	1,028
<i>of which internal</i>	6	0
Operating income (EBIT)	19	45
Operating margin, %	1.5	3.7
Average number of employees (FTE)	246	240
Employees at end of period	235	235



Multi-year review

SEKm, unless otherwise specified ¹⁾	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009 ³⁾
PostNord Group ²⁾										
Net sales	37,669	37,007	38,478	39,351	39,950	39,533	38,920	39,466	41,669	44,633
Other operating income	2,053	324	263	765	632	233	253	274	289	249
Operating expenses	-40,578	-37,455	-39,824	-39,552	-40,247	-39,114	-38,669	-38,167	-40,589	-44,605
Operating income (EBIT)	-855	-124	-1,083	564	351	662	511	1,571	1,375	284
Operating margin (EBIT), %	-2.3	-0.3	-2.8	1.4	0.9	1.7	1.3	4.0	3.3	0.6
Total operating income (EBITDAI)	395	1,193	1,737	2,436	2,198	2,310	2,410	3,237	3,292	2,298
Operating margin (EBITDAI), %	1.0	3.2	4.5	6.2	5.5	5.8	6.2	8.1	7.8	5.1
Net income for the period	-1,067	-337	-1,583	278	176	306	247	1,225	1,031	2,414 ⁴⁾
Cash flow from operating activities	2,083	1,361	1,321	1,585	670	1,657	1,825	1,634	1,824	n/a
Net debt	1,614	238	354	-171	3,672	1,624	4,299	578	-728	-1,384
Net debt ratio (net debt/equity), %	31	3	5	-2	46	18	37	5	-6	-10
Return on capital employed, %	-12.4	-1.6	-12.1	5.4	3.1	6.0	4.4	13.5	5.1	2.1
Investments	1,374	1,196	1,182	1,109	1,690	2,241	2,331	1,957	1,277	-
Dividend, total *proposed	0*	0	0	0	0	129	103	368	1,000	1,440
Average number of employees (FTE)	29,962	31,350	33,278	35,256	37,407	39,305	39,713	41,714	44,060	47,625
Number of employees at end of period	39,070	39,789	39,929	42,111	44,859	47,667	49,297	48,568	51,405	51,981
of whom, temporary employees	9,184	8,992	7,272	7,292	8,793	10,180	10,473	9,871	9,906	11,312
Volumes, millions										
Group total, parcels ⁵⁾	171	154	142	132	120	111	105	98	100	97
Denmark, priority mail/Quickbrev	35	40	101	201	237	278	320	411	602	680
Denmark, non-priority and business mail	230	265	272	259	308	337	365	366	283	305
Sweden, priority mail	663	712	757	811	880	912	925	980	1,045	1,088
Sweden, non-priority mail	801	925	1,008	1,061	1,103	1,144	1,198	1,251	1,266	1,245

¹⁾ Figures provided for comparison are regularly adjusted for new and changed accounting principles due to new or changed IFRSs. Figures for comparison have been restated in accordance with the requirements of IAS 1.

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

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

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

⁵⁾ Volumes produced eliminated for volumes between countries.

Comments on the multi-year review

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

On April 1, 2009, the Swedish and Danish governments announced their decision to merge Post Danmark A/S and Posten AB. Between the time when the initial discussions began and when the merger was announced, the full force of the global financial crisis hit in 2008. To the new Group, the result was that the merger would take place at the same time as demand for distribution services was collapsing through the effects of the economic downturn, but also as a result of the rapid pace of digitalization.

The establishment of a prominent player with an attractive and competitive Nordic communication and logistics offering would lay the foundations for long-term value creation and secure provision of the universal service in both Denmark and Sweden. Our strategy has been clear and consistent in terms of our ambition to grow in logistics. A market with lower margins that is benefiting from the powerful expansion in e-commerce.

Over the years, PostNord has gained an increasingly strong position as expert and partner serving this growing segment, in particular via its more than 7,000 distribution points/partner outlets in the Nordic region and access to around 20,000 distribution points elsewhere in Europe.

Robust restructuring driven by growing trend of digitalization

Over the years, PostNord has met a steady decline in mail volumes through continuous

adaptation and restructuring of the business. In Sweden, annual volume losses have been around 4-7 percent, but increased to 11 percent in 2018, while losses in Denmark have amounted to 13 percent through the transition by government agencies to digital communication with both citizens and businesses. The Group's average number of employees has fallen by about 17,000 since 2009.

The rapid pace of digitalization in Denmark has led to major impairment losses and accelerated the need for robust restructuring of the business. Implementation of a fully integrated production model has begun. As a result, PostNord will be first in the world to create a mode of production based entirely on coordinating use of infrastructure and transportation networks for the expanding logistics business and the shrinking mail business. Building on the logistics network will lay the foundations for efficient and scalable distribution of letters and ensure a competitive logistics offering for the future. The new production model involves streamlining, while large parts of the infrastructure for the mail business can be phased out. It is estimated that the restructuring costs will add up to around SEK 3 billion during the restructuring period.

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

- Since 2009, the total volume of priority mail has fallen by 61%, 95% in Denmark and 39% in Sweden.
- The average number of employees (FTE) has fallen from approximately 47 thousand to around 30 thousand.
- The total volume of parcels has risen by 76% since 2009.
- Total dividends just over SEK 3 billion.
- Total investments around SEK 14.5 billion.



Risk and risk management

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

Organization of and responsibility for risk management

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

The risk management process

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

Material risks

CHANGED MARKET CONDITIONS

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

REGULATORY RISKS

PostNord is tasked with providing the universal postal service in Sweden and Denmark. The postal regulation terms affect the Group's competition situation and the opportunity to carry out the universal postal service under reasonable financial conditions. Digitalization and the declining letter business lead to increased risk, given a rigid postal legislation and limited opportunities for flexible adaptation of services and pricing. PostNord manages regulatory risks

through thorough monitoring and analysis of the external situation, and through dialog with the relevant government agencies. The decline requires continuous adaptation of the business and ultimately a modified business model. PostNord complies with and adapts to changes in regulatory requirements regarding information security and data storage.

STABILITY AND DELIVERY QUALITY IN IT

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

PRODUCTION QUALITY

Stable production quality is central for fulfilling our obligations and strengthening trust in PostNord. The rapid adjustments needed to address the lower volumes in the mail business and the parallel expansion in the logistics business may however have an impact on production quality, and the possibility for a structured transformation of the organization. PostNord has launched several initiatives for handling risks related to delivery quality, including a number of focus areas aiming to ensure data

quality, deliveries at the "last mile," an improved customer experience and customer understanding through PostNord Listens. The initiative also focuses on employee commitment and trust.

FINANCIAL RISKS

PostNord needs a stable cash flow and access to external financing for investments in restructuring programs and for refinancing of loans. The focus is on capital efficiency, business planning, follow-up of cash flow from operating activities and prioritization of investments that improve PostNord's cash flow. Interest rate risks, the Group's limited currency risks and other financial risks are managed via financial instruments that are used in accordance with the Group's financial policy. See more in Note 27 on page 69.

SUSTAINABILITY

PostNord's risk management process includes taking inventory, analyzing and handling sustainability-related risks such as environmental impact, sustainability in the supply chain, social conditions including PostNord's responsibility as an employer and human rights, business ethics and anti-corruption. Regulatory risks and risks associated with climate change are an important part of the changed market conditions. Read about PostNord's governance and follow-up of risks in the area of sustainability on pages 88-95.

Risk financing

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

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

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

Corporate governance for sustainable, long-term value creation

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

1. Shareholder structure

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

2. Control and organizational structure

The main decision-making bodies at PostNord are the Annual General Meeting (AGM), the Board of the Directors and the President and Group CEO, assisted by the Group Executive Team.

The owners nominate the Chair of the Board, Vice Chair, and other Board members, propose directors' fees and nominate the AGM chair and an external auditor. The AGM is PostNord's highest decision-making body.

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

PostNord's President and Group CEO is responsible for and oversees the day-to-day

management of the Group based on the Board's guidelines and instructions. The President and Group CEO is assisted by the Group Executive Team.

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

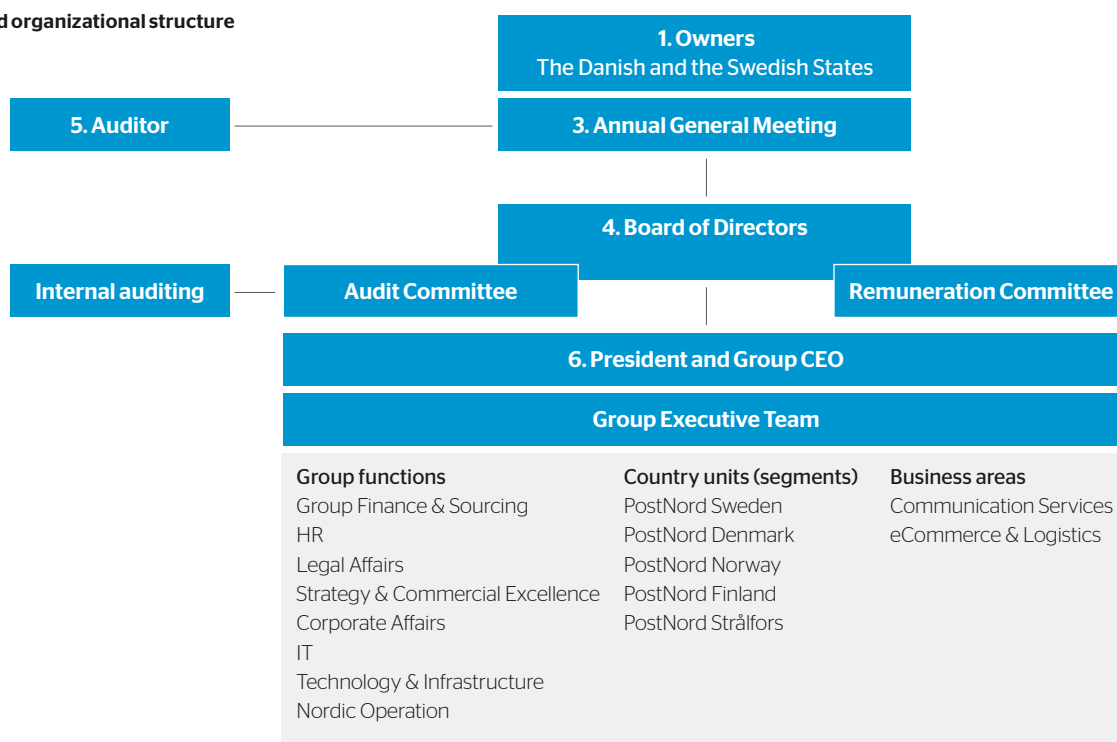
The Group's operational structure differs from its legal structure. As a main principle, organization and governance are based on the operational structure, in which the country organizations are responsible for optimizing marketing and sales activities, production structure and organization across all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

bility for compliance with the conditions of the licenses follows the legal structure.

3. Annual General Meeting

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

2. Control and organizational structure



ANNUAL GENERAL MEETING 2018

The 2018 AGM was held on April 26, 2018. The AGM adopted the Group's and Parent Company's income statement and balance sheet and voted to discharge the Board of Directors and the CEO from liability for the 2017 financial year. The AGM also adopted guidelines for remuneration to senior executives and remuneration to Board members and auditors. The AGM re-elected members Måns Carlson, Christian Ellegaard, Peder Lundquist, Jens Moberg and Anitra Steen. Mats Abrahamsson, Gunnel Duveblad and Jesper Lok decided not to seek re-election and were replaced by new Board members Sonat Burman Olsson, Ulrica Messing and Charlotte Strand. Jens Moberg was re-elected Chairman of the Board. Accounting firm KPMG AB was re-elected as auditor through the close of next year's AGM, with authorized public accountant Tomas Gerhardsson as senior auditor. The complete minutes of the Annual General Meeting are posted on www.postnord.com.

EXTRAORDINARY GENERAL MEETING 2018

An extraordinary general meeting was held on August 14, 2018. Because Board members Jens Moberg and Anitra Steen informed shareholders that their positions were available, the meeting decided to select Christian Jansson and Christian Frigast as new members. Christian Jansson was elected as Chairman of the Board and Christian Frigast was elected as Vice Chairman.

ANNUAL GENERAL MEETING 2019

PostNord's 2019 AGM will take place on April 24, 2019, at PostNord's Group headquarters at Terminalvägen 24, Solna, Sweden.

PROPOSED GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Board proposes that the AGM adopt guidelines for remuneration to senior executives. The proposal is unchanged from the guidelines that the AGM voted on in 2018 and is summarized in Note 5.

4. Board of Directors

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

Composition of the Board

According to PostNord's Articles of association, the Board shall consist of eight members. The Board of Directors is appointed by the AGM, which has determined that the Board shall be

composed of eight AGM-elected Board members and no deputies. The Board also includes three members elected by employee organizations and their three deputies. The Swedish State's ownership policy regarding the composition of the Board is that the representation of each gender on the Board shall be at least 40 percent. The female/male distribution of PostNord's Board of Directors was 37.5 percent/62.5 percent after the extraordinary general meeting in 2018 (members elected at the general meeting).

The work of the Board**WORK PROCEDURES**

The Board of Directors adopts rules of procedure annually. These govern matters such as the Chair's duties, information to the Board of Directors and the roles and responsibilities of the President and Group CEO and Board members. There is no division of the work of the Board between Board members, other than that performed by the Audit and Remuneration Committees, both of which are appointed by the Board of Directors in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance.

The Chair of the Board is elected by the AGM, oversees the Board's work and is responsible for ensuring that such work is well-organized and carried out effectively. This includes regular monitoring of the Company's operations in dialogue with the CEO and ensuring that other Board members receive the information and documentation necessary to ensure high quality discussions and Board decisions. The Chair oversees evaluation of the Board's and the CEO's work. The Chair also represents the Company in issues of ownership. The Chair is to carry out his or her duties in collaboration with the Vice Chair. For example, the Chair is responsible for conducting a dialog with the Vice Chair on matters from management and the agenda prior to Board meetings. The Chair and Vice Chair also collaborate and act to achieve a constructive dialog with the company's shareholders. The Vice Chair is to replace the Chair in the event of the Chair's absence.

BOARD MEETINGS AND ISSUES IN 2018

In 2018, the Board met on 13 occasions, including two statutory meetings and two per capsulam meetings. The CEO described the state of the business and the market situation at each meeting. The CFO reported on the Group's economic and financial position and performance.

The Board also approved the Group's strategy and business plan, and on an ongoing basis addressed reports from the Audit and Remuneration Committees, as well as reports on internal control and financial activities. During the year, close focus remained on restructuring of the

Danish business and dialogue with the owners on financing and strategy. The Board of Directors also focused on quality and image issues. The Company's auditor delivered an account of the year's auditing activities and these issues were discussed.

Board Committees**AUDIT COMMITTEE**

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

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

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

In 2018, the Committee's members were Charlotte Strand (Chair), Sonat Burman Olsson, Måns Carlson and Peder Lundquist. The Committee met a total of six times. The topics discussed include the following:

- External auditors' reports on the end-of-period accounts and internal control.
- Review of financing proposals and financing simulations.
- Review of finance policy.
- Monitoring of the Company's financial reporting and process, as well as recommendations and proposals as regards ensuring the reliability of the financial reporting.
- Monitoring of the financial control system, with respect to the efficacy of the Company's internal controls, internal auditing and risk management.
- Auditing and monitoring of the impartiality and independence of the external auditors.
- Evaluation of external auditing.
- Proposals and recommendations for the AGM's resolution on election of auditors.

REMUNERATION COMMITTEE

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

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

In 2018, the Committee met on a total of two occasions and the members were Christian Jansson (Chair), Christian Frigast, Christian Ellegaard and Ulrica Messing.

The topics discussed include the following:

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

Evaluation of the work of the Board of Directors

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

order to develop the work procedures and efficiency of the Board and its members.

Areas to be further evaluated include, for example, whether the right issues are addressed by the Board, the integrity of supporting documentation and how accurately decisions and discussions are recorded in the Board minutes. During 2018, an external consultant was engaged in connection with the Board evaluation. The review took place in the form of surveys addressed to the Board and the President and Group CEO. The findings of the review will be presented by the external consultant at the Board meeting in January 2019 and will then be discussed by the Board. In addition, the Chair of the Board will communicate the findings to the Company's owners at a meeting.

Remuneration to the members of the Board of Directors

Remuneration for Board members was determined by the 2018 AGM. Remuneration for each elected Board member for the period through the next AGM is SEK 290,000, while the Chair's remuneration is SEK 670,000. The fee for the work of the Audit Committee is SEK 55,000 for members and SEK 70,000 for the Chair. The fee for the work of the Remuneration Committee is SEK 25,000 for members and SEK 37,500 for the Chair. Board and Committee member remuneration is not paid to members employed by the Government Offices of Sweden. A fee comprising the equivalent of a Swedish base amount (SEK 45,500) shall be paid to Swedish employee representatives and their deputies

who take part in Board meetings. At the extraordinary general meeting, it was decided that remuneration to the Vice Chair of the Board for the period through the next Annual General Meeting is SEK 500,000.

5. Auditors

PostNord's 2018 AGM appointed KPMG AB as the Company's auditors, with authorized public accountant Tomas Gerhardsson as senior auditor. The auditors meet with the Board at least once per year and also participated in a number of Audit Committee meetings. In 2018, the Board met with the auditor at one Board meeting. No member of Group Management attended the meeting. The Board members have thus had the opportunity to ask the auditor questions. See also Note 7, Fees and reimbursement of expenses to auditors.

6. President and Group CEO and Group Executive Team

The Board of Directors is responsible for appointing and dismissing the President and Group CEO. The CEO appoints, and is assisted by, the Group Executive Team. The President is responsible for day-to-day administration of the Company according to the Board's guidelines and directions. The relationship between the Board of Directors and the CEO is governed by the Board's rules of procedure and the instructions to the CEO.

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

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

REMUNERATION AT POSTNORD

Decisions on terms of employment and remuneration for the President and Group CEO are taken by the Board of Directors. The Board addresses remuneration issues via the Remuneration Committee. Salaries and wages for PostNord employees shall be in line with the market. For further details on remuneration for senior executives, see Note 5 on Employees, personnel expenses and remuneration to senior executives. Guidelines on remuneration to senior executives adopted by the 2018 AGM are available in their entirety at www.postnord.com under Corporate Governance.

Board of Directors attendance, 2018

Director	Board meetings	Audit Committee	Remuneration Committee
Anitra Steen ⁴⁾	8/8		1/1
Charlotte Strand ¹⁾	9/9	3/3	
Christian Ellegaard ⁵⁾	13/13	3/3	1/2
Christian Frigast ³⁾	4/5		1/1
Christian Jansson ³⁾	5/5		1/1
Gunnel Duveblad ²⁾	4/4	3/3	
Jesper Lok ²⁾	3/4	1/3	
Jens Moberg ⁴⁾	8/8		1/1
Mats Abrahamsson ²⁾	4/4		1/1
Måns Carlson	13/13	6/6	
Peder Lundqvist	13/13	6/6	
Sonat Burman Olsson ¹⁾	9/9	3/3	
Ulrica Messing ¹⁾	9/9		1/1
Bo Fröström (A)	13/13		
Johan Lindholm (A)	13/13		
Sandra Svensk (A)	12/13		
Daniel Hansen (A, deputy)	9/13		
Eva Aronsson ¹⁾ (A, deputy)	7/9		
Ulf Sjödin ²⁾ (A, deputy)	1/4		
Ulrika Nilsson (A, deputy)	10/13		

¹⁾ Elected at AGM in April 2018

²⁾ Resigned at AGM in April 2018

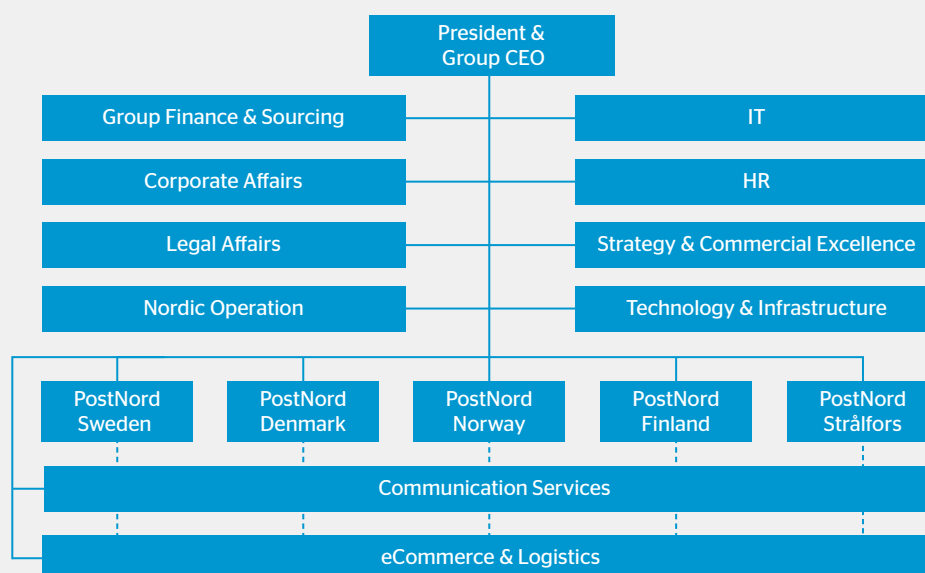
³⁾ Elected at the extraordinary general meeting in August 2018

⁴⁾ Resigned at the extraordinary general meeting in August 2018

⁵⁾ Resigned from the Audit Committee at the AGM in April 2018

A Employee representative

PostNord - organization



Internal and external regulations

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

EXTERNAL REGULATIONS

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

POSTAL REGULATIONS

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

INTERNAL RULES AND REGULATIONS

- The Articles of Association, the Board's rules of procedure (including Instruction to the President and Group CEO) and the Audit and Remuneration Committees' rules of procedure.
- Document hierarchy for the Group's governing documents, Code of Conduct and Group policies (also see pages 91-92).
- Delegated authorities for PostNord AB.
- Operational governance PostNord.
- Framework for internal governance and control of financial reporting.
- Guidelines for determining terms of employment for senior executives.

ARTICLES OF ASSOCIATION

PostNord's Articles of Association govern, for example, where the Board of Directors is domiciled, the limits for the Company's share capital and the Company's financial year. The Articles of Association do not contain any specific provisions as to appointment or discharge of Board members, or as to an amendment of the Articles of Association. Furthermore, the Articles of Association did not contain any restrictions as to how many votes each shareholder can cast at the AGM. The current Articles of Association

are available on PostNord's website, www.postnord.com

Deviations from the Swedish Code of Corporate Governance

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

- Deviation from section 2 regarding the requirement for a nominating committee. PostNord does not have a nominating committee, as the nomination and appointment of Board members is performed in accordance with the principles agreed upon by the owners. Nominations are made through consultation between the owners. As a result, references to the nominating committee in points 1.2, 1.3, 4.6, 8.1 and 10.2 also do not apply.
- Deviation from section 4.5, requirement for Board members' independence from owners. The purpose of the rule is to protect minority owners. However, protection for minority owners is not relevant to the governance of PostNord. PostNord only has two owners and an account of the independence of the Board members is thus of no relevance.

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

ORGANIZATION

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

The Group's operational structure differs from its legal structure. As a main principle, organization and governance are based on the operational structure. The PostNord Group runs

its business in the form of a matrix organization. The matrix organization comprises segments made up of country organizations and two business areas. The organization also includes Strategy & Commercial Excellence, Technology & Infrastructure and Group functions.

GOVERNING DOCUMENTS

PostNord's operational governance is based on the Group's set financial and non-financial goals. Details are available in a summary document, Operational Governance for the PostNord Group. It contains a description of the operation and regulates, among other things, the internal allocation of responsibilities. The governing principles consist most importantly of management by objectives and decentralized profit center responsibility. All units in the Group apply uniform accounting and reporting instructions. The Group's delegated authority procedure and other governing documents are intended to facilitate and ensure compliance with regulations. The delegated authority procedure is mandatory and governs the decision-making authority within the Group. The delegated authority procedure is based on the division of responsibilities, adopted by the Group Board

of Directors in its rules of procedure, between the Board of Directors and President/Group CEO. Its aim is, through delegation of authority, to ensure effective internal governance and control. The Group Board of Directors' rules of procedure define the matters that require decision by the Board of Directors. The President's areas of authority comprise everything not subject to decision by the Board, under the law or the Board's rules of procedure (or specific Board decisions). Find out more on page 36.

PostNord's principles of internal governance and control are based on the framework developed by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

RISK ASSESSMENT

Management and managers in segments (the country organizations), the business areas and for Group functions are responsible for identifying and managing risks within their respective areas of responsibility. This takes place within the framework of the Group's organization-wide risk management process and via regular follow-up and business review in the Group's units. Risks associated with financial reporting are identified and evaluated along with other types



of risks. Financial reporting risks are also addressed by the Audit Committee and the Board, which evaluate and monitor the management of these risks on a regular basis. See also the section on Risk Management, page 32.

CONTROL ACTIVITIES

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

accounts. This responsibility includes analyses of the financial results of the segments (the country organizations), the business areas and Group functions.

INFORMATION

The Swedish State's ownership policy specifies guidelines for external reporting applicable to State-owned companies. As PostNord has issued listed bonds, the regulations governing listed companies are applied. The Group's governing financial reporting documents are updated continuously and are published via the Group's intranet, among other channels. The Board and Audit Committee receive and review all quarterly reports and the Group's annual report and sustainability report before publication. Information to the Group's external stakeholders is communicated through press releases and PostNord's website. Financial reporting is also addressed directly to the Danish and Swedish owners.

FOLLOW-UP

- PostNord's business activities are reported and evaluated monthly, measured against business objectives for the units with profit

center responsibility. PostNord's financial situation is discussed at each Board meeting.

- Self-monitoring enables early detection and management of any risks and errors. The Board's independent audit and control function is conducted by the Group Internal Audit function, which is tasked with evaluating PostNord's processes for governance, risk identification and risk control.
- The Audit Committee receives regular reports from the Group's external and internal auditors and follows up to ensure that measures are taken on the basis of the auditors' observations and recommendations.
- The Group's companies and Group functions conduct an annual self-assessment of the internal governance and control of financial reporting. Results are compiled by the Group's Accounting and Control function and presented to the Audit Committee and to the Group's country organizations and Group functions.
- Sections of the reports that the Group's companies and units presented in the self-assessment were subjects of verification via a limited review by the Group's external auditors.



Board of Directors



Christian Jansson

Chair of the Board since August 2018.
Member of the Remuneration Committee since August 2018.
Born in 1949.
BSc Economics and Honorary Doctorate in economics from Lund University.
Current positions include Chairman of the Board of Accumbo and Random Walk Imaging as well as a member of the board of Excillum.
Previous positions include CEO of KappAhl, Ellos and Europris. Formerly Chairman of the Board of Apoteket, Min Doktor and Svensk Handel.
Own and closely related parties' holdings of PostNord's bonds: 0.



Christian Frigast

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



Sonat Burman Olsson

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



Måns Carlsson

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



Christian Ellegaard

Board member since 2013.
Member of the Audit Committee April 2013 until April 2018.
Member of the Remuneration Committee since April 2018.
Born in 1969.
MBA.
Previous positions: member of corporate management at Berendsen Plc, CEO of Facility and various positions within the Berendsen Group, including CEO in Denmark.
Board member in Det Danske Madhus, November 2016 until November 2018, and Chairman of the Board since November 2018.
Own and closely related parties' holdings of PostNord's bonds: 0.



Peder Lundquist

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



Ulrika Messing

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



Charlotte Strand

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

Employee representatives



Bo Fröström

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



Johan Lindholm

Service and Communication Employees (SEKO).
Board member since 2015.
Deputy employee representative from 2012 – 2015.
Born in 1979.
Employed by Posten since 1999.
Own and closely related parties' holdings of PostNord's bonds: 0.



Sandra Svensk

Service and Communication Employees (SEKO).
Board member since 2017.
Deputy employee representative from 2015 – 2017.
Born in 1977.
Employed by PostNord since 1995.
Own and closely related parties' holdings of PostNord's bonds: 0.

Employee representatives, deputies

Eva Aronsson

Union representative appointed by ST.
As a union representative, represents Saco.
Deputy employee representative since April 2018.
Born in 1956.
Employed by PostNord since 1991.
Own and closely related parties' holdings of PostNord's bonds: 0.

Daniel Hansen

Service and Communication Employees (SEKO).
Deputy employee representative since 2017.
Born in 1980.
Employed by Posten since 1999.
Own and closely related parties' holdings of PostNord's bonds: 0.

Ulrika Nilsson

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

Board members Gunnel Duvblad, Jesper Lok and Mats Abrahamsson resigned at the AGM in April 2018. Chair of the Board Jens Moberg and Board member Anitra Sten resigned at the extraordinary general meeting in August 2018. Christian Ellegaard resigned from the Audit Committee at the extraordinary general meeting in August 2018.

Group Executive Team



Håkan Ericsson

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



Thomas Backteman

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



Gunilla Berg

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



Ylva Ekborn

CEO of PostNord Strålfors Group since February 2018.
Member of Group Executive Team since February 2018.
Born in 1975.
BSc Economics.
Previous positions: CEO of PostNord Strålfors Sweden, leading positions at Eniro and Tradera Ebay and management consultant at McKinsey & Company.
Own and closely related parties' holdings of PostNord's bonds: 0.



Björn Ekstedt

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



Annemarie Gardshol

Head of PostNord Sweden since February 2018.
Member of Group Executive Team since 2012.
Born in 1967.
Master of Science Industrial Engineering.
Previous positions: Head of e-Commerce & Corporate Clients in PostNord, Chief Strategy Officer (CSO) and executive positions at Gambro, management consultant at McKinsey & Company.
Board member of SCA AB and Essity AB.
Own and closely related parties' holdings of PostNord's bonds: 0.



Anders Holm

Head of Corporate Clients, International Linehauls and Customs Clearance, as well as PostNord Finland since January 2018.
Member of Group Executive Team since 2014.
Born in 1957.
Market economist.
Previous positions: Head of Posten Logistik AB in Sweden and Sales and Marketing Director at Posten Logistik AB in Sweden. Various positions at UPS, most recently as Nordic CEO.
Own and closely related parties' holdings of PostNord's bonds: 0.



Peter Kjaer Jensen

Head of PostNord Denmark since 2016.
Member of Group Executive Team since 2014.
Born in 1969.
MBA.
Previous positions: Head of Business area eCommerce & Logistics in PostNord. Managerial positions at Maersk Line, Maersk Logistics and Damco International A/S. Most recently as COO/CTO of Damco International.
Own and closely related parties' holdings of PostNord's bonds: 0.



Tim Jørnsen

Head of Business area eCommerce & Logistics since 2017.
Member of Group Executive Team since 2016.
Born in 1966.
Economist.
Previous positions: Acting Head of eCommerce & Logistics in PostNord. Executive VP for Posten Norway/Bring's Nordic logistics operations outside Norway and MD of Palletways Europe and UPS Norden.
Own and closely related parties' holdings of PostNord's bonds: 0.



Kristina Lilja

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



Robin Olsen

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



Jan Starrsjö

Head of Strategy & Commercial Excellence since 2016.
Member of Group Executive Team since 2016.
Born in 1960
BSc Economics.
Previous positions: Head of Sales at PostNord Mail and other executive positions in PostNord. CEO for a venture capital firm and an IT services firm, and management consultant at McKinsey & Co.
Own and closely related parties' holdings of PostNord's bonds: 0.



Charlotte Svensson

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

Finn Hansen left PostNord's Group Executive Team for retirement in 2018. Until further notice, the person in PostNord's Group Executive Team responsible for HR issues will be Jan Starrsjö, the Group's Head of Strategy and Sales Processes. Johanna Allert left PostNord's Group Executive Team in February 2019 and recruitment is underway for a head of Technology & Infrastructure. Ylva Ekbom took over as the new CEO of PostNord Strålfors Group in February 2018.

Financial statements

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Group

Income statement

SEKm	Note	2018	2017
	1, 2, 4		
Net sales		37,669	37,007
Other operating income		2,053	324
Operating revenue	3	39,722	37,331
Personnel expenses	5	-18,789	-16,792
Transportation expenses		-11,224	-10,542
Other expenses	6, 7	-9,315	-8,804
Depreciation and impairments	10, 11	-1,250	-1,317
Operating expenses		-40,578	-37,455
OPERATING INCOME		-855	-124
Financial income	8	39	60
Financial expenses	8	-74	-72
Net financial items		-35	-12
Income before tax		-890	-136
Tax	9	-176	-201
NET INCOME FOR THE PERIOD		-1,067	-337
Attributable to			
Parent Company's shareholders		-1,068	-339
Non-controlling interests		1	2
Earnings per share, SEK	20	-0.53	-0.17

Statement of comprehensive income

SEKm	2018	2017
NET INCOME FOR THE PERIOD	-1,067	-337
OTHER COMPREHENSIVE INCOME		
Items that cannot be transferred to net income		
Revaluation of pension liabilities	-2,504	214
Change in deferred tax	547	-47
Total	-1,957	167
Items that have been or may be transferred to net income		
Cash flow hedging after tax	-2	4
Translation differences	138	-118
Total	136	-114
TOTAL OTHER COMPREHENSIVE INCOME	-1,821	53
COMPREHENSIVE INCOME	-2,888	-284
Attributable to		
Parent Company's shareholders	-2,889	-286
Non-controlling interests	1	2

Statement of financial position

SEKm	Note	Dec. 31, 2018	Dec. 31, 2017
	1, 2		
ASSETS			
Goodwill	10	2,594	2,560
Other non-current intangible assets	10	747	792
Property, plant and equipment	11, 12	7,961	7,822
Participations in associated companies and joint ventures	13	87	81
Financial investments	14, 27	198	198
Non-current receivables	15, 22	1,108	1,285
Deferred tax assets	16	78	123
Total non-current assets		12,773	12,861
Inventories	17	100	88
Tax assets		322	226
Trade receivables	27	5,009	4,833
Prepaid expenses and accrued income ¹⁾	18	1,113	999
Other receivables ¹⁾		190	145
Short-term investments	14, 27	101	296
Cash and cash equivalents	19, 27	3,088	1,901
Assets held for sale		125	125
Total current assets		10,048	8,613
TOTAL ASSETS		22,821	21,474
EQUITY AND LIABILITIES			
Equity			
Capital stock		2,000	2,000
Other contributed equity		10,621	9,954
Reserves		-1,611	-1,747
Retained earnings		-5,870	-2,845
Total equity attributable to Parent Company's shareholders		5,140	7,362
Non-controlling interests		2	3
TOTAL EQUITY		5,142	7,365
LIABILITIES			
Non-current interest-bearing liabilities	21, 27, 29	1,770	3,556
Other non-current liabilities		46	52
Pensions	22	2,576	-
Other provisions	23	3,392	1,724
Deferred tax liabilities	16	157	744
Total non-current liabilities		7,941	6,076
Current interest-bearing liabilities	21, 27, 29	1,619	222
Trade payables		2,584	2,638
Tax liabilities		49	42
Other current liabilities ¹⁾		1,167	1,146
Accrued expenses and deferred income ¹⁾	24	3,339	3,393
Other provisions	23	980	592
Total current liabilities		9,738	8,033
TOTAL LIABILITIES		17,678	14,109
TOTAL EQUITY AND LIABILITIES		22,821	21,474

¹⁾ Receivables and liabilities, including advance payments, relating to terminal fees have been recognized net. Figures presented for comparison have been restated. For further information, see Note 1, section "Revised accounting principles".

Statement of cash flows

SEKm	Note	2018	2017
OPERATING ACTIVITIES			
Income before tax		-890	-136
Adjustments for non-cash items	29	3,468	1,933
Income tax paid		-175	-398
Cash flows from operating activities before changes in working capital		2,403	1,399
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-12	13
Increase (-)/decrease (+) in other current receivables ¹⁾		-125	53
Increase (+)/decrease (-) in other current liabilities ¹⁾		-202	-66
Other changes in working capital		19	-38
Changes in working capital		-320	-38
Cash flow from operating activities		2,083	1,361
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-1,187	-958
Sale of property, plant and equipment		30	23
Acquisitions of non-current intangible assets		-186	-238
Acquisitions of financial non-current assets		-156	-589
Disposals of financial non-current assets		344	695
Cash flows from investing activities		-1,155	-1,067
FINANCING ACTIVITIES			
Amortized loans		-2,578	-2,483
New loans		2,171	2,525
Shareholder contribution		667	-
Dividend paid		-2	-2
Increase (+)/decrease(-) in other interest-bearing liabilities		-6	-9
Cash flows from financing activities		252	31
CASH FLOWS FOR THE PERIOD			
Cash and cash equivalents, at beginning of period		1,901	1,577
Translation difference in cash and cash equivalents		7	-1
Cash and cash equivalents, closing balance	19	3,088	1,901

¹⁾ Receivables and liabilities, including advance payments, relating to terminal fees have been recognized net. Figures presented for comparison have been restated. For further information, see Note 1, section "Revised accounting principles".

Statement of changes in equity

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

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

Notes to the consolidated financial statements

Note 1 Accounting principles

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1. Introduction

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

2. Basis of preparation of the annual accounts

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and approved by the EU. In addition, the Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Groups, was also applied.

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

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

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

3. Revised accounting principles

3.1 Changes in accounting principles arising from new or amended IFRS

The Group applies IFRS 9 and IFRS 15 with effect from January 1, 2018. Other amendments to IFRS have not had any material effect on the consolidated financial statements.

IFRS 9 Financial Instruments concerns recognition of financial assets and liabilities and supersedes IAS 39 Financial Instruments: Recognition and Measurement. As in IAS 39, financial assets are classified into various categories, of which some are measured at amortized cost and others at fair value. IFRS 9 introduces categories that differ from those described in IAS 39. The classification in IFRS 9 is based partly on the contractual cash flows of the instruments and partly on the company's business model. IFRS 9 also introduces a new model to measure impairment of financial assets. The purpose of the new model is to ensure that credit losses are recognized earlier than under IAS 39. Financial liabilities are treated largely in the same way in IFRS 9 as in IAS 39. IFRS 9 also lays down changes in criteria for hedge accounting. PostNord has opted to continue to apply hedge accounting in line with IAS 39. Financial assets that were classified as Loan receivables and trade receivables measured at amortized cost up to the end of 2017, are now, from the start of 2018,

classified as Financial assets measured at amortized cost. Financial liabilities measured at fair value via income are classified as of 2018 as Financial liabilities measured at fair value via income or via Other comprehensive income.

IFRS 9 has not affected the Group's financial position to any material extent. Information provided for comparison has not been restated.

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

Prior to the adoption of IFRS 15, PostNord has reviewed its revenue sources to identify any needs for changes in the Group's revenue recognition. In the transition from IAS 18 to IFRS 15, PostNord has opted for full retrospectivity, meaning that all revenue for the year shown for comparison is recognized in accordance with IFRS 15. PostNord applies IFRS 15, p. 63 – revenue is not adjusted for the effects arising from significant financing components, since these represent an inconsiderable element in the Group, p. 94 – additional expenses in order to secure a contract are recognized as expense when incurred (within one year), and p. 121b – work performed and service provided where the Group has a right to payment are recognized as income. No changes regarding the point in time when the income is received have been considered necessary.

External income has been adjusted to take account of anticipated payment that refers to customer repayments in connection with freight guarantees and complaints, together with standardized charges for damage/loss. See also Note 3.

3.2 Voluntary change in accounting principle

A change has been made to the Group's accounting principles with regard to the net/gross recognition of terminal fees in the statement of financial position. The procedure of advance payments for terminal fees is used for ongoing settlement of receivables and liabilities arising between the countries. Receivables and liabilities, including advance payments, relating to terminal fees have been recognized net. Figures presented for comparison have been restated.

3.3 New IFRSs not yet implemented

A number of new or revised IFRSs for application in 2019 or later have not been adopted early in the preparation of these financial statements.

IFRS 16 Leases is a new standard providing guidance on accounting for leases. The standard replaces existing IFRSs relating to accounting for leases. The Group applies IFRS 16 Leases as of January 1, 2019. For lessees, the classification into operating and financial leases under IAS 17 is abolished and replaced by a model in which assets and liabilities relating to all lease agreements are to be recognized on the balance sheet. The lessee recognizes a right-of-use asset that represents a right to use the underlying asset, and a lease liability that represents an obligation to pay lease charges. In the income statement, amortization is to be recognized separately from interest expenses arising from the lease liability.

The standard will not be applied to leases relating to intangible assets and non-lease components will be recognized separately.

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

Based on the information available, the Group expects to recognize right-of-use assets of approximately SEK 5.5bn and further lease liabilities of approximately SEK 5.4bn, in which advance payments account for the difference of approximately SEK 0.1bn.

The Group expects operating income for 2019 to be higher than if previous accounting principles had been used, on the basis that a portion of the lease expenses will be recognized as interest expense. The impact on income is expected to be insignificant. The Group's key performance indicators for operating capital (ROCE) and net debt will be materially impacted by IFRS 16.

The adoption of IFRS 16 is not expected to affect the Group's financing capacity, other than to a marginal extent.

Interim and transitional provisions

The Group will apply the modified retroactive approach. In this method, the accumulated effect of introducing IFRS 16 will be recognized in the opening balance as per January 1, 2019, without restatement of figures for comparison. An analysis has been performed in the Group to determine which of the Group's leases fall within the scope of IFRS 16, and a system for the calculation has been

established. Leases identified in accordance with IFRS 16 pertain for the most part to rent of premises. With regard to transportation and IT service leases, the analysis resulted in the conclusion that such leases do not fall within the scope of IFRS 16, mainly on the basis that PostNord has no control over which underlying asset is used. PostNord has decided to apply the provisions regarding transitional rules for short-term leases and low-value assets. As a result, leases with a term of less than 12 months and low-value leases (assets with a value of less than around SEK 50 thousand in new condition) will not be included in the calculation of right-of-use asset or lease liability, but instead will continue to be recognized on a linear cost basis over the lease term. Examples of low-value assets include computers, printers and coffee machines.

The lease term is determined as the non-cancellable lease term. Where the leases include options for extension or cancellation, this will be taken into account, where it is reasonably certain that the options will be exercised and where leases are of material importance. PostNord will apply forward-looking calculation, meaning that right-of-use assets relating to former operating leases will be recognized at the lease liability plus advance payment fees on January 1, 2019, for all current leases with a term of no less than 12 months from January 1, 2019. At the time of transition, the lease liability is measured at the present value of the outstanding lease charges, discounted by the marginal borrowing interest rate. A differentiated marginal borrowing interest rate will be calculated, taking into account geographical location, length of lease term, credit volumes and financial environment.

4. Classification

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

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

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

5. Principles of consolidation and business combinations

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

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

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

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

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

6. Associated companies and joint ventures

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

7. Foreign currency

Transactions in foreign currency in the Group's Swedish companies are translated into SEK at the exchange rate on the transaction date. Monetary assets

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

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

8. Income

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

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

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

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

Main terms and conditions of payment Payment is made in three ways, credit, cash or prepayment (stamps, freight including packaging or preloaded amounts in franking machines). Credit and cash are recognized in the period in which the service is performed (item posted/handed in). Prepayments are recognized as income at sale and a prepaid income item (liability) is recognized for as yet unused stamps. See also section 17, Stamp liability. Discounts are provided at invoicing.

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

Income in Business area eCommerce & Logistics is generated from logistics services for deliveries to, from and inside the Nordic region, with the focus on distribution of parcels, consignment goods, pallet goods and bulk logistics (mixed-cargo groupage), as well as third-party logistics. In Strålfors, income is generated from communication services for businesses, in the form of digital business and market communications, printing and enveloping. Income at Direct Link is generated by global distribution of market communications and lightweight goods, mainly on behalf of e-retailers.

State subsidies

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

9. Operating expenses and financial income and expenses

Operating expenses

Operating expenses are recognized in the period in which the good or service is delivered or used (for example, in the case of leasing costs).

Costs of operating leases

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

Costs of financial leases

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

Financial income and expenses

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

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

10. Financial instruments

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

Recognition in and derecognition from statement of financial position

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

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

Classification and fair values

Financial assets (excluding trade receivables without a material financing component) and financial liabilities are at initial recognition measured at fair value plus, in the case of financial instruments not measured at fair value via income, transaction costs that are directly attributable to the acquisition or issue. Trade receivables without a material financing component are measured at the transaction cost.

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

Financial assets

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

measured at fair value via income if doing so eliminates or reduces consequences in measurement or recognition. This is done irrevocably at initial recognition.

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

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

Financial liabilities

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

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

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

Model for expected credit losses

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

Classification and measurement before January 1, 2018

Financial instruments were classified into categories at initial recognition on the basis of the purpose for which the instrument was acquired. The classification determined how the financial instrument is measured after initial recognition.

The categories were as follows:

Financial assets measured at fair value via income consisted of two sub-categories: financial assets held for trading and other financial assets that the company initially opted to put in this category. A financial asset is classified as held for trading if it is acquired with the aim of being sold in the short term. Derivatives are classified as held for trading other than when they are used for hedge accounting. Assets in this category are measured on an ongoing basis at fair value, with changes in value being recognized as net financial items in the income statement.

Loan receivables and trade receivables – measured at amortized cost using the effective interest rate method.

Policy on impairments before January 1, 2018 – At the end of each accounting period, the Company assessed whether there were any objective indications that a financial asset or group of assets was in need of impairment. The criteria for determining whether there is any need for impairment consisted primarily of the counterparty's officially notified incapacity to fulfil his obligations, or that party's incapacity for maintaining payments in the financial markets, as indicated by experience. Trade receivables were recognized at the amounts expected to be received after deductions for doubtful receivables, which were determined on a case-by-case basis. An impairment loss was applied to a trade receivable if it was regarded as doubtful, that is, it was older than 90 days after falling due or it related to a customer with historical problems with payment. Trade receivables that related to customers with an acknowledged good capacity for payment and a good payment history were not regarded as doubtful, even if older than 90 days, and it was expected that adequate interest compensation would be paid. The anticipated term of the trade receivable was short and the value was therefore recognized undiscounted at its nominal amount. Impairment of trade receivables was recognized under the heading Operating expenses.

Held-to-maturity investments – were measured at amortized cost using the effective interest rate method.

Available-for-sale financial assets – were measured on an ongoing basis at fair value, with changes in value being recognized in other comprehensive income, except for changes in value relating to impairments, dividend on shares, interest income and exchange rate differences. At the time the investments are derecognized from the statement of financial position, any accumulated gain or loss previously recognized in equity is transferred to the income statement.

Financial liabilities measured at fair value via income – consisted of two sub-categories: financial liabilities held for trading and other financial liabilities that the company initially chose to put in this category; see "Financial assets reported at fair value via income". The first category included derivatives measured at negative fair value, except for derivatives used for hedge accounting.

Financial risk management

Cash flow hedging

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits immediately available at banks and similar institutions, together with current investments with a term of less than three months at the acquisition date that are exposed to an insignificant risk for changes in value. Funds held on behalf of others within treasury operations are not treated as cash and cash equivalents. Such funds consist of escrow funds held on behalf of external customers for the sole purpose of onward transmission and as such are not available for payments relating to PostNord's own operations.

Offsetting

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

11. Property, plant and equipment

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

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

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

Amortization principles

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

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

The following rates of amortization are applied:

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

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

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

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

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

Impairments

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

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

12. Leased assets

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

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

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

13. Non-current intangible assets

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

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

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

Goodwill

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

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

Capitalized development expenditures

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

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

Other intangible assets

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

Amortization principles

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

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

The estimated useful lives are as follows:

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

Impairments

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

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

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

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

14. Inventories

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

15. Equity

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

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

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

16. Employee benefits

Short-term benefits

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

Post-termination benefits

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

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

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

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

Termination benefits

A cost for compensation in connection with termination of employment is recognized at the earliest point in time when the company can no longer with-

draw its offer to the employees or when the company recognizes costs of restructuring. In cases where PostNord gives notice of termination of employment, a detailed plan is drawn up specifying at least workplace, positions and estimated number of employees affected, as well as type of benefits and amounts for each personnel category or position, and the time at which the plan is intended to be carried out.

17. Postage stamp liability

PostNord's postage stamp liability is calculated for stamps sold but not used. The valuation is based on the liability to businesses and service partners, respectively, on average monthly sales over the January-November period. In November, sales of Christmas stamps are eliminated and recognized separately on an accruals basis. Since 2017, the liability per household has no longer been measured statistically and instead the level of liability measured in 2016 is adjusted via the digitization effect (volume decrease) assumed for stamped volumes.

18. Provisions

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

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

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

19. Taxes

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

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

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

20. Pledged assets and contingent liabilities

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

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

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

21. Related party transactions

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

22. Statement of cash flows

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

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

Note 2 Significant assessments and estimates

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

Intangible assets and property, plant and equipment

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

Deferred tax assets

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

Pension obligations

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

Provisions for transition regulations

As a consequence of the Company's corporatization in Sweden in 1994, PostNord assumed an obligation (under special transition regulations) such that personnel in certain categories of the workforce may choose to retire early at the age of 60 or 63 years. Provision in the statement of financial position is calculated on the basis of previous experience of the proportion of persons who have elected to exercise their right to early retirement under these provisions. In recent years, increased use of the transition regulations has emerged, and an experience-based adjustment of 10 (15) percentage points has been made, indicating that on average 50 percent (40) will make use of the transition regulations. See also Notes 22 and 23.

Note 3 Revenue

Income

SEKm	2018	2017
External net sales	37,669	37,007
Other operating income	2,053	324
Total income	39,722	37,331

Note 3 (cont.)

Revenue from contracts with customers

	Communication Services		eCommerce & Logistics	
	Jan.-Dec. 2018	Jan.-Dec. 2017	Jan.-Dec. 2018	Jan.-Dec. 2017
External net sales, SEKm				
Operating segment				
PostNord Sweden	10,979	11,328	11,162	10,334
PostNord Denmark	3,618	4,141	4,454	4,070
PostNord Norway	54	46	3,398	3,191
PostNord Finland	11	12	767	694
PostNord Strålfors	1,908	1,935	-	-
Other business activities	227	226	1,092	1,029
Total	16,797	17,688	20,873	19,319
Timing for revenue recognition				
At a point in time	16,157	16,953	20,516	18,989
Over time	640	735	357	330
Total	16,797	17,688	20,873	19,319

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 -41m (-72) on net sales with a corresponding reduction in other costs. PostNord's revenue is mostly recognized at a point in time. The main items in revenue recognition over time are third-party logistics, subscription services and mail services. Revenue recognized over time is attributable to the Sweden and Denmark segments. 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). Business area Communication Services consists of services in business and market communications, newspaper distribution and postal service for individual customers.

Other operating income, SEKm	2018	2017
Rental income	25	19
Insurance claim payments	0	1
Commission income	0	8
Contributions received ¹⁾	1,533	-
Capital gains, buildings	151	50
Capital gains, machinery and equipment	6	13
Exchange rate gains	265	113
Miscellaneous	73	120
Total	2,053	324

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

Contract balances

SEKm	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	5,009	4,833
Contract assets	978	876
Contract liabilities, reported as Other current liabilities and Accrued expenses and deferred income	710	782

Contract assets consist partly of terminal fees that are recognized in accrued income and partly of performance undertakings not yet completed. Revenue recognized as a contract asset in the preceding period were in 2018 recognized at SEK 217m (183). This revenue is reported as revenue received over time. Revenue recognized during the year as terminal fees was recognized at SEK 594m (396).

Contract liabilities refer to stamps sold by PostNord but not used and franking liabilities to customers. Revenue included in the contract liability balance at the start of the period was recognized at SEK 782m (702). The item refers to stamps and franking.

Outstanding performance undertakings, contract liabilities consist of stamp and franking liabilities of SEK 710m (782) and fall due in their entirety in the financial year ahead.

Note 4 Segment reporting

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

Effective 2018, segment reporting is amended with regard to the segments Direct Link and Other as follows, figures shown for comparison are restated:

- The segments were previously reported inclusive of costs of Group-wide functions, that were not invoiced, using an operating allocation model. These costs for Group-wide functions are, as of 2018, recognized in the column Other and eliminations.
- A new segment for other business activities comprises the former segment Direct Link and other business activities that were previously reported in Other.
- PostNord's markets are divided into the segments PostNord Sweden, PostNord Denmark (incl. Germany), PostNord Norway, PostNord Finland, PostNord Strålfors and PostNord Other business activities. The segments market and sell the total offerings of the business areas in the Nordic region.

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

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

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

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

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

Other and eliminations comprises shared services and corporate functions including the Parent Company and Group adjustments. Group adjustments consist of IFRS measurement for pensions under IAS 19 Employee Benefits and finance leasing under IAS 17 Lease Agreements. An operational adjustment between Other and eliminations and PostNord Sweden is made to ensure that PostNord Sweden reports an accurate cost for pensions, which legally may vary above all depending on when credit is received from Postens Pensionsstiftelse.

Eliminations consists of the elimination of internal transactions.

2018 Jan.-Dec., SEKm	PostNord Sweden	PostNord Denmark	PostNord Norway	PostNord Finland	PostNord Strålfors	PostNord Other business activities	Other and eliminations	Adjusted total, Group	Items affecting comparability	Group
Net sales, external	22,141	8,072	3,452	778	1,908	1,320	-	37,669	-	37,669
Net sales, internal	1,084	487	741	398	143	6	-2,860	0	-	-
Total net sales	23,225	8,559	4,193	1,176	2,051	1,326	-2,860	37,669		37,669
Other operating income, external	357	32	6	1	2	1	42	441	1,612	2,053
Other operating income, internal	119	2	72	-	22	-	-215	0	-	-
Total operating income	23,701	8,592	4,271	1,178	2,076	1,327	-3,033	38,112	1,612	39,722
Personnel expenses	-9,270	-4,121	-1,029	-99	-518	-96	-1,071	-16,204	-2,584	-18,789
Transportation expenses	-5,452	-1,817	-2,700	-750	-552	-238	285	-11,224	-	-11,224
Other expenses	-7,470	-2,905	-391	-304	-798	-971	3,536	-9,302	-13	-9,315
Depreciation and impairments	-663	-169	-109	-6	-40	-4	-262	-1,250	-	-1,250
Total operating expenses	-22,855	-9,012	-4,229	-1,159	-1,907	-1,308	2,488	-37,981	-2,597	-40,578
Adjusted operating income	845	-421	42	19	168	19	-544	129	-	-
Items affecting comparability	-38	-946	-	-	-	-	-	-984	-	-
TOTAL OPERATING INCOME	807	-1,366	42	19	168	19	-544	-	-	-855
Net financial items	-	-	-	-	-	-	-	-	-	-35
Income before tax	-	-	-	-	-	-	-	-	-	-890
Tax	-	-	-	-	-	-	-	-	-	-176
Net income for the period	-	-	-	-	-	-	-	-	-	-1,067

Note 4 (cont.)

2017 Jan.-Dec., SEKm	PostNord Sweden	PostNord Denmark	PostNord Norway	PostNord Finland	PostNord Strålfors	PostNord Other business activities	Other and eliminations	Adjusted total, Group	Items affecting comparability	Group
Net sales, external	21,663	8,209	3,238	706	1,935	1,256	-	37,007	-	37,007
Net sales, internal	976	475	633	322	146	0	-2,552	-	-	0
Total net sales	22,639	8,684	3,871	1,028	2,081	1,256	-2,552	37,007	-	37,007
Other operating income, external	169	46	4	1	12	1	91	324	-	324
Other operating income, internal	253	12	1	0	23	1	-290	0	-	-
Total operating income	23,061	8,742	3,876	1,029	2,116	1,258	-2,751	37,331	-	37,331
Personnel expenses	-9,169	-4,614	-900	-87	-551	-88	-919	-16,330	-462	-16,792
Transportation expenses	-5,273	-1,748	-2,458	-650	-551	-217	355	-10,542	-	-10,542
Other expenses	-6,913	-2,781	-365	-278	-795	-903	3,231	-8,804	-	-8,804
Depreciation and impairments	-657	-176	-107	-6	-48	-3	-319	-1,316	-	-1,317
Total operating expenses	-22,012	-9,321	-3,830	-1,021	-1,946	-1,211	2,350	-36,992	-462	-37,455
Adjusted operating income	1,049	-574	45	8	170	45	-402	338	-	-
Items affecting comparability	-	-462	-	-	-	-	-	-462	-	-
TOTAL OPERATING INCOME	1,049	-1,039	45	8	170	45	-402	-	-	-124
Net financial items	-	-	-	-	-	-	-	-	-	-12
Income before tax	-	-	-	-	-	-	-	-	-	-136
Tax	-	-	-	-	-	-	-	-	-	-201
Net income for the period	-	-	-	-	-	-	-	-	-	-337

Organization into geographical areas based on domicile of companies, SEKm	2018				2017			
	Revenue ¹⁾	Total assets	Non- current assets ²⁾	Investments, property, plant and equipment and intangible assets	Revenue ¹⁾	Total assets	Non- current assets ²⁾	Investments, property, plant and equipment and intangible assets
Sweden	23,520	11,614	6,961	986	22,908	12,194	6,857	886
Denmark	8,730	5,719	1,678	235	7,646	3,488	1,689	195
Norway	3,922	4,477	2,401	114	3,723	4,933	2,367	91
Finland	1,165	449	228	6	1,113	506	225	16
Other countries	2,385	561	35	33	1,941	733	37	8
Total	39,722	22,821	11,302	1,373	37,331	21,854	11,174	1,196

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

²⁾ Non-current assets consist of property, plant and equipment and intangible assets.

Note 5 Employees, personnel expenses and executive remuneration

Average number of employees per country	2018				2017			
	Women	Men	Total	% Men	Women	Men	Total	% Men
Sweden	6,779	13,790	20,569	67	6,782	13,810	20,592	67
Denmark	2,541	4,898	7,439	66	2,802	6,108	8,910	69
Norway	235	1,173	1,408	83	242	1,079	1,321	82
Finland	86	122	208	59	84	117	201	58
Other countries	165	173	338	51	146	180	326	55
Total	9,806	20,156	29,962	67	10,055	21,295	31,350	68

Personnel expenses, SEKm	2018	2017
Salaries and other remuneration	14,854	12,903
Statutory social insurance costs	2,583	2,553
Pension expenses ¹⁾	1,194	1,232
Other personnel expenses	157	104
Total	18,789	16,792

¹⁾ Of the Group's pension expenses, SEK 8m (7) pertains to current and earlier Presidents and Executive Vice Presidents. Obligations outstanding on behalf of these persons total SEK 188m (186).

Salaries and other remuneration per country, SEKm ¹⁾	2018				2017			
	Presi- dents ²⁾	Of which, severance payment	Other employees	Total	Presi- dents ²⁾	Of which, severance payment	Other employees	Total
Sweden	21	-	7,240	7,261	18	-	7,149	7,167
Denmark	5	-	6,427	6,432	7	-	4,730	4,737
Norway	4	-	907	911	4	-	783	787
Finland	8	3	113	121	2	-	105	107
Other countries	5	-	123	128	5	-	99	104
Total	43	3	14,811	14,854	36	-	12,867	12,903

¹⁾ No bonus was paid.

²⁾ Refers to current and former Presidents.

Salaries and other remuneration to Group Executive Team, SEKm	2018				2017			
	Salary ¹⁾	Pension expenses	Other benefits	Total	Salary ¹⁾	Pension expenses	Other benefits	Total
Håkan Ericsson, President	9.5	2.8	0.1	12.4	9.3	2.8	0.1	12.2
Total, President	9.5	2.8	0.1	12.4	9.3	2.8	0.1	12.2
Johanna Allert	2.6	0.8	0.1	3.5	2.5	0.7	0.0	3.2
Thomas Backteman (from September 1, 2017)	2.9	0.8	0.0	3.7	0.9	0.3	0.0	1.2
Gunilla Berg	4.5	1.3	0.1	5.9	4.4	1.3	0.1	5.8
Ylva Ekborn (from February 1, 2018)	2.2	0.7	0.1	3.0	-	-	-	-
Björn Ekstedt	2.8	0.8	0.1	3.7	2.8	0.8	0.1	3.7
Andreas Falkenmark (until October 31, 2017)	-	-	-	-	6.5	1.2	0.1	7.8
Annemarie Gardshol	3.8	1.2	0.0	5.0	3.6	1.1	0.0	4.7
Finn Hansen (until February 28, 2018)	3.2	-	0.0	3.2	4.0	-	0.0	4.0
Anders Holm	3.1	0.9	0.1	4.1	3.4	1.0	0.1	4.5
Tim Jörnsen	2.9	0.9	0.1	3.9	2.8	0.8	0.0	3.6
Peter Kjaer Jensen	5.0	-	0.2	5.2	4.5	-	0.2	4.7
Kristina Lilja	2.4	0.7	0.1	3.2	2.2	0.6	0.0	2.8
Per Mossberg (until October 31, 2017)	-	-	-	-	5.0	1.5	0.1	6.6
Robin Olsen	3.8	0.2	0.3	4.3	3.6	0.2	0.3	4.1
Jan Starrsjö	2.2	0.7	0.1	3.0	2.2	0.7	0.0	2.9
Charlotte Svensson (from August 1, 2017)	3.1	0.9	0.1	4.1	1.3	0.4	0.0	1.7
Total, other Group Executive Team	44.5	9.9	1.4	55.8	49.7	10.6	1.0	61.3
Total, Group Executive Team	54.0	12.7	1.5	68.2	59.0	13.4	1.1	73.5

¹⁾ Provision for contractual severance payment covering the following financial year is included for – (1) senior executive. Provision for compensation for non-working period up to contractual retirement in 2018 included for 1 (1) senior executive. Income received in connection with any new employment or own business is deducted.

Note 5 (cont.)
Benefits to senior executives

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

The pension provision for the President is set at 30% of the executive's monthly salary. The period of notice for termination of employment for the President is six months on the part of both President and the employer.

The period of notice of termination for other members of the Group Executive Team is 6-12 months by the Company and 6 months by the individual. If the employment is terminated at the employer's initiative, severance compensation corresponding to the value of the person's monthly salary will be paid for a maximum of 12 months. The company is entitled to deduct, from salary during the period of notice or from severance compensation, any earnings that a senior executive may, or is clearly in a position to, receive from other employment during the period to which the employment period or the severance compensation pertains.

Summary of guidelines on compensation to senior management in the Group, adopted at the AGM held on April 26, 2018

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

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

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

Gender representation among senior executives, %	Dec. 31, 2018		Dec. 31, 2017	
	% Women	% Men	% Women	% Men
Group Board of Directors	38	62	25	75
Group Management	43	57	36	64
Other Boards of Directors	30	70	31	69
Other senior executives	35	65	40	60

Benefits to Board of Directors of Group and PostNord AB, SEK ^(1,2)	Audit Committee	Remuneration Committee	2018	2017
Christian Jansson (from August 1, 2018)		Chair	273	-
Jens Moberg (until July 31, 2018)		Chair	501	703
Charlotte Strand (from April 1, 2018)	Chair		270	-
Gunnel Duveblad (until April 30, 2018)	Chair		15	355
Sonat Burman Olsson (from April 1, 2018)	Member		259	-
Måns Carlson (from April 1, 2017)	Member		-	-
Christian Ellegaard	Member (until April 30, 2018)	Member (until May 31, 2018)	323	340
Christian Frigast (from August 1, 2018)		Member	164	-
Peder Lundquist	Member		-	-
Ulrica Messing (from April 1, 2018)		Member	236	-
Mats Abrahamsson (until April 30, 2018)		Member	138	311
Mette Grunnet (until Feb. 28, 2017)	Member		-	41
Torben Janholt (until March 31, 2017)		Member	-	75
Jesper Lok (from April 1, 2017 to April 30, 2018)	Member		86	259
Magnus Skåninger (until March 31, 2017)	Member		-	-
Anitra Steen (until April 30, 2018)		Member	214	311
Total			2,479	2,395

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

²⁾ Amounts reported consist of fees for Board and committee work approved at the 2017 and 2018 AGMs for the 2018 financial year.

Remuneration approved at the AGM held on April 26, 2018 and at an EGM held on August 14, 2018, SEK	Board of Directors	Audit Committee	Remuneration Committee
Chair	670	70	38
Deputy Chair	500	-	-
Member	290	55	25

Note 6 Other expenses

SEKm	2018	2017
Costs of premises	2,137	2,040
Cost of restructuring measures	19	66
Terminal fees	1,154	1,119
Cost of goods and materials	585	615
Procured IT resources	1,522	1,593
Miscellaneous	3,898	3,371
Total	9,315	8,804

Note 7 Fees and reimbursement of expenses to auditors

SEKm	2018	2017
KPMG		
Auditing assignments	11	10
Other auditing services	1	1
Tax consultancy	0	0
Other services	1	1
Total	13	12

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

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

Note 8 Net financial items

SEKm	2018	2017
Financial income		
Interest income	3	16
Interest income, pensions	26	23
Other financial income	10	21
Total	39	60
Financial expenses		
Interest expenses	-60	-57
Interest expenses, finance leases	0	0
Other financial expenses	-11	-15
Net changes in exchange rates	-3	0
Total	-74	-72
Net financial items	-35	-12

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

Note 9 Tax

SEKm	2018	2017
Current tax	-174	-325
Deferred tax		
Change in deferred tax in temporary differences in statement of financial position	-2	136
Change in deferred tax in tax loss carry-forwards	-	-12
Total	-2	124
Total tax	-176	-201

Reconciliation of effective tax rate	2018		2017	
	%	SEKm	%	SEKm
Income before tax	22	-890	22	-136
Tax at current tax rate for Parent Company		196		30
Non-deductible expenses		-32		-83
Tax-exempt income		351		5
Effect of unused tax losses		-186		-132
Effect of non-recognized temporary differences in statement of financial position		-460		-13
Tax attributable to previous year		-35		4
Effect of changes in tax rates		5		4
Effect of other tax rates in foreign subsidiaries		-10		-5
Miscellaneous		-6		-10
Total		-176		-201

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

Note 10 Non-current intangible assets

SEKm	Goodwill		Other non-current intangible assets					
	Goodwill		Licenses and similar assets		Capitalized development expenditures		Total other non-current intangible assets	
	2018	2017	2018	2017	2018	2017	2018	2017
Historical cost, opening balance	3,387	3,404	1,740	1,851	2,737	2,453	4,477	4,304
Investments during the year	-	-	25	24	161	214	186	238
Disposals/scrapping	-	-	-11	-52	-190	-10	-201	-62
Reclassifications	-	-	73	-61	-73	61	-	-
Translation differences	67	-17	17	-22	28	19	45	-3
Accumulated historical costs at year-end	3,454	3,387	1,844	1,740	2,663	2,737	4,507	4,477
Depreciation, opening balance	-	-	-1,413	-1,374	-1,539	-1,357	-2,952	-2,731
Depreciation for the year	-	-	-78	-106	-154	-178	-232	-284
Disposals/scrapping	-	-	11	49	190	9	201	58
Reclassifications	-	-	-3	-	3	-	-	-
Translation differences	-	-	-19	18	-21	-13	-40	5
Accumulated depreciation at year-end	-	-	-1,502	-1,413	-1,521	-1,539	-3,023	-2,952
Impairments, opening balance	-827	-804	-100	-13	-633	-706	-733	-719
Impairment losses for the year	-	-	-	-2	-	-9	-	-11
Disposals/scrapping	-	-	-	3	-	-	-	3
Reclassifications	-	-	-	-88	-	88	-	-
Translation differences	-33	-23	4	-	-8	-6	-4	-6
Accumulated impairments at year-end	-860	-827	-96	-100	-641	-633	-737	-733
Closing balance	2,594	2,560	246	227	501	565	747	792

Other non-current intangible assets

Internally generated intangible assets are recognized as "Capitalized development expenditures" and consist for the most part of system support. Capitalized development expenditures on December 31, 2018 totaled a carrying amount of SEK 501m (565).

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

Licenses and similar assets on December 31, 2018, totaled a carrying amount of SEK 246m (227).

Investments during the year were made above all in system development in line with PostNord's strategy for shared Nordic-wide IT solutions. No changes to amortization periods were made in 2018. For more on amortization/depreciation periods used, see Note 1 Accounting principles.

Other intangible non-current assets were tested for impairment, leading to an impairment loss of SEK -m (11). Impairment in the preceding year related in the main to capitalized development expenditures for system support.

Goodwill

Goodwill is recognized as a non-current intangible asset with an indeterminate useful life at historical cost less accumulated impairment losses. Goodwill on December 31, 2018 was valued at a carrying amount of SEK 2,594m (2,560).

Impairment testing

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

Cash-generating units	Goodwill Dec. 31, SEKm		Rate of growth after forecast period (%)		Discount rate before tax (%)	
	2018	2017	2018	2017	2018	2017
PostNord Sweden	1,056	1,056	2	0.8	9.7	10.2
PostNord Norway	924	902	2	2	8.6	8.8
PostNord Strålfors	444	439	-2	-2	11.5	12
PostNord Finland	161	154	2	1.9	10.6	10.7
Other cash-generating units	9	9	-2-15	-2-15	9.5-13	10.4-12.4
Total goodwill	2,594	2,560				

Note 10 (cont.)

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

Value in use

The recoverable amounts for the cash-generating units have been calculated from the value in use, by discounting anticipated future cash flows based on management's three-year business plan, with extrapolation of net cash flows after the said three-year period. Management's assumptions and assessments reflect historical experience, analysis of external trends, for example in the logistics and mail businesses, and other available external information. The most important assumptions used in determining future cash flows are estimated volume growth in net sales, changes in costs, and working capital requirements. All assumptions are applied per cash-generating unit or group

of cash-generating units. The rate of growth in the terminal period, that is, after the three-year forecast period, is assumed to be -2% to 2% (-2% to 2%) and the discount rate before tax to be 8.6-13% (8.8-12.4%). In determining the discount rate, factors taken into account include type of business, where the business is located and risk and size premium.

Sensitivity analysis for remaining goodwill

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

The sensitivity in the calculations for the cash-generating unit PostNord Norway indicates that the goodwill value could not be sustained if the long-term operating margin declined by 0.5% and the discount rate rose by 0.5 percent, or if the long-term rate of growth declined by 0.5 percent, compared to the discount rate of 7.2% after tax and the 2% rate of growth used for calculation of the value in use.

Note 11 Property, plant and equipment

SEKm	Buildings and land		Machinery and equipment		Construction in progress and advance payments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Historical cost, opening balance	6,078	6,081	13,483	15,040	516	420	20,077	21,541
Other acquisitions	19	129	811	734	358	95	1,188	958
Disposals/scrapping	-	-130	-1,090	-2,350	-	-	-1,090	-2,480
Reclassifications	-185	11	600	3	-632	-	-217 ¹⁾	14 ¹⁾
Translation differences	116	-13	186	56	4	1	306	44
Accumulated historical costs at year-end	6,028	6,078	13,990	13,483	246	516	20,264	20,077
Depreciation, opening balance	-1,873	-1,799	-9,925	-11,304	-	-	-11,798	-13,103
Depreciation for the year	-134	-130	-858	-885	-	-	-992	-1,015
Disposals/scrapping	-	76	1,044	2,321	-	-	1,044	2,397
Reclassifications	133	-12	-	1	-	-	133 ¹⁾	-11 ¹⁾
Translation differences	-48	-8	-142	-58	-	-	-190	-66
Accumulated depreciation at year-end	-1,922	-1,873	-9,881	-9,925	-	-	-11,803	-11,798
Impairments, opening balance	-173	-164	-284	-280	-	-	-457	-444
Impairment losses for the year	-	-5	-27	-1	-	-	-27	-6
Reclassification	-	-	-	3	-	-	-	3 ¹⁾
Translation differences	-7	-4	-9	-6	-	-	-16	-10
Accumulated impairments at year-end	-180	-173	-320	-284	-	-	-500	-457
Closing balance	3,926	4,032	3,789	3,274	246	516	7,961	7,822

¹⁾ Reclassification to/from assets held for sale SEK 84m (6).

Note 12 Leased machinery, equipment and property leases

Operating leases

During the year, the Group paid lease charges of SEK 1,526m (1,436). Outstanding lease charges at the end of the period, at the exchange rates and interest rates prevailing for the Group, totaled SEK 6,181m (5,492). The minimum lease charges for operating leases fall due for payment as follows:

SEKm	Machinery and equipment		Premises	
	2018	2017	2018	2017
Within 1 year	184	140	1,332	1,172
Between one and five years	212	365	2,921	2,478
More than five years	4	2	1,528	1,335
Total	400	507	5,781	4,985

Finance leases

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

SEKm	Minimum lease charges		Interest		Present value	
	2018	2017	2018	2017	2018	2017
	Within 1 year	2	5	0	0	2
Between one and five years	1	3	0	0	1	3
Total	3	8	0	0	3	8

Financial lease assets

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

SEKm	2018	2017
Historical costs		
Machinery and equipment	37	56
Closing balance	37	56
Accumulated depreciation		
Machinery and equipment	-33	-45
Closing balance	-33	-45
Book value	4	11

Lease charges under financial leases amounted to SEK 5m (10).

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

See also Note 25, Pledged assets and contingent liabilities.

Note 13 Participations in associated companies and joint ventures

Participations in associated companies

At the financial year-end, Post Danmark A/S owned shares in equity in the associated company e-Boks A/S valued at SEK 88m (81). The company e-Boks A/S has its registered office in Copenhagen, Denmark, and is owned 50%.

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

Participations in joint ventures

In 2017, PostNord Strålfors AB owned 50% of the company Tand 2:103 Fastighets AB, in Östersund, Sweden. During 2018, the remaining 50% of the shares were acquired at a cost of SEK 0.9m. The holding has now been reclassified as a subsidiary. The assets acquired consist in their entirety of a property.

Note 14 Financial investments

SEKm	Dec. 31, 2018	Dec. 31, 2017
Financial investments treated as non-current assets		
Endowment insurance	175	174
Other non-current investments	23	24
Closing balance	198	198
Short-term investments treated as current assets		
Other short-term investments	101	296
Closing balance	101	296

Note 15 Non-current receivables

SEKm	Dec. 31, 2018	Dec. 31, 2017
Funded defined-benefit disability pension plans measured in accordance with IAS 19	964	1,002
Defined-benefit pension plans measured in accordance with IAS 19	-	144
Deposits, property leases	29	36
Miscellaneous	115	104
Total	1,108	1,285

Note 16 Deferred tax

SEKm	2018				2017			
	Opening balance	Recognized via the income statement	Acquisition/disposal of business, recognized in Other comprehensive income	Closing balance	Opening balance	Recognized via the income statement	Acquisition/disposal of business, recognized in Other comprehensive income	Closing balance
Deferred tax assets								
Non-current intangible assets	30	-30	-	-	-	30	-	30
Current assets	-	-	-	-	5	-5	-	-
Provision for pensions	-	49	172	221	-	-	-	-
Other provisions	71	-12	-	59	101	-30	-	71
Loss carry-forwards	-	-	-	-	12	-12	-	-
Offset against liabilities	22	-	-224	-202	4	-	18	22
Total	123	7	-52	78	122	-17	18	123
<i>Of which, outside Sweden</i>	7			6	41			7
Deferred tax liability								
Non-current intangible assets	-	-44	-	-44	-20	20	-	-
Property, plant and equipment	-315	39	-3	-279	-312	-15	12	-315
Current assets	-32	-4	-	-36	-	-32	-	-32
Provision for pensions	-375	-	375	-	-496	168	-47	-375
Offset against receivables	-22	-	224	202	-4	-	-18	-22
Total	-744	-9	596	-157	-832	141	-53	-744
<i>Of which, outside Sweden</i>	-117			-131	-145			-117

Receivables and liabilities in Sweden have been recognized at SEK 222m (247) net, while other receivables and liabilities have been recognized gross. Receivables outside Sweden have been recognized at SEK 6m (7) and liabilities at SEK 131m (117).

Dates payment due, tax amounts

SEKm	Capitalized loss carry-forwards		Loss carry-forwards where deferred tax assets not recognized	
	2018	2017	2018	2017
Not due	0	0	565	331

Loss carry-forwards where deferred tax assets were not recognized totaled SEK 565m (331) in Denmark. These deferred tax assets have not been recognized since it was judged that the deductions could not be used in the foreseeable future.

In addition to unrecognized tax loss carry-forwards, deductible temporary differences arising in Denmark and amounting to SEK 869m (361) have not been recognized.

Note 17 Inventories

SEKm	Dec. 31, 2018	Dec. 31, 2017
Goods for resale etc.	54	51
Raw materials	46	37
Closing balance	100	88

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

Impairment losses on inventories totaled SEK 6m (1).

Note 18 Prepaid expenses and accrued income

SEKm	Dec. 31, 2018	Dec. 31, 2017
Prepaid rent	206	204
Prepaid insurance premiums	11	22
Prepaid salaries	120	117
Terminal fees	504	396
Derivatives	16	0
Other items	256	260
Closing balance	1,113	999

Note 19 Cash and cash equivalents

SEKm	Dec. 31, 2018	Dec. 31, 2017
Cash and bank balances	2,638	1,611
Short-term investments treated as cash and cash equivalents	450	290
Closing balance	3,088	1,901

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

Note 20 Earnings per share

SEK	2018	2017
Earnings per share	-0.53	-0.17

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

Note 21 Interest-bearing liabilities

SEKm	Dec. 31, 2018	Dec. 31, 2017
Non-current interest-bearing liabilities		
Liabilities to credit institutions	1,593	3,378
Finance leases	1	3
Other non-current liabilities	175	174
Closing balance	1,770	3,556
Current interest-bearing liabilities		
Liabilities to credit institutions	1,614	215
Finance leases	5	7
Closing balance	1,619	222

See also Note 27 Financial risk management and financial instruments.

Note 22 Pensions

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

Note 22 (cont.)

Provisions for pensions and similar obligations, SEKm	2018	2017
Pension obligations, OB	21,103	20,829
Costs relating to service during current year ¹⁾	345	310
Interest expense ²⁾	491	523
Occupational pensions	35	33
Payments of benefits	-1,124	-1,115
Actuarial gains (-) and losses (+) - change in financial assumptions ³⁾	1,301	542
Actuarial gains (-) and losses (+) - change in demographic assumptions ³⁾	167	294
Actuarial gains (-) and losses (+) - experience-based ³⁾	310	-313
Pension obligations, CB	22,628	21,103
Assets under management, fair value OB	21,020	20,921
Interest income	498	547
Contributions from employer	236	612
Credit	-1,188	-1,710
Payments of benefits	-67	-76
Actual return above (+) and below (-) interest income	-228	726
Assets under management, fair value CB	20,271	21,020
Change in net assets or net debt		
Present value of defined-benefit obligations	22,628	21,103
Assets under management, fair value	-20,271	-21,020
Net (asset -, liability +) at year-end excluding special payroll tax⁴⁾	2,357	83
Work-related injuries	26	32
Special payroll tax	409	-130
Net (asset -, liability +) in Statement of financial position including work-related injuries and effect of special payroll tax	2,792	-15

¹⁾ Costs of earned entitlement consist of SEK 317m (288) for funded plans and the remainder for unfunded plans

²⁾ Of the interest expense, SEK 436m (468) is attributable to funded plans and the remainder to unfunded plans

³⁾ Of actuarial gains and losses, SEK 1,644m (747) is attributable to funded plans and the remainder to unfunded plans

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

Specification, net, commitment and asset, SEKm	2018				2017			
	Net commitment and asset	Special payroll tax	Work-related injuries	Total	Net commitment and asset	Special payroll tax	Work-related injuries	Total
Funded defined-benefit disability pension plans ¹⁾	-964	-	-	-964	-1,002	-	-	-1,002
Unfunded non-vested pensions ²⁾	929	225	-	1,155	884	214	-	1,099
Work-related injuries ²⁾	-	-	26	26	-	-	32	32
Funded pensions ¹⁾	1,213	294	-	1,508	-1,193	-289	-	-1,482
Unfunded vested pensions ¹⁾	1,178	-110	-	1,068	1,393	-56	-	1,337
	2,357	409	26	2,792	83	-130	32	-15

¹⁾ See Note 15 Non-current receivables.

²⁾ See Note 23 Other provisions.

Note 22 (cont.)

In the course of 2019, the Group anticipates paying benefits totaling SEK 1,076m (983) under defined-benefit plans. The weighted duration of the pension commitment is 14 (14) years.

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

Provision for non-vested pensions

PostNord is liable for its Swedish subsidiaries' non-vested pension commitments under the Group's "interim provisions". These provisions apply to certain personnel who, under the terms of their employment, are entitled to retire at 60 or 63 years of age. A condition is that the employee had to have reached the age of 28 years by no later than January 1, 1992 and to have remained in the same function thereafter. The total obligation, calculated in accordance with the Pension Obligations Vesting Act, for pensions under the interim provisions was SEK 1,789m (2,066) on December 31, 2018. In recent years, the transition regulations have been used to a greater extent, and an experience-based adjustment of 10 percentage points (15) has been made, indicating that on average 50% will make use of the transition regulations. The provision is set at this proportion of the total obligation. The amount recognized as a liability totals SEK 1,035m (973), including special payroll tax. The obligation is included in the balance of Unfunded pension plans, non-vested pensions.

PostNord bears liability for an obligation, known as the ultimate liability, that PostNord Group AB assumed at its corporatization. On the basis of available information, this obligation was calculated at SEK 120m (125) on December 31, 2018. The obligation is included in the balance of Unfunded pension plans, non-vested pensions.

Liability for maintaining value

In 2000, pension commitments previously guaranteed via Postens Pensionsstiftelse were redeemed through the purchase of insurance policies. The capital value of these commitments on December 31, 2017 was SEK 31 m (37). PostNord retains a liability for maintaining the value and coordinating the gross value of these pension commitments.

Expenses and income for defined-benefit and defined-contribution pension plans, SEKm.	2018	2017
Costs relating to service during current year	345	310
Interest expense (+) and interest income (0) ¹⁾	-26	-23
Occupational pensions	35	33
Defined-benefit pension plans	353	320
Defined-contribution pension plans	782	832
Other pension expenses	32	57
Recognized within net financial items	26	23
Total pension expenses	1,194	1,232

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

Actuarial calculation assumptions

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

Actuarial assumptions, %	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Discount rate	2.20	2.40	2.60
Future annual pay rises	2.40	2.40	2.40
Change in income base amount	3.00	3.00	3.00
Inflation	1.75	1.50	1.50
Employee turnover	4.50	4.50	4.50
Lifetime obligation	FFFS 2007:31	FFFS 2007:31	FFFS 2007:31

The expenses for 2018 are based on the actuarial assumptions established at the beginning of the year. At the end of 2018, PostNord established assumptions that were applied to the calculation of the outcome as per December 31, 2018. These actuarial assumptions are also used in the forecast for expenses in 2019. It was also taken into account that all assumptions used in the valuation should in the long term be mutually compatible.

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

Alecta

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

Assets under management

Total assets under management amounted to SEK 20,271m (21,020). The major share of the Group's assets under management are administered by Postens Pensionsstiftelse, SEK 18,570m (19,250). Other assets under management consist of assets in PostNords Försäkringsförening, SEK 1,670m (1,734) and pension insurance with Skandia SEK 31m (37). Real return on assets under management totaled SEK 269m (1 273), including interest income of SEK 518m (547).

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

Pensionsstiftelsen's allocation strategy is based on an asset liability management (ALM) analysis. The forecast pension liability is measured against the anticipated return on the assets, together with risk and historical correlations, in order to determine an appropriate asset allocation and level of risk. The asset allocation and Pensionsstiftelsen's management shall ensure that the long-term target for return on investment is achieved, at a level of risk that is

Note 22 (cont.)

justifiable and reasonable. The return achieved on asset management varies from year to year, depending on a range of separate external factors. This means that the return on investment target is to be regarded as a target for return achieved over a longer term.

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

33% (43) of Pensionsstiftelsen's assets are traded in an active market. The asset allocation at Pensionsstiftelsen on December 31, 2018 was as follows: fixed-income and high-yield SEK 2,502m (2,725), cash and cash equivalents including forward contracts SEK 1,989m (1,640), unlisted assets SEK 10,378m (9,357m) and shares SEK 3,701m (5,529).

Sensitivity analysis

At year-end 2018, PostNord had funded pension commitments of SEK 20,520m (18,755) and assets under management of SEK 20,271m (21,020). In addition to funded commitments, a pension liability is provided for on the statement of financial position, divided into vested pension commitments of SEK 1,178m (1,464) and non-vested pension commitments of SEK 929m (884). The Group's pension commitments are measured on the basis of the above-mentioned actuarial assumptions and the assets under management are measured at fair value. With regard to the "interim provisions", an allocation of 50% of the total obligation is made under these provisions – an increase in 2018 from 40% – a take-up rate based on experience. Special payroll tax is also taken into account. Any change in the obligation as required by the interim provisions as a result of any change in the take-up rate is recognized as income or expense. For more information on the impact on income from changes in take-up rate in interim provisions, see table.

Sensitivity analysis excl. special payroll tax on pensions, SEKm	Change	Impact on income		Impact on statement of financial position items and other comprehensive income		
		Forecast cost (service cost)	Net financial items	Impact on pension liability	Impact on market value of assets	Impact after tax on other comprehensive income
Actuarial assumptions						
Change in discount rate and anticipated return on assets under management	+0.1% point	6	6	-327	-	-260
	-0.1% point	-6	-5	336	-	266
Change in actual return on assets under management	+0.1% point	-	0	-	-20	-16
	-0.1% point	-	0	-	20	16
Change in pay	+0.5% point	-14	-6	276	-	219
	-0.5% point	11	5	-213	-	-169
Change in income base amount	+0.5% point	3	1	-54	-	-43
	-0.5% point	-4	-2	75	-	60
Change in inflation	+0.5% point	-22	-35	1,586	-	1,259
	-0.5% point	19	31	-1,394	-	-1,107
Life expectancy, years	+1 year	-9	-20	911	-	723
	-1 year	9	20	-897	-	-712
Take-up rate, rights under interim provisions						
Change in take-up rate, rights under interim provisions	+5.0% point	-2	-2	82	-	65
	-5.0% point	2	2	-82	-	-65

Note 23 Other provisions

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

Anticipated payments, SEKm	1 year	2 years	3 years	> 3 years
Restructuring measures	975	1,137	696	339
Non-vested pension commitments ^{1,2)}	75	105	127	633
Work-related injuries ²⁾	4	3	3	21
Provision for anniversary bonus	4	5	5	30
Total	1,058	1,250	831	1,023

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

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

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

Note 23 (cont.)
Provisions for restructuring measures

Provisions for restructuring measures related for the most part to personnel reductions in Denmark for employees with special employment conditions in connection with the transition to the new production model. The restructuring program in the Danish business encompasses a reduction of around 4,000 full-time positions. The amounts are calculated on the basis of management's best estimates.

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

During 2018, provisions and reversals for restructuring with an impact on personnel expenses amounted to SEK 2,595m (515). Provisions and reversals for restructuring with an impact on other expenses amounted to SEK 19m (66). The impact of provisions for non-vested pension commitments, pension settlement with the Danish State and provision for anniversary bonus is recognized in personnel expenses.

The utilization for restructuring costs amounted to SEK 640m (528). The effect of discounting is recognized among financial items in the income statement. Translation differences arising from currency conversion of provisions are recognized in other comprehensive income.

Provision for estimated future non-vested pensions

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

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

Other provisions

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

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

Present value

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

Anticipated payments for provisions

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

Note 24 Accrued expenses and deferred income

SEKm	Dec. 31, 2018	Dec. 31, 2017
Provision for stamps sold but not used	329	326
Accrued payroll expenses	387	473
Holiday pay liability	1,206	1,272
Social insurance costs	300	318
Terminal fees	340	298
Derivatives	13	5
Other items	764	701
Closing balance	3,339	3,393

Note 25 Pledged assets and contingent liabilities

SEKm	Dec. 31, 2018	Dec. 31, 2017
Pledged assets for own liabilities		
Real estate mortgages ¹⁾	364	471
Pledged assets ²⁾	219	223
Total	583	694
Contingent liabilities		
Guarantees, PRI	90	93
Guarantees, other	13	11
Total	103	104

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

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

Disputes

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

Note 26 Investment obligations

On December 31, 2018, the Group had contracted to purchase property, plant and equipment. The investments totaled SEK 347m (419) in value and consisted primarily of transportation and sorting equipment and vehicles. It is expected that most obligations will be settled in early 2019.

Note 27 Financial risk management and financial instruments

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

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

Liquidity management and financing

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

Risk definitions and policy

Refinancing risk

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

Liquidity preparedness SEKm	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents	3,088	1,901
Short-term liquid investments	101	296
Unutilized long-term confirmed credit facilities	2,000	2,000
Short-term unconfirmed interest-bearing liabilities, excl. leasing	-1,614	-215
Net liquidity preparedness	3,574	3,982

Credit risk

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

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

Credit risk in trade receivables

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

Credit risk in financial activities

Credit risk in financial activities is managed by the central financial management function, with a credit limit based on ratings from Moody's, Standard & Poor's or the equivalent. Trading is governed via decisions on maximum credit

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

Age breakdown for trade receivables SEKm	Dec. 31, 2018	Dec. 31, 2017
Trade receivables not due	3,960	4,069
Due but not impaired:		
1-30 days	866	571
31-90 days	118	139
>90 days	94	87
Total	5,037	4,866
Provision for expected credit loss	-28	-33
Total	5,009	4,833

Provision for expected credit loss SEKm	Jan.-Dec. 2018	Jan.-Dec. 2017
Opening balance	-33	-51
Provisions	-17	-16
Utilizations/Reversals	22	34
Closing balance	-28	-33

Confirmed credit losses totaled SEK 11m (17).

Interest rate risk

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

Sensitivity analysis interest rate risk

Balance sheet item	Change in market interest rates:	2018 Impact on income, SEKm	2017 Impact on income, SEKm
Cash and cash equivalents	+/- 1 % point	+/-32	+/- 21
Interest-bearing liability	+/- % point	- / +19	- / +30

Currency risk

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

Electricity price risk

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

Note 27 (cont.)
Fuel price risk

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

Contracted transaction exposure

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

Transaction exposure

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

Transaction exposure

Currency in SEKm	2018			2017		
	Position Hedged	Net position	Net position	Position Hedged	Net position	Net position
DKK	-25	32	7	30	0	30
EUR	-63	0	-63	-49	0	-49
NOK	-26	22	-4	0	0	0
Other currencies	167	-99	68	74	-22	52
Total	53	-46	7	55	-22	34

Translation exposure

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

Group translation exposure

Currency	2018			2017		
	SEKm	%	+/-1%	SEKm	%	+/-1%
DKK	1,320	33	13	513	12	5
EUR	534	13	5	1,221	28	12
NOK	2,024	51	20	2,521	57	25
Other currencies	126	3	1	169	4	2
Total	4,003	100	40	4,424	100	44

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

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

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

Market risk in assets under management

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

Note 27 (cont.)

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

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2017					
	Financial assets measured at fair value via income	Loan and trade receivables measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	-	17	-	-	17	17
Derivatives	0	-	-	-	0	0
Trade receivables	-	4,833	-	-	4,833	4,833
Terminal fees ^{1), 2)}	-	396	-	-	396	396
Short-term investments	-	296	-	-	296	296
Cash and cash equivalents	-	1,901	-	-	1,901	1,901
Non-current interest-bearing liabilities	-	-	-	-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	-	-	-5	-	-5	-5
Terminal fees ²⁾	-	-	-	-298	-298	-298
Total financial assets and liabilities, by category	0	7,443	-5	-7,997	-559	-658

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

²⁾ The terminal fees are restated to show the impact of a change in net accounting.

Recognition and fair value measurement of financial instruments

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

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

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

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

Level 2

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

Financial assets and liabilities by level, SEKm	Level 2, Dec. 31, 2018	Level 2, Dec. 31, 2017
Financial assets		
Short-term investments	101	296
Currency derivatives	16	0
Total financial assets	117	296
Financial liabilities		
Currency derivatives	13	3
Interest rate derivatives	0	2
Total financial liabilities	13	5

The Group has outstanding currency derivatives above all in DKK, NOK and EUR. The nominal amount for interest rate derivatives was SEK 400m (200).

Note 28 Related party transactions

Group companies

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

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

The Swedish State

Under Sweden's Postal Services Act, PostNord is mandated by the Swedish State to provide a universal postal service. Like other postal operators in Sweden, PostNord must obtain a license to operate postal services. For this license, PostNord paid SEK 18m (17) to the Swedish Post and Telecom Authority (PTS). In addition, PostNord paid PTS SEK 9m (5) for handling of undeliverable mail.

PostNord received SEK 20m (22) from PTS in remuneration under agreements on the procurement of postal services for the disabled.

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

In December 2018, PostNord AB received a capital contribution of SEK 400m (0) from the Swedish State.

The Danish State

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

Under Denmark's postal legislation, PostNord A/S is mandated by the Danish State to provide a universal postal service. In accordance with the agreement between Post Danmark A/S and the Danish Transport and Construction Agency, fees totaling SEK 2m (2) were recognized in 2018.

During the period, Post Danmark A/S paid pension premiums to the Danish State in the amount of SEK 140m (114) on behalf of the group of salaried employees who were employed before corporatization. In December 2018, PostNord AB received a capital contribution of SEK 267m (0) from the Danish State.

Other organizations in Sweden

PostNords Försäkringsförening (the PostNord Insurance Association) is a friendly society that operates autonomously from the PostNord Group and under the supervision of Finansinspektionen. The Association insures PostNord's obligations in connection with employee disability and family pension insurance under the ITP-P plan. During the period, the Group's Swedish companies received benefits totaling SEK 13m (14) and paid premiums of SEK 33m (124).

Postens Pensionsstiftelse (the Posten Pension Fund) manages pension obligations on behalf of PostNord Group AB and PostNord Sverige AB. These companies capitalize new pension obligations at Pensionsstiftelse and are credited with pensions paid out. During 2018, a total of SEK 203m (523) was capitalized and SEK 1,188m (1,710) was credited.

Senior executives

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

All members of the Group Board of Directors and the Group Executive Team at PostNord have been requested to notify in writing any business relationships they have with PostNord and whether such were established on a commercial basis. No such relations were reported in 2018 and 2017.

Note 29 Supplementary disclosures, Statement of cash flows

SEKm	2018	2017
Interest paid		
Interest received	13	37
Interest paid	120	151
Adjustments for non-cash items		
Amortization of non-current assets	1,223	1,299
Impairment losses, property, plant and equipment	27	6
Impairment losses, non-current intangible assets	-	11
Capital gain/loss on assets	-91	62
Change in pension liability	561	774
- of which credit from Postens Pensionsstiftelse	1,188	1,710
- of which capitalization to Postens Pensionsstiftelse	-203	-523
- of which pensions paid	-1,057	-1,034
- of which, premium paid to PostNords Försäkringsförening	-33	-124
Other provisions	1,748	-219
Total	3,468	1,933

Reconciliation of interest-bearing liabilities attributable to financing activities

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

2017 Jan-Dec, SEKm	Opening balance	Net cash flows	Non-cash items		Closing balance
			Impact of changes in exchange rates	Change in accrual-based costs	
Non-current interest-bearing liabilities	1,707	1,846	-	-	3,553
Long-term lease liabilities	9	-6	-	-	3
Current interest-bearing liabilities	2,021	-1,807	-	-	215
Current lease liabilities	8	-1	-	-	7
Total change in liabilities arising from financing activities	3,745	33	-	-	3,778

Note 30 Acquisitions and disposals

No material acquisitions or disposals took place during 2018 or 2017.

Note 31 Events after the reporting date

No major events took place after the reporting period.

Note 32 Definitions and alternative key performance indicators

Alternative key performance indicators

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

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

Return on operating capital (ROCE)

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

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

EBITDAI

Definition: Operating income excluding depreciation and impairments.

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

Financial preparedness

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

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

Adjusted operating income

Definition: Operating income excluding items affecting comparability.

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

Adjusted operating margin

Definition: Adjusted operating income in relation to net sales.

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

Adjusted return on operating capital

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

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

Items affecting comparability

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

Ongoing restructuring costs are not regarded as items affecting comparability.

Net debt

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

Reconciliation with financial statements, December 31, SEKm	2018	2017
Interest-bearing liabilities, current	1,619	222
Interest-bearing liabilities, long-term	1,770	3,556
Pensions	2,576	-
Financial investments	-198	-198
Non-current receivables ¹⁾	-963	-1,145
Short-term investments	-101	-296
Cash and cash equivalents	-3,088	-1,901
Net debt	1,614	238

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

Net debt/EBITDAI

Definition: Net debt in relation to EBITDAI.

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

Net debt ratio

Definition: Net liabilities in relation to equity.

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

Operating capital

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

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

Operating margin

Definition: Operating income in relation to net sales.

Other key indicators:

Basic staff

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

Average number of employees (FTE)

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

Earnings per share

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

Parent Company

Income statement

SEKm	Note	2018	2017
	1,2		
Other operating income		14	16
Operating revenue		14	16
Personnel expenses	3	-24	-30
Other expenses	4	-6	-12
Operating expenses		-30	-42
TOTAL OPERATING INCOME		-16	-26
Impairment of shares in subsidiaries		-815	-
Interest income and similar items	5	2	-
Interest expenses and similar items	5	-38	-65
Financial items		-851	-65
Income after financial items		-868	-91
Group contributions received		51	90
Appropriations		51	90
Income before tax		-817	-1
Tax		-	-3
NET INCOME		-817	-4

Statement of comprehensive income

SEKm	2018	2017
Net income for the period	-817	-4
Other comprehensive income for the period	-	-
COMPREHENSIVE INCOME	-817	-4

Balance sheet

SEKm	Note	Dec. 31, 2018	Dec. 31, 2017
	1,2		
ASSETS			
Participations in Group companies	6	10,861	11,676
Interest-bearing receivables	9	27	23
Total non-current assets		10,888	11,699
Interest-bearing receivables from Group companies	9	7,558	7,133
Other receivables		2	2
Other receivables from Group companies		51	90
Prepaid expenses and accrued income		1	5
Total current assets		7,612	7,230
TOTAL ASSETS		18,500	18,928
EQUITY AND LIABILITIES			
Restricted equity			
Capital stock	7	2,000	2,000
Share premium reserve		10,141	10,141
Non-restricted equity			
Retained earnings		4,290	3,627
Net income for the period		-817	-4
TOTAL EQUITY		15,614	15,764
LIABILITIES			
Interest-bearing liabilities	9	1,323	2,973
Other non-current liabilities		7	5
Total non-current liabilities		1,330	2,978
Current interest-bearing liabilities	9	1,550	175
Other current liabilities	9	2	6
Accrued expenses and deferred income	9	5	5
Total current liabilities		1,557	186
TOTAL LIABILITIES		2,887	3,164
TOTAL EQUITY AND LIABILITIES		18,500	18,928

Statement of cash flows

SEKm	Note	2018	2017
	10		
OPERATING ACTIVITIES			
Income before tax		-817	-1
Appropriations		-51	-90
Adjustments for non-cash items		819	19
Income tax paid		0	-3
Cash flows from operating activities before changes in working capital		-49	-75
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-	0
Increase (+)/decrease (-) in operating liabilities		0	-7
Changes in working capital		0	-7
Cash flow from operating activities		-49	-82
INVESTING ACTIVITIES			
Changes in Group receivables		-429	922
Cash flows from investing activities		-429	922
FINANCING ACTIVITIES			
Amortization of loans		-2,450	-3,495
New loans		2,171	2,525
Shareholder contribution		667	-
Group contributions received		90	171
Group contributions paid		-	-41
Cash flows from financing activities		478	-840
CASH FLOWS FOR THE PERIOD		-	-
Cash and cash equivalents at start of year		-	-
Cash and cash equivalents at year-end		-	-

Statement of changes in equity

SEKm	Restricted equity		Non-restricted equity	
	Share capital	Share premium reserve	Retained earnings incl. net income for year	Total
Shareholders' equity, opening balance Jan. 1, 2017	2,000	10,141	3,627	15,768
Comprehensive income for the period	-	-	-4	-4
Shareholders' equity, closing balance Dec. 31, 2017	2,000	10,141	3,623	15,764
Opening balance Jan. 1, 2018	2,000	10,141	3,623	15,764
Contribution from owners	-	-	667	667
Comprehensive income for the period	-	-	-817	-817
Shareholders' equity, closing balance Dec. 31, 2018	2,000	10,141	3,473	15,614

Notes to Parent Company financial statements

Note 1 Accounting principles

The Parent Company applies in the main the same accounting principles as the Group, and thus RFR 2, Accounting for Legal Entities. The differences between the Parent Company's and the Group's accounting principles result from limits on the Parent Company in application of IFRS under the Annual Accounts Act, the Act on Safeguarding of Pension Commitments (Trygghandlagen) and, to some extent, from tax considerations. The accounting principles are, other than as indicated below, unchanged from those applied in 2017.

Changes in accounting principles arising from new or amended IFRS

A number of new or amended IFRSs will not come into force until future financial years and have not been adopted early in the preparation of financial statements. For more information, see Note 1 to the Consolidated financial statements, with the exception of IFRS 16, which will only be applied at Group level.

No change in the Parent Company's revenue recognition has been required on adoption of IFRS 15, as the Parent Company's revenue consists solely of intra-Group invoicing of management fees. Provision for expected credit losses in accordance with IFRS 9 has been calculated but deemed to be immaterial.

Participations in subsidiaries, associated companies and joint ventures

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

Group contributions are recognized as appropriations.

Dividends

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

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

Employee benefits

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

Financial guarantees

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

Taxes

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

Segment reporting

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

Note 2 Significant assessments and estimates

When preparing the financial statements, management has made assessments and estimates that affect the Group's reporting. These assessments and estimates are based on what was known at the time the accounts were presented, and on historic experience and the assumptions that management

considers reasonable in the given circumstances. The conclusions that management has drawn form the basis of the carrying amounts. Actual outcomes, assessments and estimates in future financial statements over the year ahead may deviate from those contained in this report as a result of changes in external circumstances and newly gained experience.

Shares in subsidiaries

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

Note 3 Employees and personnel expenses

Personnel expenses, SEKm	2018	2017
Salaries and other remuneration	14	18
Statutory social insurance costs	6	7
Pension expenses	4	5
Total	24	30

The Parent Company has 2 (3) employees, the President/Chief Executive Officer and the Group's CFO. In 2017, the Group's Head of Strategy was also employed by the Parent Company. The President/Group CEO Håkan Ericsson is paid a salary of SEK 791t (760) per month. On his behalf, the Parent Company pays for a retirement pension insurance policy in the amount of SEK 38t (37) per month, and an endowment insurance policy in the amount of SEK 194t (189) to secure the pension obligation.

Note 4 Fees and reimbursement of expenses to auditors

SEKm	2018	2017
Auditing assignments		
KPMG	1	1
Total	1	1

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

Note 5 Interest income, income expenses and similar income items

SEKm	2018	2017
Currency earnings	2	-
Total	2	-
Interest expenses	-29	-45
Currency earnings	-	-10
Other financial expenses	-9	-10
Total	-38	-65

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

Note 6 Holdings of shares and participations in Group companies

SEKm	2018	2017
Historical costs		
At start of year	11,676	11,676
Impairment losses for the year	-815	-
Closing balance	10,861	11,676

Shares held directly and indirectly by Parent Company PostNord AB, SEKm	Corporate registration number	Registered office	Country	Number of shares	Share of equity, %		Carrying amount in Parent Company Dec. 31, 2018
					Direct	Indirect	
PostNord Group AB	556128-6559	Solna	Sweden	600,000	100		10,861
PostNord Sverige AB	556711-5695	Solna	Sweden	1,000		100	
Tidningstjänst AB	556039-7480	Stockholm	Sweden	7,500		100	
Posten Leasing AB	556341-0009	Stockholm	Sweden	5,000		100	
Fastighets AB Penelope	556517-0544	Stockholm	Sweden	100		100	
Nässjöterminalen Kommanditbolag	916629-7458	Solna	Sweden	-		100	
Rosersberg Brevterminal AB	556819-9862	Stockholm	Sweden	1,000		100	
Fastighets AB Rosersberg 11:126	556743-9574	Stockholm	Sweden	100		100	
Hallsberg Brevterminal AB	556848-8133	Stockholm	Sweden	500		100	
KB Sveterm	916631-9492	Stockholm	Sweden	-		100	
Kardinalmärket 1 AB	556875-8899	Stockholm	Sweden	50,000		100	
Lokesvej 18 ApS	39605260	Copenhagen	Denmark	50,000		100	
Kometvej 15 ApS	39610809	Copenhagen	Denmark	50,000		100	
PostNord Strålfors Group AB	556062-0618	Solna	Sweden	21,381,288		100	
PostNord Strålfors AB	556102-9843	Ljungby	Sweden	50,000		100	
Tand 2:103 Fastighets AB	556594-3650	Östersund	Sweden	4,000		100	
PostNord Strålfors A/S	10068657	Brøndby	Denmark	200,000		100	
PostNord Strålfors Oy	0115061-7	Vantaa	Finland	2,100		100	
PostNord Strålfors AS	944997431	Oslo	Norway	870		100	
PostNordbolagen AB	556158-7006	Solna	Sweden	1,000		100	
Nils Hansson Logistics AB	556147-4254	Solna	Sweden	2,500		100	
Swedish Adressändring AB	556476-3562	Stockholm	Sweden	850		85	
AddressPoint AB	556587-5597	Stockholm	Sweden	1,700		85	
Direct Link Worldwide Ltd.	2911080	Hayes	UK	110,000		100	
Direct Link Worldwide Distribution Pte Ltd	199700772	Singapore	Singapore	700,000		100	
Direct Link Worldwide Pty Ltd	95493459	Sydney	Australia	1		100	
Direct Link Worldwide Company Ltd	34733122000	Hong Kong	China	1		100	
Direct Link Worldwide Inc.	112-797-736/000	New Jersey	USA	100		100	
Direct Link Worldwide GmbH	217864281	Griesheim	Germany	150		100	
Direct Link WorldWide Sp Zoo	5272719788	Zerniki	Poland	100		100	
PostNord Logistics GmbH	HRB8888HL	Lübeck	Germany	1		100	
PostNord AS	984054564	Oslo	Norway	117,570		100	
PostNord Terminal Trondheim AS	992079797	Oslo	Norway	406,220		100	
PostNord Terminal Langhus AS	990427321	Oslo	Norway	200,000		100	
PostNord Oy	1056251-7	Vanda	Finland	5,817		100	
PostNord OY Eestii filiaal	11472268	Harju	Estonia	-		100	
PostNord Logistics A/S	20148586	Copenhagen	Denmark	500,001		100	
PostNord TPL AB	556161-7191	Solna	Sweden	50,000		100	
PostNord Logistics TPL A/S	26115396	Brøndby	Denmark	100		100	
PostNord Termo AB	556454-1737	Solna	Sweden	8,000		100	
Post Danmark A/S	26663903	Copenhagen	Denmark	25,000,000		100	
Post Fleet Management A/S	79203114	Hvidovre	Denmark	400		100	
e-Boks A/S	25674154	Copenhagen	Denmark	6,000,000		50	
Distribution Services A/S	56448810	Copenhagen	Denmark	30		100	
eHUBnordic ApS	36959517	Copenhagen	Denmark	-		25	

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

Classes of share, number	Dec. 31, 2018	Dec. 31, 2017
Ordinary shares	1,524,905,971	1,524,905,971
Class B shares	475,094,030	475,094,030
Total	2,000,000,001	2,000,000,001

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

Proposed appropriation of the Company's net income

The Board of Directors proposes that the unappropriated net income, SEK 3,472,754,151 (3,623,073,736) be distributed as follows:

	Dec. 31, 2018	Dec. 31, 2017
To be carried forward, SEK	3,472,754,151	3,623,073,736
Total	3,472,754,151	3,623,073,736

Note 8 Pledged assets and contingent liabilities

SEKm	Dec. 31, 2018	Dec. 31, 2017
Pledged assets for own liabilities		
Pledged assets ¹⁾	27	23
Total	27	23
Contingent liabilities		
Guarantees, PRI	252	133
Guarantees on behalf of subsidiaries	679	735
Total	931	868

¹⁾ Endowment insurance

Not 9 Financial instruments

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

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2017						
	Financial assets recognized at fair value via income	Loan and trade receivables measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at amortized cost	Carrying amount	Fair value	
Interest-bearing receivables, Group companies	-	7,133	-	-	7,133	7,133	
Other receivables, Group companies	-	90	-	-	90	90	
Non-current interest-bearing liabilities, Credit institutions	-	-	-	-2,950	-2,950	-2,959	
Current interest-bearing liabilities	-	-	-	-175	-175	-175	
Trade payables	-	-	-	-6	-6	-6	
Other current liabilities	-	-	-	-6	-6	-6	
Derivatives	-	-	-5	-	-5	-5	
Total financial assets and liabilities by category	-	7,223	-5	-3,137	4,081	4,072	

Note 10 Supplementary disclosures to Statement of cash flows

SEKm	2018	2017
Interest paid		
Interest received	0	0
Interest paid	38	69

Reconciliation of interest-bearing liabilities attributable to financing activities

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

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

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

The Board of Directors and the Chief Executive Officer hereby declare that the annual accounts have been prepared in accordance with generally accepted accounting practice in Sweden and that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards as referred to in Regulation (EC) No. 1606/2002/EC of the European Parliament and of the Council dated 19 July 2002 on the application of international accounting standards. The Annual Report and the annual accounts give a true and fair view of the financial position and results of the Parent Company and the Group. Nothing of material importance has been omitted that might influence the view of the Company provided by the annual report. The Report of the Board of Directors for the Parent Company and Group provides a true and fair overview of the Parent Company's and Group's operations, position and results, as well as describing significant risks and factors of uncertainty to which the Parent Company and the companies included in the Group may be exposed. The annual accounts and sustainability report, together with the consolidated accounts, were as indicated above approved for issue by the Board of Directors and the Chief Executive Officer on February 20, 2019.

Solna, February 20, 2019

Christian Jansson
Chair of the Board

Sonat Burman Olsson
Director

Christian Frigast
Deputy Chair of the Board

Christian Ellegaard
Director

Måns Carlson
Director

Peder Lundquist
Director

Ulrika Messing
Director

Charlotte Strand
Director

Bo Fröström
Employee representative

Johan Lindholm
Employee representative

Sandra Svensk
Employee representative

Håkan Ericsson
President and Group CEO

Our Auditor's Report was presented on February 21, 2019

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

Auditor's Report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of PostNord AB for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 8-82 and the section on environmentally licensed operations on page 94 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

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

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

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

Valuation of goodwill

See note 2 and 10 and accounting principles on page 52 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of goodwill in the consolidated accounts at December 31, 2018 amounted to SEK 2,594 million. The carrying value has been subject to impairment tests, which are complex in nature and are based on significant elements of judgment. Impairment tests have been prepared for all cash generating units, or group of units, that have goodwill associated to them, which for the group consists of six units.

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

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

Response in the audit

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

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

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

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

Valuation of defined benefit obligations

See note 2 and 22 and accounting principles on page 53 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The group had defined benefit obligations of SEK 22,628 million at December 31, 2018, that primarily are funded but to a lesser extent also unfunded. The fair value of the plan assets amounted to SEK 20,271 million at same date.

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

Response in the audit

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

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

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

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

Provisions and government grant

See note 3, 23 and 28 and accounting principles on pages 50 and 53 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

As part of the implementation of a new production model in Denmark, the group has recorded a provision totaling approximately SEK 2,560 million in 2018. The provision is expected to be settled primarily during the three year period 2019-2021 and covers personnel with special terms whom were made redundant in the Danish operations.

In connection to this, a government grant was received from the Danish state of SEK 1,533 million in order for the Danish operations to maintain the universal postal service obligation, and specifically to compensate for the costs incurred for those Danish personnel with special terms made redundant. PostNord has accounted for the grant as Other operating income.

Response in the audit

We have examined the group's detailed calculations of the provision and evaluated the reasonableness of assumptions used as well as compliance with accounting standards applicable for provisions. We have also performed tests of the provision including comparison to underlying agreements for a sample of the details.

We have also evaluated whether the government grant has been accounted for in accordance with the applicable accounting standards and in particular if the accounting adopted is compliant with these standards after consideration of the terms of the grant.

We have also reviewed the disclosures relating to provisions and the government grant included in the annual accounts and the consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-7 and 87-97. The Board of Directors and the Chief Executive Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Chief Executive Officer

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

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

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

Auditor's responsibility

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

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

We also:

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of PostNord AB for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Chief Executive Officer

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

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

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

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, P.O.Box 382, SE-101 27, Stockholm, was appointed auditor of PostNord AB by the general meeting of the shareholders on April 26, 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Stockholm, February 21, 2019
KPMG AB

Tomas Gerhardsson

Authorized Public Accountant

Sustainability information

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Sustainability information

Strategic sustainability goals

PostNord will strengthen its position in the market by clearly integrating sustainability into its product and services offer. "Leading in sustainability" is therefore one of the Group's strategic priorities. It means that PostNord's operations will contribute to sustainable development and that sustainability will be taken into consideration in all the company's activity. Three strategic sustainability goals underpin Group priorities. All goals must be achieved by 2020.

Climate

-40%

PostNord's total carbon dioxide emissions will reduce by 40 percent in relation to 2009 levels.

Suppliers

>80%

Based on a risk assessment, at least 80 percent of the Group's total spend will be with suppliers who accept and comply with the Code of Conduct for Suppliers.

Gender equality

>40%

At least 40 percent of PostNord's managers and leaders will be women.

Climate: Goals, actions, and results

Climate 2020

Goal: PostNord's total carbon dioxide emissions will reduce by 40 percent in relation to 2009 levels.

Results: At the end of the year, PostNord's carbon dioxide emissions had reduced by 35 (32) percent in relation to 2009. The reduction in 2018 was 3 (8) percent.

Comment: PostNord's climate goals, which are expressed in absolute terms, are extremely challenging as production in terms of numbers of parcels shipped is steadily increasing. The reduction in emissions during the year is a good step towards achieving our 2020 climate goal. This is an outcome we are very satisfied with, particularly in view of the increasing volume of parcels and legislation on biofuels that is curtailing the use of high-blend biofuels.

Greater capacity utilization

In PostNord's integrated production model, letters, parcels, and heavier goods are handled at the same location, and vehicles are used for all types of mail items. This helps to reduce emissions.

We are developing advanced IT solutions for planning, controlling, and monitoring production and transportation. We are also continuously developing our methods for efficient loading of vehicles and optimizing routes.

During the year, we undertook further work on building infrastructure, optimizing transportation, and developing IT solutions. Work on equipping all vehicles with telematics systems continued.

Energy-efficient buildings

PostNord is streamlining its use of its premises, including co-locating areas of business as part of its work on its integrated production model. This reduces the impact on the environment as smaller premises require less energy. We are also assessing and reducing our energy use with the help of new technology.

Examples of technical solutions include motion-sensitive lighting, LED lights, and quick-closing gates.

During the year, we replaced the direct acting electrical heating in one of PostNord's major terminals with a heat pump system and put into operation two new terminals that meet GreenBuilding requirements. We also embarked on a project which involves individual electric meters being connected to the cloud. All data will be collected on a new portal, giving us a better picture of our energy use.

More trains, fewer planes

Transportation by air represents 3 (4) percent of carbon dioxide emissions. New legislation allowing us to deliver letters in two days instead of one enables us to reduce our use of air distribution. This change meant that emissions from planes reduced by 26 percent during the year.

In Sweden, PostNord's major sorting terminals are linked to the railway network and 66 percent of letter volume is moved between the terminals by train. In Norway, most parcel and pallet volume is carried by rail.

More electric vehicles

PostNord's aim is to electrify its transportation methods as far as possible. Around 28 (27) percent of PostNord's fleet is electric vehicles, mainly electric bicycles, tricycles, and small cars.

During the year, PostNord bought 355 new, small electric cars and additional electric bicycles. The company continued to support the development of an electrified road between Arlanda airport and its Rosersberg terminal, where an electric rail in the road can power and charge a fully electric lorry.

More biofuels

PostNord is working to increase the proportion of renewable biofuels it uses without using palm oil or residual products from palm oil. The proportion of renewable fuel used in PostNord's own and procured transportation services increased from around 22 to 26 percent in 2018.

Another way to reduce carbon dioxide emissions from vehicles is use of eco-driving techniques. All PostNord's drivers have access to training in eco driving. During the year, all vehicles in Sweden were provided with information on eco driving to make things even easier for drivers.

Suppliers: Goals, actions, and results

Purchasing and suppliers 2020

Goal: Based on a risk assessment, at least 80 percent of the Group's total spend will be with suppliers who accept and comply with the Code of Conduct for Suppliers.

Results: At the end of the year, 54 (33) percent of PostNord's total purchases came from suppliers who accept and complies with PostNord's Code of Conduct for Suppliers.

Comment: Our focus this year has been on continuing to implement our monitoring process. Maintaining integrity in the sustainability approval process takes priority over achieving the goal, and we are satisfied with the pace and extent of our progress, both in respect of our internal work and work with suppliers on self-assessment and during the audits.

PostNord's main purchase areas are transportation, fuel, staffing for terminals and warehouses, and IT. We are often part of long, complex supply chains where collaboration with our business partners is key. PostNord focusses its work on sustainable supply chains both on compliance with its Code of Conduct for Suppliers and on training and support for suppliers to make it easier for them to adhere to the Code of Conduct for Suppliers.

Code of Conduct for Suppliers and industry-specific requirements

The transport sector is facing several environmental and social challenges. Transportation, and thus environmental impact, increases as parcel volume increases. There is strong downward pressure on prices, which increases the risk that suppliers will use insecure, low-paid forms of employment. PostNord's Code of Conduct for Suppliers has been designed to address these challenges.

The Code of Conduct for Suppliers was updated during the year. Amongst the changes were an increased focus on continuous improvement, a safe working environment, and reasonable pay and terms and conditions. It states that staff must have legally compliant terms and conditions of employment, or, where applicable, conditions equivalent to those in collective bargaining agreements, in respect of working hours, remuneration, holidays, sickness absence, and parental leave.

We apply further requirements in agreements with suppliers of road transportation. These include requirements related to salaries and wages for drivers, payment of taxes and social insurance, driving hours and rest periods, and road safety. There are also specific environmental requirements for engines, fuel, tires, and maintenance. PostNord's Codes of Conduct for suppliers and for suppliers of road transportation are available on postnord.com.

Monitoring process

Since 2017, PostNord has been using a Group-common process to monitor suppliers' compliance with the Code of Conduct. The process includes self-assessment, risk assessment, and on site audits.

Self-assessment: The first stage in the process requires the supplier to undertake a self-assessment. Since the self-assessment was introduced in 2017, 440 suppliers have been asked to complete it.

Risk assessment: With the self-assessment as point of departure, a sustainability risk assessment of the supplier is carried out, based on category and country related risks, purchase volume, and how business critical the supplier is for PostNord. Suppliers assessed as high risk must undergo an audit. Examples of high-risk suppliers include those providing road transportation and staffing.

Audit: PostNord's Code of Conduct audits are based on SA 8000, a global standard for the audit and certification of social accountability. The audits include reviewing documentation, for example about pay and working hours, an inspection of the occupational health and safety, the supplier's environmental work, and interviews with managers and employees. During the year, PostNord performed 31 on site audits by own auditors, either alone or assisted by a third party: in Sweden (10), Norway (9), China (4), Finland (3), India (3), Lat-

via (1), and Denmark (1). Most supplier non compliances identified relate to the occupational health and safety (lack of fire prevention and systematic work on occupational health and safety), pay and working hours (issues around over-time hours and payments), and the environment (lack of systematic environmental work). When a non compliance is identified, the supplier is asked to analyze the the root cause of the non compliance as part of their action plan. PostNord reviews the action plan and undertakes relevant monitoring, such as meetings, monitoring visits, and document review, in order to close the non compliance. If the supplier does not perform agreed corrective actions and we are unable to close outstanding non compliances, the last option is to discontinue the business relation. If discontinuation was the only option, we would not have the opportunity to make a positive impact.

Training

PostNord provides training on sustainability in the supply chain both internally and for suppliers. Training for employees at Group Sourcing is part of our effort to increase skills and integrate sustainability into the purchasing process.

During the year, we set up a e-learning on postnord.com around the Code of Conduct for suppliers. We also provided suppliers with a day of training with an external expert in human rights in the supply chain, focusing on risk management when purchasing from high-risk countries.

Employees: Goals and results

Gender equality 2020

Goal: At least 40 percent of the Group's managers and leaders will be women.

Results: At the end of the year, 32 (32) percent of PostNord's managers were women. This is a change of 0 (1) percentage points since the previous year.

Comment: The proportion of women is over 30 percent at all managerial levels, an outcome we are satisfied with given that the industry is still dominated by men. We are aware that an even gender balance does not automatically lead to gender equality, and so we work actively on inclusion. Several of our initiatives aim to create an open atmosphere in which each employee's perspective is taken into account.

> Read about PostNord's actions and results in respect of employees and gender equality on pages 20 and page 95.

Material sustainability issues

PostNord's Framework for Sustainable Business (see page 91) is based on the materiality analysis that was initiated in 2014 and which has subsequently been updated and adapted.

The analysis was updated in 2018. Previously identified sustainability topics were categorized, evaluated, and validated to reflect the GRI Standards perspective on materiality. The starting point was, firstly, PostNord's significant impact on the external environment and, secondly, important sustainability topics for primary stakeholders when assessing and making decisions about PostNord. The results of the analysis were compiled into three main areas and a total of nine prioritized sustainability topics.

The feedback received by PostNord from primary stakeholders (customers and their recipients, employees, business partners, owners, the capital market, and community stakeholders) formed the basis of the analysis. Most feedback comes from the PostNord Listens initiative. In 2018, there were over 2,200,000 (803,000) ratings of PostNord and its activity.

The overall picture is that the main need of PostNord's primary stakeholders is for reliable deliveries that contribute to dynamic communities. Other important issues are reducing climate impact, improved safety and security, and quality suppliers. Employees and their commitment is an important area in itself and is essential for enabling us to meet other requirements and expectations.

Stakeholders and dialogue

Customers and recipients

PostNord aims to be the first choice for both corporate and private customers and their recipients. Corporate customers account for more than 90% of PostNord's sales, while private individuals are often the recipients of corporate customers' mailings. Satisfied customers and recipients are crucial to PostNord's ambition to be the company of first choice.

Dialogue and follow-up: Customer meetings, customer service, drivers and mail carriers for delivery, PostNord's service partners, customer representatives, and ongoing customer and corporate image surveys. PostNord Listens provides immediate feedback from recipients that PostNord can act upon.

Issues in focus: Technical and perceived quality, new flexible delivery options, availability, customer care, security, eco-friendly solutions, sustainability in the supply chain.

Employees

With around 30,000 employees, PostNord is one of the biggest employers in the Nordic region. It thus bears a great responsibility for providing a safe and attractive workplace that promotes personal development.

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

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

Owners

PostNord is owned by the Danish and Swedish states. We are tasked by our owners with maintaining a universal postal service in Denmark and Sweden. We are required at the same time to generate economic value and act as an exemplar of sustainable business.

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

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

Capital market

PostNord finances its business partly through bond loans, and the confidence of the capital market is thus important to the Group.

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

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

Business partners

Suppliers and partner outlets are amongst PostNord's most important business partners. Each year, PostNord purchases goods and services of significant value. Our 7,000 distribution points/partner outlets in the Nordic region make our services available to millions of people.

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

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

Society

PostNord plays a key role in the business community and in society. We enable businesses and private individuals to do business and communicate with each other on a daily basis. By operating a stable and profitable business in the long term, with a focus on the environment and social accountability, we meet the expectations of the world around us and enhance our competitiveness.

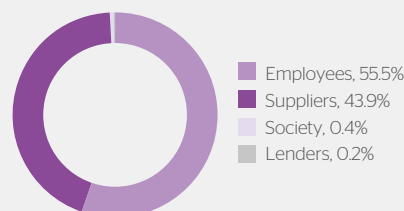
Dialogue and follow-up: Dialogue with public authorities, politicians, decision-makers and opinion-formers. Dialogue and collaboration with trade associations, advocacy organizations (for example, on rural issues), organizations for sustainable development and social accountability, and with students.

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

Distribution of economic value

The economic value PostNord generates is distributed to employees in the form of wages, salaries and other remuneration, to suppliers as payment for goods and services, to lenders as interest payments, to societies in which PostNord operates in the form of tax payments, and to its owners when dividends are payable. A total of SEK 38,538m (36,146m) was distributed in 2018.

Value generated and distributed 2018, SEKm



Governance and organization for sustainability

As well as complying with the law, directives, the precautionary principle, and general industry regulations, PostNord must observe the Swedish State's ownership policy and guidelines for State-owned businesses and the Danish state's ownership policy. This includes the pursuance of a carefully considered and well-established policy and strategy, together with strategic targets for sustainable enterprise. Like other state-owned companies, PostNord's performance is measured against both financial and non-financial targets. Each function within PostNord must take account of sustainability parameters in its strategic and operational activity.

Regulatory guidelines

PostNord's work on sustainability is guided by a number of external regulations: the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact. The Global Compact is in turn based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention against Corruption. These regulations are reflected in PostNord's Code of Conduct.

PostNord's Code of Conduct

The Code of Conduct (the Code) incorporates the Group's principles and approaches covering the areas of vision and values, customers and quality, working conditions, business partners and community engagement, the environment, business ethics, and communication. The Code supplements applicable law and external regulations and is the starting point for other Group policies and regulations. It has been adopted by the Board and was mostly recently updated in 2016.

The Code applies to all employees. PostNord's managers must set a good example and ensure conditions are in place so that employees can act correctly and as role models in line with the Code.

The Code must be discussed on recruitment and during annual employee appraisal meetings. A new e-learning course is also available and employees can address any questions to their immediate manager or Group Sustainability, HR, or Legal departments. PostNord's whistleblowing system enables employees to report apparent non-conformance with the Code anonymously.

The company also operates a Code of Conduct for Suppliers; see pages 17 and 89.

Organization

PostNord's work on sustainability is overseen by the Group Executive Team, whose Chief Communications Officer has overall responsibility for sustainability issues. The work on sustainability is led by the Group's Head of Sustainability, who reports to the Director of Communications. Quarterly reports on PostNord's strategic sustainability goals are made to the Group Executive Team and the Board. Progress on the strategic initiatives relating to the Group priority 'Leading in sustainability' is reported quarterly to the Group Executive Team.

The Framework for Sustainable Business described below explains PostNord's commitments to its primary stakeholders. Responsibility for each issue included in the framework is allocated to a designated Group function. Representatives of the Corporate Affairs, HR, Purchasing, Quality, Environment, Strategy, Safety, and Technology & Infrastructure Group functions are developing the framework under the leadership of the Group Head of Sustainability. The Group functions are responsible for strategic direction in respect of their respective issues and for targets, management, activities, and monitoring.

Framework for Sustainable Business

In 2018, alongside its existing work on strategic sustainability goals, PostNord developed a Framework for Sustainable Business.

The content of the framework is not in itself new, as PostNord is already working on several of the issues. However, the framework explains PostNord's commitments to its primary stakeholders (customers, owners, employees, and the community) and raises the company's aspirations in several areas. The framework is also broader than the areas of sustainability currently subject to targets (climate, gender equality, and suppliers).

PostNord's Framework for Sustainable Business incorporates three overarching areas and nine underlying issues and is based on UN Sustainable Development Goals 11, 9, and 8. We plan to establish shared Group goals for each of the overarching areas in 2019.

Reliable deliveries for dynamic communities	Partnerships for logistics, e-commerce, and communication	Committed employees who make everyday life easier
As a leading player in communication and logistics, PostNord is contributing to develop sustainable cities and communities in the Nordic region. PostNord is also responsible for the universal postal service in Sweden and Denmark.	PostNord's products and services have the potential to build sustainable infrastructure and sectors. To be successful in this, we need to collaborate with suppliers and other partners.	PostNord will continue to offer good working conditions and development opportunities in a rapidly-changing market where there is a pressing demand for efficiencies.
		

Reliable deliveries that contribute to dynamic communities

PostNord's most fundamental obligation is to its customers and recipients: reliable deliveries that contribute to dynamic communities in the Nordic region. This includes being responsible for the universal postal service in Sweden and Denmark. We manage our business to ensure we deliver in this area. Outcomes are monitored and evaluated on an ongoing basis as part of the company's regular activities and by the Group Executive Team.

PostNord in society

As a leading player in communication and logistics, PostNord has a key position in Nordic society and the region's business community. With our unique network, we enable companies, authorities, and private individuals to do business, deliver goods, and communicate with each other, regardless of geographical distances. This creates many opportunities, including in sparsely populated areas.

Range and availability

PostNord offers a wide range of services that are easily accessible to customers and recipients. We build on existing services and develop new ones. For example, PostNord's award-winning app helps to increase availability.

Range and availability are regulated by the terms and conditions of PostNord's postal licenses. As part of its postal service, PostNord is required to collect and deliver post Monday to Friday (except public holidays). Additional requirements include services in sparsely populated areas, for people without internet access, and for people with disabilities.

Quality

PostNord must deliver consistently high-quality services. This applies to both technical quality and quality experienced. The primary quality standard relates to two-day delivery: at least 95 percent of stamped, domestic letters must be delivered within the two following working days.

> See PostNord's quality results on page 93.

Partnerships for logistics, e-commerce, and communication

PostNord assumes responsibility by ensuring the business works towards reducing its climate impact, countering crime and irregularities, and ensuring suppliers and partners assume responsibility in the same way.

Partnerships with internal and external stakeholders are essential for delivering the logistics, e-commerce, and communication of tomorrow. Internally, the Environment, HR, Group Sourcing and Safety functions are involved in management and development in this area. The results are evaluated on an ongoing basis by the Group Executive Team.

Climate leadership

PostNord's climate goal is in line with the UN goal of ensuring that the rise in global warming is kept well below 2 degrees, and the goal has been approved by the Science Based Targets initiative. In 2019 we aim to begin our work on establishing a visionary goal for our business's climate impact, which will be followed by more short-term goals in line with our strategy and business plans. This should help us adapt our business so as to maintain our competitiveness in a low carbon economy.

> See PostNord's climate impact results on page 93.

Safety and security

PostNord's work on safety and security primarily serves two purposes:

- 1) to protect people and property that can be affected by crime in, or associated with, PostNord's work, and
- 2) to ensure that mail items reach the right recipient at the right time

PostNord works actively on occupational health and safety issues and assumes responsibility for its own employees and employees working on behalf of PostNord. Our focus is on minimizing the risk of workplace accidents and accidents during transportation. The work also include taking any necessary measures to protect employees against threats and violence.

> See PostNord's occupational health and safety results on page 94.

To ensure operational reliability, PostNord undertakes systematic continuity management work in accordance with the ISO 22301 standard. The aim is to ensure we are resistant to disruption and interruption and to prevent and combat crime. During the year, PostNord's security function underwent an external review, with positive results.

Our safety systems are continuously being developed, and measures include analyzing big data from our various operational systems in order to spot trends, identify non-conformances, and thus prevent or solve crime.

PostNord bears an important responsibility for guaranteeing the security of personal data and for mitigating threats and operational risks associated with the processing of personal data within the scope of the services provided.

In order to meet General Data Protection Regulation requirements, we undertake a systematic program of work on security-enhancing measures. This is done in conjunction with external partners and helps PostNord maintain a balanced level of security for the organization's information assets.

During the year, PostNord has received two complaints about breach of customer privacy which have been investigated and mitigative actions have been implemented. We have not received any complaints from the supervisory authorities and there have been no leaks, thefts, or losses of customer data. Action was taken to ensure that, as far as possible, this type of incident will not happen again.

> See information about PostNord's security and continuity work on pages 94-95.

Long-term business partners

PostNord is working to develop long-term, trusting relationships with customers, suppliers and other partners.

Customer satisfaction is one of our most important goals and metrics. Satisfied customers means an increased number of long-term relationships with PostNord, which is essential if we are to work together on restructuring.

PostNord's sustainability requirements for suppliers are detailed in the Group's Code of Conduct for Suppliers. Where necessary, PostNord also sets requirements for specific products or services. The Group's process for monitoring suppliers' compliance with the Code of Conduct includes self-assessment, risk assessment, and local audits.

> Read about PostNord's actions and results in respect of customers and suppliers on pages 89 and 95.

Committed employees who make everyday life easier

The e-commerce, distribution, and logistics markets are undergoing major change. The shift from letters to parcels, new players, fierce competition, and significant downward pressure on prices are changing the circumstances in which we operate. PostNord's stance is to continue to be a responsible employer and partner. This includes offering decent terms and conditions of employment and putting everything in place to enable our employees to make life easier for PostNord's customers and recipients. It has become clear that the way in which we assume accountability means we can attract and retain employees with the right skills.

Development for PostNord employees is organized through the line management system in each company with support from HR. The results are evaluated on an ongoing basis by the Group Executive Team.

> Read about PostNord's actions and results in respect of employees on pages 17, 89 and 95.

Practicing what we preach

Anti-corruption: Our business must be characterized by good business ethics, and we take a zero tolerance approach to corruption. PostNord's Code of Conduct specifies the applicable rules. The Code is complemented by a briefing setting out when benefits and business entertainment may be offered and received by PostNord representatives. The briefing is supported by e-learning and other training material. Purchasers and sales personnel are seen as high-risk groups and are given special training about legal and appropriate behavior.

Competition on equal terms: PostNord's Code of Conduct contains rules about competition on equal terms and there is a special program to support compliance. Sales personnel, major account executives, and other relevant groups are given regular training in the relevant rules.

Monitoring of compliance: One of the ways in which compliance is monitored at PostNord is via PostNord's special reporting (whistleblowing) procedure, which allows anonymous reporting if certain types of violation are suspected. The system is accessed via PostNord's Group intranet and www.postnord.com. During the year, no case arose that was deemed, following investigation, to be a serious breach of PostNord's Code of Conduct. PostNord systematically checks compliance with legislation relating to the occupational health and safety and the environment. In 2018, PostNord was not subject to any legally binding judgments that established serious breaches of the law on the part of the company. PostNord was not subject to any fines in connection with non-compliance with environmental legislation or other external environment-related regulations. The same applies to anti-corruption and competition law.

Tax: PostNord's tax policy states that the Group must comply with all applicable national laws and regulations, and relevant international guidelines. PostNord also strives for low tolerance in respect of tax risk and does not use any controversial tax arrangements. The Group also aims to achieve open and trusting relationships with tax authorities in all the countries in which it operates.

Diversity and inclusion

PostNord's bases its work on diversity and inclusion on the conviction that differences between people make a workplace more dynamic and attractive. The relevant rules and guidelines are set out in PostNord's Code of Conduct and Diversity Policy.

Managers must act as exemplars and work actively on the basis of Group guidelines on gender equality and equal treatment programs.

> Read about PostNord's actions and results in respect of employees and gender equality on pages 17, 89 and 95.

Staffing and skills

An assessment of skills needs based on the Group's strategy and business plan is undertaken as part of the annual business planning process. PostNord works to an overarching skills provision plan that covers the period up to 2020. The plan is reviewed annually.

The company has a significant need for staff with the right skills, while the sector is experiencing a shortage of drivers. PostNord is running several projects to train and employ people newly arrived in the country.

Results

PostNord follows the Greenhouse Gas Protocol when calculating emissions and the target for reduced climate impact has been assessed and approved with reference to Science Based Targets.

Data relating to the environment relates to PostNord's Nordic business. Direct Link is not included in the calculations. Additionally, Swedish Adress-ändring AB is not included as the business does not have any significant environmental impact.

Data relating to employees relates to all those employed in the Group.

Data relating to suppliers relates to NordPost's Nordic operations. Total purchasing refers to purchases in the period from October 2017 to September 2018 for Norway and Strålfors and from December 2017 to November 2018 for other companies.

Reliable deliveries for dynamic communities

Quality

QUALITY LETTERS

Results – Sweden:

- Letters O-2 Sweden (Priority): 98.6%

Results – Denmark:

- Breve O-5 Denmark (Standard): 95.4%
- Quickbreve O-1 Denmark (Priority): 94.9%

Swedish External Monitoring (SWEX) and Danish External Monitoring (DEX) are two independent, external quality measurements that continuously gage the proportion of mail that is delivered from customer to customer on time. Measurements are carried out by means of a statistically assured test mail operation that meets the requirements set out in the SS-EN 13850: 2012 standard.

Measurement and calculation method: From January 1, 2018, regular (Standard) mail in Denmark is delivered every fifth day and Quickbreve (Priority) mail every day. On 1 January, 2018, Sweden's new postal ordinance changed the requirement for standard mail from overnight delivery to two-day delivery.

QUALITY PARCELS

Results – Group:

- 95.2%

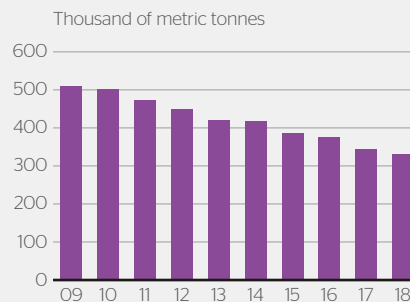
Measurement and calculation method: The Group's overall measure of quality for parcels is a weighted figure calculated on the basis of the quality and volumes reported from the countries concerned. The production system measures the proportion of parcels delivered at the right time, from initial production scan to final delivery scan at either the collection point or the recipient's address. The products included in the quality measurement process are B2B parcels and B2C parcels, except in Finland where only B2B parcels are included. In Denmark, C2C parcels are also included (B = Business; C = Consumer).

Partnerships for logistics, e-commerce, and communication

Climate leadership

Emissions (tonnes)	2018	2017	2016
Direct CO₂emissions (Scope 1)	80,835	89,866	106,515
Own transportation			
<i>Fossil fuels</i>	80,387	89,241	105,776
<i>Renewable fuels</i>	31,564	31,037	27,668
Direct heating (gas and oil)	448	625	738
Indirect CO₂emissions (Scope 2)	14,608	17,106	19,094
Heating and electricity	63,029	69,531	71,345
Reduction through purchase of renewable electricity of identified origin	-48,421	-52,426	-52,252
Other indirect CO₂emissions (Scope 3)	236,034	237,438	249,036
Sub-contractor transportation (road, rail, air, and sea)			
<i>Fossil fuels</i>	232,034	233,413	244,434
<i>Renewable fuels</i>	71,006	56,667	36,778
Business travel	4,000	4,025	4,602
Other air emissions from transportation			
Nitrous oxides	1,406	1,789	2,015
Particulate emissions	20	42	54
Fossil-fuel based CO₂emissions, total	331,477	344,410	374,644

Carbon dioxide emissions 2009-2018



Comment: PostNord's environmental goal is to reduce its carbon dioxide emissions by 40 percent by 2020, taking 2009 as the base year. 2009 was selected as the base year because it was the year of the merger between Posten AB (Sweden) and Post Danmark A/S (Denmark).

MEASUREMENT AND CALCULATION METHODS

Road: Carbon dioxide emissions are calculated on the basis of the volumes of fuel purchased or distance driven and type of vehicle. Calculations based on subcontractor costs are used when required. All emission factors relate to the usage phase.

Emission factors

- Denmark:
 - CO₂: Danish Energy Agency
 - Other gases: Danish Ministry of Transport, TEMA 2010
- Other Nordic region:
 - CO₂: SPBI (Swedish Petroleum & Biofuel Institute)
 - Other gases: NTM (Network for Transport Measures)

Air: PostNord buys in air transportation for its operations in Sweden and Denmark. PostNord did not use air transportation in Denmark, Finland, or Norway during the year. The Swedish operation receives data from suppliers on amounts of fuel and distances. Foreign air transportation is not included in the calculations.

Emission factors

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

Rail: Rail transportation is used significantly for our Swedish and Norwegian operations and uses electricity generated from renewable resources.

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

Emission factors

- Denmark: Danish Ministry of Transport, TEMA 2010

Premises: Electricity purchased in Sweden is for the most part certified by Bra Miljöval (Good Environmental Choice). In other countries, electricity purchased is mainly from product-specified renewable resources. This electricity is assumed to generate zero emissions according to Greenhouse Gas Protocol methodology. For other electricity, carbon dioxide emissions are calculated as shown below.

Emission factors

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

Emissions intensity: CO₂/mail item refers to the handling of priority mail, Värde, Varubrev, Magasinpost, Brevet, Quickbrevet, Posttidning A, and newspapers in Sweden and Denmark. Emissions include own transportation and direct heating consumption (Scope 1), heating and electricity (Scope 2) and transportation by subcontractors (Scope 3). CO₂/parcel refers to handling in the Swedish and Danish parcel networks. Emissions include own transportation and direct heating consumption (Scope 1), heating and electricity (Scope 2) and transportation by subcontractors (Scope 3).

Operations subject to licensing and notification

PostNord runs operations subject to licensing and notification under national legislation in Sweden and Denmark. Strålfors' graphic production facilities are subject to licensing. In Sweden, a number of vehicle washing facilities are notifiable.

Carbon offsetting

No carbon offsetting has been applied in respect of the Group's emissions. Climate compensation is provided in respect of PostNord's climate-friendly services.

Customer reports on environmental conservation

PostNord assists customers with their reporting and communication. This assistance includes customer-specific environmental reports that customers can use to monitor and streamline their logistics and as a basis for their own environmental or sustainability reporting. The reports comply with the CEN EN 16258 standard.

Cooperation around sustainability

Cooperation is important in enabling us to achieve our sustainability goals. PostNord maintains an ongoing dialogue with customers, legislators, owners of infrastructure, opinion leaders, and suppliers of vehicles and fuel so as to achieve its environmental goals.

The company also takes an active role in several business networks, for example CONCITO, KNEG, CLECAT, the Environmental Group of the Swedish Confederation of Transport Enterprises, NTM in Denmark and Sweden, and NMC.

PostNord is a member of the Swedish Closer partnership that runs the Triple F project. The project is funded by the Swedish Transport Administration and aims to making freight transport fossil free.

Internationally, PostNord takes part in the IPC's EMMS environmental program. The IPC has judged PostNord's work on reducing carbon dioxide emissions to be among the best in the sector, awarding the company its gold ranking.

Safety and security

Occupational injuries per million hours worked	2018	2017
PostNord Sweden	51.2	49.2
PostNord Denmark	73.3	84.3
PostNord Norway	17.7	21.7
PostNord Finland	3.9	4.0
PostNord Strålfors	16.0	15.7
Other units	3.5	3.7
Total	53.0	55.7

Comment: Most occupational injuries in the Group occur in production and distribution and are caused in most cases by various types of fall. PostNord uses a structured system for reporting near-accidents in order to put in place measures to prevent occupational injuries.

There was one work-related fatality at PostNord Sweden in 2018. The incident is being investigated by the police, the Swedish Work Environment Authority, and internally. The case will continue during 2019 with the police investigation and based on a response from the Swedish Work Environment Authority.

Measurement and calculation method: Registered occupational injuries in relation to hours worked (does not include injuries sustained during travel). Minor occupational injuries are included in the report. Calculations are based on the total number of hours worked, irrespective of type of employment. The injury ratio is calculated as the total number of injuries per million hours worked. Occupational injuries are recorded with system support in Sweden, Denmark, and Norway. Finland has no special recording system; occupational injuries are reported on forms and the data collated by a health and safety commission. Statistics on occupational injuries reported can be retrieved from the systems and classified into various categories such as falls, crushing injuries, and traffic injuries. The duty to record occupational injuries is clearly communicated.

Sickness absence, %	Total 2018	of whom, women	of whom, men	Total 2017
PostNord Sweden	6.4	8.3	5.7	6.4
PostNord Denmark	4.3	5.2	4.0	4.6
PostNord Norway	7.0	n/a	n/a	6.6
PostNord Finland	1.6	2.5	0.8	1.8
PostNord Strålfors	4.4	6.1	3.4	4.0
Other units	3.1	3.8	2.3	2.4
Total	5.7	7.1	5.0	5.7

Measurement and calculation method: Sickness absence is calculated as the number of hours of sickness absence in relation to regular, contracted working hours for both hourly-paid employees and temporary staff. Regular, contracted working hours include hours worked, sickness absence, vacations, care for sick children, and other paid leave. Parental leave is not included in contracted hours. A gender analysis for sickness absence is not available for Norway, and so sickness absence leave for Norway is reported as a total figure only.

Security and continuity

The year saw a major focus on security and protection and also on analysis and investigation. This was as a result of PostNord's continued establishment of new businesses and buildings, and also the increased interest of organized crime groups in the goods PostNord handles.

Amongst our initiatives were enhanced security provision at production facilities and in vehicles and the launch of a new Group-wide e-learning course in security. We also carried out a comprehensive crisis management exercise involving several of the Group's units, which was supervised by PTS (the Swedish Post and Telecom Authority) and MSB (the Swedish Civil Contingencies Agency).

The number of reported crimes at PostNord, including theft and fraud, declined in 2018. However, the thefts were better planned and greater sums were at risk, which required considerable surveillance and investigation.

Long-term business partners

CUSTOMER SATISFACTION

A Customer Value Index (CVI) is used to measure how satisfied business and private customers are with PostNord.

Result: The CVI was 58 (57), which is an unsatisfactory result. Work is underway at several levels to improve this figure.

Measurement and calculation method: The CVI is reported as a value between 0 and 100. This is PostNord's monitoring tool for the regular tracking of customer satisfaction and of how customers perceive our business. We carry out a survey of the private market four times a year and of the corporate market twice a year, covering all PostNord country organizations, with an emphasis on the Nordic countries. The index is based on questions from the European Performance Satisfaction Index, which are comparable between different companies. The survey reaches 8,500 private individuals online and around 4,000 companies by phone.

IMAGE

PostNord's image amongst private customers is measured using the RepTrak/Pulse index.

Results: The Pulse figure was 42 (43), which is an unsatisfactory result. Work is underway at several levels to improve this figure.

Measurement and calculation method: RepTrak/Pulse comprises 4 questions posed by the Reputation Institute with a measurement scale of 0-100. The questions, about how people perceive the PostNord brand, are put to around 300 private individuals each week (100 each in Sweden, Denmark, and Norway). The overall result is a weighting of results from each country.

Committed employees who make everyday life easier

Employees (basic staff at end of year)	2018	2017
Administration	3,647	3,779
of whom, women	1,635	1,704
of whom, men	2,012	2,075
Production	26,239	27,018
of whom, women	7,857	8,189
of whom, men	18,382	18,829
Total	29,886	30,797

Employees (all staff at end of year)	2018	2017
Basic staff	29,886	30,797
of whom, women	9,492	9,893
of whom, men	20,394	20,904
Temporary employees	9,184	8,992
of whom, women	3,106	3,016
of whom, men	6,078	5,976
Total	39,070	39,789

Measurement and calculation method: Basic staff refers to regular full or part-time employees, and should cover staffing needs for normal production. Temporary staff covers peaks in production, for example at Christmas and during vacation periods.

Membership and representation: Every employee enjoys the right to freedom of association, including the right to join a trade union. Over 99 percent of Group employees are covered by collective bargaining agreements.

PostNord is a member of industry and employer organizations in each of the countries in which it operates, including Almega and the Swedish Confederation of Transport Enterprises (Sweden), the Confederation of Danish Industry (Denmark), The Confederation of Norwegian Enterprise (NHO) and the Norwegian Logistics and Freight Association (Norway), and Finnish Industries (Finland).

Employee commitment

Since 2018, PostNord has been tracking employee commitment rather than using the MIX employee index as previously.

Results: The 2018 commitment index figure was 69, which is in line with external benchmarks and ten index points higher than in 2017. We consider this a satisfactory result.

Managers and leadership

PostNord's employee survey also produces a leadership index. This shows employees' perceptions of their immediate manager's leadership in terms of occupational health and safety, motivation, and clarity of expectations around individual targets.

Results: The 2018 leadership index figure was 74, which is substantially above the external benchmark (62) and ten index points higher than in 2017. We consider this a very good result.

Diversity and inclusion

Gender distribution (basic staff)	2018	2017
Managers	1,384	1,478
of whom, women, %	32	32
All employees	29,886	30,797
of whom, women, %	32	32
Age distribution (basic staff), %	2018	2017
-29	20	17
30-50	41	40
51-	39	42
Total	100	100

Measurement and calculation method: Data on gender affiliation are taken from the payroll system where the particular employee is registered. There is no age breakdown for employees from Direct Link (USA) or APAC (approx. 0.4 percent of the total number of employees).

GRI Index

This Annual and Sustainability Report summarizes PostNord's sustainability initiatives and performance during the 2018 financial year. The report has been prepared in accordance with the GRI Standards: Core option. PostNord reports on sustainability annually with the most recent report published on March 16, 2018.

The index below shows where information on GRI disclosures and information relating to the principles of the Global Compact can be found.

Information about PostNord's sustainability work and reporting is provided by the Group Head of Sustainability, Sofia Leffler Moberg: sustainability@postnord.com.

"The Annual and Sustainability Report also constitutes PostNord's Communication on Progress towards the UN Global Compact (UNGC)."

Håkan Ericsson
President and Group CEO



GRI Standard	Disclosure	GENERAL DISCLOSURES Description	Page/Comments	The UN Global Compact
GRI 102: General Disclosures 2016				
Organizational profile				
	102-1	Name of the organization	1	
	102-2	Activities, brands, products, and services	3, 20, 24-28, 88-95	
	102-3	Location of headquarters	49	
	102-4	Location of operations	2, 55-57	
	102-5	Ownership and legal form	34	
	102-6	Markets served	1, 10-11, 24-28	
	102-7	Scale of the organization, including total number of employees, operations, net sales, and capitalization	2, 22-28, 46, 57, 95	
	102-8	Information on employees and other workers	20, Note 5, 95	
	102-9	Supply chain	88-89	
	102-10	Significant changes to the organisation and its supply chain	73	6
	102-11	Precautionary Principle or approach	91	7
	102-12	External initiatives	91	
	102-13	Membership of associations	94	8
Strategy and analysis				
	102-14	Statement from senior decision-maker	6-7	
Ethics and integrity				
	102-16	Values, principles, standards, and norms of behavior	91-92	10
Governance				
	102-18	Governance structure	34-39, 91-92	
Stakeholder engagement				
	102-40	List of stakeholder groups	90	
	102-41	Collective bargaining agreements	95	3
	102-42	Identifying and selecting stakeholders	90	
	102-43	Approach to stakeholder engagement	90	
	102-44	Key topics and concerns raised	90	

GRI Standard	Disclosure	GENERAL DISCLOSURES Description	Page/Comments	The UN Global Compact
		Reporting methodology		
	102-45	Entities included in the consolidated financial statement	93	
	102-46	Defining report content and topic Boundaries	90-92	
	102-47	List of material topics	90	
	102-48	Restatements of information	The number of occupational injuries in Norway in 2017 has been updated	
	102-49	Changes in reporting	The materiality analysis has been updated to include three main areas and nine sustainability issues, 91-92	
	102-50	Reporting period	1, 96	
	102-51	Date of most recent report	96	
	102-52	Reporting cycle	1	
	102-53	Contact point for questions regarding the report	96, 100	
	102-54	Claims of reporting in accordance with the GRI Standards	1, 96	
	102-55	GRI content index	96-97	
	102-56	External assurance	98	
GRI Standard	Disclosure	SPECIFIC DISCLOSURES Description	Page/Comments	The UN Global Compact
		Reliable deliveries that contribute to dynamic communities		
	103-1/2/3	Management approach	91-92	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	90	
		Partnerships for sustainable logistics, e-commerce, and communication		
	103-1/2/3	Management approach	91-92	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	93-94	7, 8
	305-2	Energy indirect (Scope 2) GHG emissions	93-94	7, 8
	305-3	Other indirect (Scope 3) GHG emissions	93	7, 8
GRI 308: Supplier review 2016	308-2	Negative environmental impacts in the supply chain and actions taken	89	8
GRI 403: Working environment, health and safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	94	
GRI 414: Supplier review 2016	414-2	Negative social impacts in the supply chain and actions taken	89	2
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	92	
		Committed employees who make everyday life easier		
	103-1/2/3	Management approach	91-92	
GRI 205: Anti-corruption activity 2016	205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption reported.	10
GRI 404: Skills development & training 2016	404-2	Programs for upgrading employee skills and transition assistance programs	17, 20, 89, 91-92, 95	6
GRI 405: Gender equality & diversity 2016	405-1	Diversity of governance bodies and employees	35, 40-41, 95	6

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

To PostNord AB

Introduction

We have been engaged by the Board of Directors of PostNord AB to undertake a limited assurance engagement of PostNord ABs Sustainability Report for the year 2018. PostNord AB has defined the scopes of the Sustainability Report and the Statutory Sustainability Report on page 1 in this document.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 93-95 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

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

standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

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

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

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

Conclusions

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

A Statutory Sustainability Report has been prepared.

Stockholm, 21 February 2019

KPMG AB

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