

Annual and Sustainability
Report 2016



postnord

PostNord's financial and non-financial target areas



PostNord is undergoing major adjustments in all parts of the organization. Nevertheless, the outcomes for the Group's Employee Index (MIX) and Leadership Index (LIX) in 2016 were marginally lower than in 2015.

The outcome for 2016 was impacted by the rapid digitization above all in Denmark, leading to major impairment losses. For that reason, the long-term financial target for rate of return was not achieved. The net debt ratio was marginally outside the target range.

Through initiatives to cut emissions from transportation and reduce energy consumption, the Group's carbon dioxide emissions continue to decline. Since 2009, emissions have fallen by around 25%.

During the year, PostNord intensified its focus on both delivery quality and perceived quality. The program of improvement centered on the customers' customers, the recipients. The PostNord listens program was rolled out, with good results.

Sustainability in the supply chain is a priority area, and a new target area as of 2016. The target is that, by 2020 no less than 80% of PostNord's total spend shall be made from suppliers who sign up to and comply with PostNord's Code of Conduct for Suppliers.

Cover picture

At just 20 years, Kani Mousa was appointed team leader for Team 4 at the Langhus Terminal, Norway. He has now been team leader for two years, and has created a committed and motivated team that actively participates in the dialogue on the role of the unit, and how the team can make a difference in achieving the targets for the unit, the terminal, PostNord Norway and - ultimately - PostNord.

Sustainability Report according to GRI G4

PostNord reports on its sustainability work for 2016 according to the Global Reporting Initiative's (GRI) G4 Guidelines, Core. The GRI Index on page 85-86 contains an overview of the aspects and indicators that are included within PostNord's sustainability reporting according to GRI. Information on the scope and delimitations of the report is provided on page 78. The Sustainability Report according to GRI comprises pages 2-15, 24-31 and 79-86.

We deliver!

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

PostNord integrates sustainability aspects throughout the organization in order to be able to conduct a sustainable operation that benefits customers, employees, owners and society. PostNord's business is operated within a framework of delivering on the non-financial and financial goals adopted by the Group.

around **142** million parcels
an increase of 8% from 2015.

just over **6,100**
distribution points in the Nordic countries,
offering reliable service and convenient
opening hours.

5.0 billion
letters and other mail items
were delivered by PostNord in 2016.

Auditing of the report

The Board of Directors and the President & Group CEO of PostNord AB (publ), corporate identity number 556771-2640, hereby present their Annual and Sustainability Report for the 2016 financial year. The Board of Directors' report comprises pages 4-9, pages 16-37 and the section on environmentally licensed operations on page 83. It has been audited as described in the Auditor's Report on pages 75-78. The Sustainability Report according to GRI has been reviewed as described in the Assurance Report on page 87.

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

A challenging year driven by rapid digitization of mail has compelled the introduction of a new and financially sustainable production model in Denmark. Closer focus on customer-perceived quality is delivering results.

Throughout 2016, quality was at the top of the agenda, every day. At the same time, we kept up a high tempo in working on our most important strategic priorities. In parallel, the expansion of digitization has created deficits and impairment losses in the Danish business, which means that we are now further raising the pace of transformation.

The common challenge facing national postal corporations is the need to realign operations to the growing scale of digitization, while operating in what in many cases is an antiquated post-regulatory environment. This means that existing business models must be reviewed from the bottom to meet the challenge of this trend. The digitization agenda of the Danish government has turned Denmark into probably the most highly digitized country in the world, and the volume losses in the Danish mail business are continuing to grow. Denmark's new Postal Services Act, passed in 2016, has now put regulatory conditions in place that will enable our business in Denmark to adapt more effectively to the volumes to be handled. Over the next few years, we will be implementing a new production model in Denmark. As a result, PostNord will become the first in the world to create a financially sustainable production system that is fully based on coordinating utilization of infrastructure and transportation networks for the rapidly expanding logistics business with the shrinking mail business. Building on the logistics network will create the conditions for efficient and scalable distribution of letters and at the same time ensure a competitive logistics offering for the future. Using the logistics business as a base, we will now fash-

“The level of quality for our main products improved over the year.”

ion a group able to deliver an efficient, nationwide postal service for the shrinking mail volumes. However, this will depend on Sweden's system of postal regulation being modified and adapted to the drastic changes in demand and the increasing volume losses. Inland postage rates in Sweden are very low compared to those of the other Nordic countries, especially Norway and Finland, where postage is roughly double Sweden's. Also, we are required to provide overnight delivery throughout Sweden. This is no longer realistic, given the trend of digitization that we see and the increases in payroll costs that we are having to deal with.

In our growing logistics business, PostNord already holds a strong position for being the natural partner for e-commerce companies and the first choice for our customers' customers, the recipients. To further strengthen our position, we have concentrated our focus on delivering market-leading quality. Our initiatives have produced

results, and the level of quality for our main products improved over the year to one that we regard as market-leading, although not yet in line with the targets we have set. We have also taken further initiatives to focus more closely on the quality perceived by recipients. Our new “PostNord listens” program, which has already proved its value, is based on measuring, analyzing and – very quickly – making the necessary improvements. In an initial phase, it was rolled out in Sweden in late 2016.

“Volumes of B2C parcels increased by around 16%.”

The result has been a more in-depth understanding of how our customer's customer, the recipient, experiences his contacts with PostNord, and a number of quality-enhancing measures have been taken. Our survey results indicate a positive trend. “PostNord listens” is also being introduced in Denmark and Norway in the first quarter 2017 and in Finland in the third quarter.

In an effort to simplify matters for our business customers, we are working intensively on harmonizing our product portfolio. The focus has been on our Nordic logistics offering and omnichannel communication. Evidence of progress in this work is that our product portfolio in logistics has been slimmed down from, in all, 35 products to 9, without losing any in-demand service. The harmonization offers not only clear benefit to the customer but also provides efficiency gains to PostNord. We are continuing to develop our offering to meet the changing needs that constantly arise, especially in the sharply growing e-commerce sector. For example, the Group's omnichannel communication services have developed into a central and popular part of our offering. We offer our customers communication services that combine digital and physical services to optimize both marketing communication (advertising, PR etc.) and administrative communication (invoices, information etc.). Other examples include logistics collaborations that enable deliveries direct to the refrigerator or to the trunk of a car, and those for convenient handling of returns.

PostNord's like-for-like net sales decreased by 3%, mainly through a continued major decline in the Group's mail volumes of 9% overall, 6% in Sweden and 19% in Denmark. To a certain degree, this is being offset by continuingly buoyant growth in e-commerce. Volumes of B2C parcels increased by around 16%, driven mainly by the growth in e-commerce. Adjusted operating income



Net sales:

SEK 38,478m (39,351).

Operating income:

SEK -1,083m (564).

Adjusted operating income:

SEK 500m (927).

Net income for the period:

SEK -1,583m (278).

Cash flow from operating activities:

SEK 1,321m (1,585).

Return on capital employed (ROCE):

-12.1% (5.4)%, excluding items affecting comparability 5.5% (7.8).

totaled SEK 500m (927). The decline arose mostly through the impact of the sharply falling mail volumes in Denmark that we were unable to offset through sufficient adjustment on the cost side. Business area eCommerce & Logistics accounted for approximately 75% of net income. Items affecting comparability, SEK -1,583m (-363) net, for the full year consisted primarily of impairment losses applied to goodwill related to the Danish business and certain assets associated with the mail business in Denmark.

Working and serving in an organization where constant changes in customer requirements and other market forces mean that a constant need for transformation is a reality to many today – especially employees at PostNord who over two decades of digital revolution have witnessed declining mail volumes on an increasing scale from one year to another. In our case, this transformation has meant that many have left the company and that the nature of work tasks has changed. Staffing cut-backs have been made largely through natural attrition, but compulsory redundancies have also been used.

“Building on the logistics network we create a scalable and financially sustainable production model.”

The huge transformation that we are going through is unfortunately creating uncertainty among employees as to how they will be affected by the actions needed to address continued volume losses in the mail business. One important element of feedback from the dialogue we maintain with employees is that we managers need to get better at inspiring confidence in the future. However, what I have found is that we are good at adapting to new conditions and that we have been early to recog-

nize the opportunities that digitization will bring to both our logistics business and our digital communication offerings. These are markets where we have excellent opportunities to continue to expand, both via the growth already anticipated and by gaining further market shares. This will serve as the hub for our transformation from a traditional postal corporation to the most attractive partner in the Nordic logistics and communications market. We will take this journey together.

Including sustainability in all parts of the business will be critical to our success. PostNord subscribes to the principles of the UN Global Compact. We govern and follow up operations via financial and non-financial targets. We base our actions on common values and our Code of Conduct. A welcome acknowledgement from the outside came in 2016 when Science Based Targets confirmed that our lower carbon dioxide emissions target is well in line with what is required to slow global warming.

We have a few challenging years ahead of us before we have our organization totally adapted to a highly digitized world. But what we are creating together is the Nordic region's leading logistics and communication business, and once our transformation is complete we will be an extremely attractive company with high-quality services and a scalable and financially sustainable production model. The position we hold in the Nordic market will make us a highly attractive organization, both as supplier and employer.

I would like to express my sincere thanks for 2016 to our employees, partners, customers and recipients.

Solna, February 2017

Håkan Ericsson
President and Group CEO

Different driving forces in PostNord's domestic market – Nordic region

The driving forces in PostNord's markets may be summarized in brief as e-commerce driven growth in logistics, the digitization-driven shift from physical to digital communication and combinations of the two.

Nordic logistics

Commerce between the Nordic countries represents a significant portion of total commerce in the Nordic region. At the same time, Europe is the Nordic region's most important trading partner. The demand for Nordic end-to-end solutions and cross-border solutions to, from and within the Nordic region is rising. However, the overall logistics market in the Nordic region has been relatively stable in recent years. The Nordic logistics market that is relevant to PostNord equates to about SEK 160-190 billion. This includes everything from home deliveries of parcels and road freight, to advanced logistics services such as TPL. The Swedish logistics market is characterized by consolidation, intense competition and cost focus. The biggest players are Schenker, DHL, DSV, PostNord, Bring, GLS, and Posti.

Position: Through its own network and international partnerships with DPD, among others, PostNord has a leading position in the Nordic distribution and logistics market, where the e-commerce-related logistics sector is expanding rapidly. The Group's logistics offering is to a large extent harmonized within the Nordic region.

Potential for growth in e-commerce remains strong

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

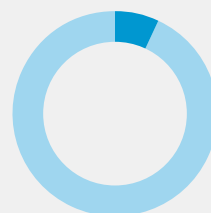
One of e-commerce's most important competitive factors is an effective and seamless system of logistics. The method, location, time and cost of goods delivery have become increasingly important to consumers at the time of purchase. One strong trend is "omnichannel concepts", which offer the same customer experience, irrespective of channel.

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



SEK 218.6 billion
Total value of online purchases by Nordic e-commerce consumers¹⁾

E-commerce -
% of total retail sales



■ E-commerce in the Nordics, 7%

Given that e-commerce currently only accounts for roughly 7% of total trade in the Nordics, the potential is huge.

¹⁾ According to a survey conducted by TNS Sifo on behalf of PostNord for the period Feb. 2016-Jan. 2017.



Patterns of communication changing

With the shift to digital channels mail volumes are decreasing. In the Danish market, digitization has been, and still is, proceeding at a very high pace. This results from several factors coming together at the same time, not least legislation on digital communication from and to public sector agencies. PostNord offers an expanded range of wholly and partly digital communication services. In Sweden, digitization is still moving at a slower pace, and one clear trend is towards combinations of physical and digital communication. Given the trend towards digitization, the decline in mail volumes will continue. This changing market is a challenge to all postal corporations. Some countries have modernized the regulatory conditions to enable postal corporations to run competitive and financially sustainable operations while meeting the changes in needs of consumers and businesses for postal services. Denmark passed new postal legislation in 2016. In Sweden, a review of the way in which the postal market is regulated is in progress.

Position: PostNord provides the universal postal service in Denmark and Sweden. PostNord is therefore the only player that reaches all households and businesses in both countries. PostNord holds a strong position in the combination of digital and physical communication via our omnichannel solution. PostNord has also started offering mail services in Norway.

Growth in combinations of digital and physical advertising

The total advertising market saw a slight rise in Sweden and Denmark, almost exclusively within digital channels. However, in the traditional advertising sector, the decline continues, above all in printed media.

Position: In order to develop the digital-physical combination, PostNord launched ShopGun in Sweden in autumn 2016. The product combines the week's advertising sheets and offers in an app. A strong area of focus going forward will be to help customers improve their market communication outcomes by combining analysis, segmentation and impact measurement with physical and digital advertising solutions in the Nordic region.

Development, mail volumes

Sweden

Change, overall, during 2016 **-6%**
 Change, overall, since 2000 **-42%**
 Change, priority mail, since 2000 **-57%**

Denmark

Change, overall, during 2016 **-19%**
 Change, overall, since 2000 **-74%**
 Change, priority mail/Quickbrev, since 2000 **-91%**



Anticipates, listens and acts on expectations

PostNord makes it possible for businesses and private individuals to do business and communicate with each other every day. PostNord fills an important role in the business community and society in the Nordic countries by making communication and the transportation of goods possible to everyone, every day.

By understanding and acting on the issues that are most important to PostNord's various stakeholders the right priorities for developing the Group can be established. The categories that are most impacted by, or are most dependent on, PostNord's operations are described below.



Customers and recipients

PostNord is a leading operator in the Nordic region in communication and logistics, and strives to be the first choice for customers and recipients throughout the Nordic region. Business and private customers must be able to reach their recipients at the right time, reliably and efficiently – whether the task involves a global logistics solution, an advertising campaign or a birthday greeting. Recipients must be able to rely on all deliveries – irrespective of whether they are letters or parcels – being made in the way they wish, whether to the home, to a service partner or to the trunk of the car.

Dialogue and follow-up: Customer contacts, customer service, drivers and mail carriers, PostNord's service partners, customer ombudsmen, customer and corporate image surveys and the Group prioritization program PostNord listens.

Issues in focus: Technical and perceived delivery quality, availability, high expertise and good customer care, security, eco-friendly solutions, sustainability in the supply chain.



Employees

With around 33,000 employees (FTE), PostNord is one of the largest employers in the Nordic region and bears a considerable measure of social responsibility. PostNord is to offer an attractive, stimulating workplace.

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

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



Owners

PostNord is owned 40% by the Danish State and 60% by the Swedish State. The overall mission set by the owners is to ensure the universal service obligation while creating value.

Dialogue and follow-up: Annual General Meeting (AGM), annual and sustainability report, interim reports, ongoing dialogue via discussions and meetings.

Issues in focus: Structure for and performance of universal service obligation, delivery quality, value creation and financial stability, responsible and attractive employer, sustainable products and services, sustainability in the supply chain.

Capital market

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

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

Issues in focus: Value creation and financial stability, net debt ratio, cash flow, business model, ownership structure.



Business partner

"Business partner" summarizes PostNord's relationship with partners outside the Group, such as suppliers and distribution points. PostNord procures goods and services for considerable amounts every year and has more than 6,100 distribution points.

Dialogue and follow-up: Meetings with suppliers, procurement and purchase documentation, dialogue with service partners.

Issues in focus: Collaboration, reliability and delivery quality, information from PostNord as support in customer contacts. Sustainability in the supply chain and transparency in procurement processes.



Society

PostNord plays a key role in the business community and society. Operating a stable and profitable business in the long term, with a focus on the environment and social responsibility, strengthens competitiveness and satisfies expectations regarding accountability.

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, the environment, safety, reliability, availability, consideration for customer needs, value-for-money in products and services.

Value is created with customers and their recipients at the center

With customers and their recipients at the center, PostNord develops, adapts and manages its structural capital and resources to create value for its customers.

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

The distribution of mail items to all households and businesses is a labor- and transport-intensive operation. The costs involved represent approximately 70% of the Group's total costs.

PostNord is in the process of a major restructuring program that aims to realign the Group's offering towards the growing e-commerce and logistics market at the same time as mail volumes are declining. The relative sizes of the different business areas are also becoming increasingly balanced.

Cost distribution



- Personnel expenses, 43%
- Transportation expenses, 26%
- Other expenses, 31%

Revenue distribution



- Communication Services, 54%
- eCommerce & Logistics, 46%

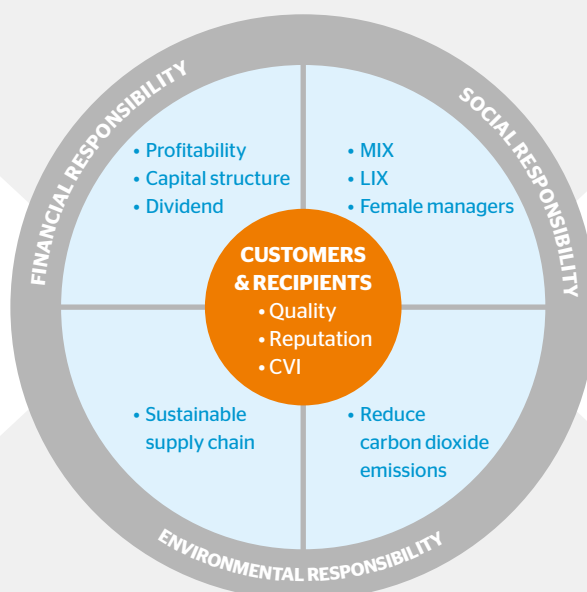
With customers and their recipients at the center, we develop, adapt and manage our resources

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

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

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

- Approximately 11,000 mail carriers and drivers reach every household and every business
- Efficient, modern terminal structure
- Approximately 19,400 vehicles, 28% electric-powered
- More than 6,100 distribution centers
- A single brand
- Code of Conduct and certified business management system



1. Improve customers' offering
2. Improve customers' goods flows
3. Improve customers' business communication
4. Simplify recipients' day-to-day life
5. Environmentally compatible options

» Read more on page 10

Higher tempo in PostNord's strategic transformation

PostNord's strategy aims to consolidate the Company's position as the leading Nordic logistics and communications business. The process of change is based on the Group's key priorities.

Posten AB and Post Danmark A/S merged in 2009, in order to secure a position as the leading player in the Nordic communications and logistics market. PostNord's current transformation aims to adapt the organization to considerably lower volumes, with the focus on providing efficient postal services in Sweden and Denmark. At the same time, a competitive logistics operation is being built up, with a major e-commerce focus on the Nordic domestic market.

The strategy now in place is based on ten priorities aimed at building, repositioning and developing PostNord into the leading Nordic logistics and communications company.

Develop

- Establish a harmonized and customer-oriented Nordic product portfolio
- Create a goal-oriented performance culture
- Integrate sustainability into everything we do

Repositioning

- Consolidate the position as the leading Nordic e-commerce player
- Secure profitable growth within prioritized logistics segments
- Attain the position of first-choice Nordic partner in omnichannel communication
- PostNord listens to its customers and their recipients

Build

- Reduce and adapt the cost base
- Secure stable and efficient IT operations
- Implement an integrated production model

Highlights during the year

- Further cost-cutting actions taken in all countries, leading to a more cost-effective administration and more cost-efficient production.
- The position of Business area eCommerce & Logistics in the market was further consolidated via integration of operations acquired and new acquisitions.
- Work on harmonizing the product portfolio progressed according to plan.
- New digital interfaces for recipients and businesses added value to PostNord's e-commerce offering.
- Working closely with PostNord Strålfors, Business area Communication Services developed an omnichannel offering for the Nordic market and initial preparations were made for an entry into the Norwegian market for mail distribution.
- Development of the Group's service logistics offering continued in the line organization.
- The PostNord listens program was launched as a new Group priority, with the main focus on improving the recipient's experience of the PostNord service.
- The process of rolling out the integrated production model is going ahead on schedule.
- Further upgrading of the IT infrastructure, in part by transitioning to new suppliers, is improving IT stability and will lead to lower costs.
- Following the reprofiling of PostNord in Denmark, the Group now offers its services under the common brand in all markets.

A more harmonized Nordic offering

To be able to respond more quickly to customer needs for easily accessible and more cost-effective deliveries, PostNord is harmonizing its product portfolio.

PostNord's offering to corporate customers is based on detailed customer knowledge, broadly-based logistics expertise and omnichannel concepts that span the entire commercial chain - from business generation through logistics, warehousing, processing, distribution and delivery, to following up campaigns. Our customer promise is clear: PostNord takes responsibility for ensuring that customers reach their recipients on time, reliably and efficiently.

Logistics buyers with Nordic movements demand seamless offerings

Many of PostNord's customers seek a partner for deliveries to, from and within the whole Nordic region. They want simple, cost-efficient and secure solutions. PostNord's product portfolio has for obvious reasons embraced an extensive flora of services. End-to-end offerings of Danish and Swedish services were an outcome of the merger. Subsequently, they have undergone further development in both countries. In addition, more products have been added through acquisitions. PostNord's focus and area of expertise are logistics and communication. With a more harmonized offering, PostNord will be better able than before to make everyday life easier for customers, so that they can focus 100% on their core business.

Since 2015, one of the Group's most important priorities has been to harmonize its product portfolio. The benefit to customers is that they will be presented with a standardized offering, whether they use PostNord in Denmark, Norway, Finland or Sweden. They also gain a better overview of which services and service combinations best suit their needs. Another plus is that they can monitor and manage their business relationship with PostNord via a contact person and a customer portal.

To PostNord, harmonization means that the resources needed for control and administration of its products will be lower while cost-efficiency will improve.

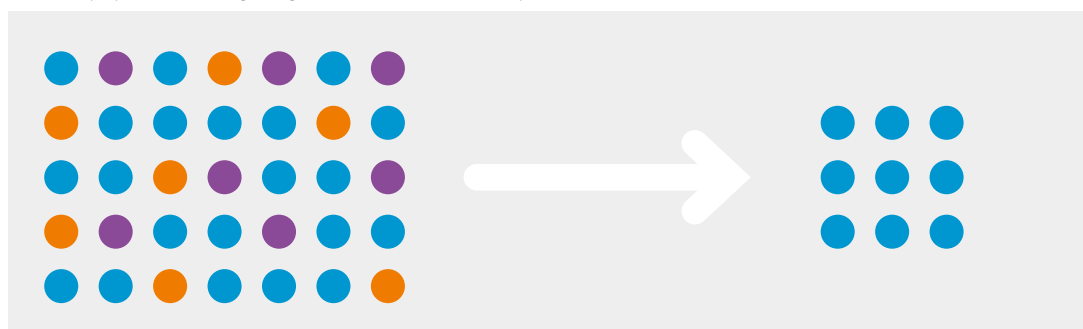
Service development is focused on fewer products, enabling customers to get access to updated services more quickly. Overall, harmonization improves PostNord's competitiveness and profitability.

The basic prerequisites for achieving a fully harmonized portfolio with uniform product conditions in all countries are that the integrated production model must be implemented and the underlying production system harmonized in all countries. Much is now in place, but work will continue in 2017. Because letter products are subject to differing country-specific regulations, the focus thus far has been on the logistics offering, where a more harmonized product array in logistics and e-commerce can now be presented to all Nordic businesses under a common brand and harmonized product names. In addition, a Nordic omnichannel offering is being developed, in which physical and digital communication are combined in line with the customer's requirements.

Highlights during the year

- Simplification and geographical expansion of parcel services were prioritized in work on harmonization in early 2016. In the case of the track-and-trace products, the focus was on creating three categories with simple, clear names. One service for parcels sent to the consumer's home (MyPack Home), one for parcels to businesses (PostNord Parcel) and one for parcels to a service point or parcel locker (MyPack Collect).
- In road, freight and pallet products, a targeted program is in progress to standardize and adapt the offering to meet new customer needs, such as home delivery, and at the same time to simplify choices for customers/recipients by eliminating country-specific services.
- The Group's product offering in logistics has been cut from 35 products to 9 main products with the same overall functionality but clear, standardized names.

The Group's product offering in logistics has been cut from 35 products to 9





Closer focus on customer benefit and recipient experience

PostNord's vision is to deliver world-class communications and logistics solutions to satisfied customers. Our driving force is to always be accessible, to give both business customers and individual customers, and their recipients, the best service possible, and to ensure that they feel that the quality that we deliver lives up to their expectations.

One partner all the way

With PostNord, customers can send everything from single letters, large consignments, advertising mailshots, small parcels and container loads – to their neighbor or to recipients on the other side of the world. PostNord shall reach recipients at the right time, in the right channel, in the right place and at the right price.

1. Improve customer's offering

Based on customer insight, PostNord helps businesses improve the effectiveness of their customers' communication and increase the impact of both digital and physical channels. Helping customers identify the right target group, whether it is a case of finding new end-customers or retaining and developing business with existing customers, is a crucial element of the offering. Customers can also monitor the effects and fine-tune their offerings, and may also opt to include their end-customers in a loyalty program.

2. Improve customer's goods flows

PostNord offers complete logistics solutions for all the customer's delivery requirements within the Nordic region and internationally. The customer therefore needs just one supplier for inbound deliveries and deliveries to the end-customer. PostNord's offering includes functions for tracking the status of the items in the distribution chain, warehouse management (TPL) and efficient returns handling. Mail is delivered directly to the recipient. Parcels are delivered directly to the recipient, or via one of PostNord's more than 6,100 distribution points in the Nordic region or one of DPD's 20,000 distribution points in Europe.

3. Improve customer's business communication

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

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

Every day, PostNord delivers letters and parcels to households and businesses. Recipients of items are increasingly wanting to choose where their delivery is to be made – to the home, to work or even perhaps to the trunk of their car or to their refrigerator. PostNord is developing its services to meet these wishes. Traceability, notification by SMS message and track-and-trace via apps are other examples of popular services. PostNord's now more than 6,100 much-appreciated distribution points offer the most in-demand services, such as collection and dispatch of large items. PostNord makes high demands of its service partner network, for example in terms of opening hours and distance.

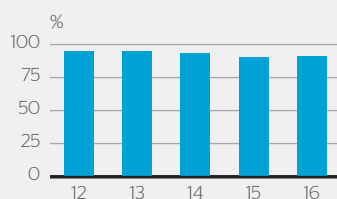
5. Environmentally compatible options

Environmental certification remains the most usual customer demand, but PostNord's clear policy of cutting its carbon dioxide emissions gives it an increasingly important competitive edge in its offering to customers. It is becoming more and more common for PostNord to work with customers in adapting transportation arrangements by, for example, increasing the use of rail or consolidating shipments to optimize capacity utilization. PostNord also offers a number of services under the collective eco-label "Klimat ekonomiskt", in which PostNord and the customer work together to reduce the overall environment impact of the items transported. In addition, the items are climate-offset.

Letters, PostNord Sweden

Target, priority mail: 94.0%

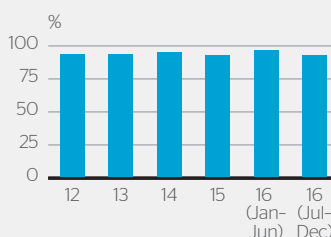
Outcome: 91.5% (90.3)



Brevet, PostNord Denmark

Target, Brevet: 95%

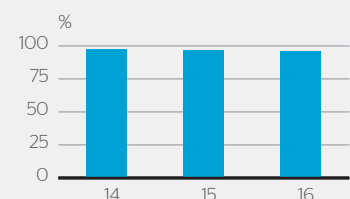
Outcome: Quickbrev Jan-Jun 89.9% (92.8) and 93.0% for Brevet Jul-Dec



Parcels, PostNord Group

Target: 98.0%

Outcome: 96.2% (96.8)



Closer focus on perceived quality

Mail service quality improved in Sweden in 2016 compared with 2015, to a level clearly above the minimum required by the Postal Services Act, which is no less than 85% overnight. The outcome for 2016 was 91.5% (90.3).

Through the new postal regulation in Denmark, PostNord Denmark's delivery duty for priority mail and "Brevet" ceased, and since July 1 standard Brevet letters are subject to a service requirement of delivery within five days. In the July-December 2016 period, quality in the standard Brevet service was measured at 93.0%.

The outcome for parcel quality was 96.2% (96.8). Quality in home delivery of parcels in Sweden was very much in focus during the year. In general, technical quality was slightly higher than customer-perceived quality. In order to create an actual and perceived quality improvement, certain procedures including notification routines were modified.

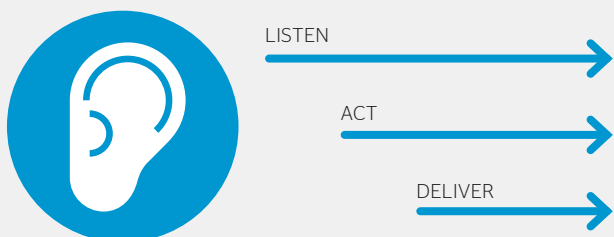
A Customer Value Index (CVI) is used to measure how satisfied business and private customers are with PostNord's products and services. Since the CVI (customer satisfaction) and TRIM (corporate image) indexes are influenced considerably by the extensive and negative media coverage, results for 2016 are difficult to analyze. The CVI for the Group declined from 67 to 59 as a result of a major downturn in Sweden and Denmark in the wake of the extensive and negative media coverage. The TRIM Index shows a decline from 40 to 24, for the same reason. However, the TRIM trend was positive for PostNord Strålfors and in Norway.

Many of PostNord's employees - mail carriers, drivers and customer service staff - have day-to-day contact with private and corporate customers. If a customer is not completely satisfied with a meeting or decision, they have the option of contacting a customer ombudsman in Sweden and an appeal body in Denmark. Views that are communicated to the Group are used within the ongoing process of improvement.

In autumn 2016, the Group launched its PostNord listens program, which further focuses on the experience of our customer's customer, the recipient. The aim is to improve the end-customer's experience, by actively listening, acting and delivering. Fully implemented, the program will measure all primary interfaces with recipients, such as deliveries via service partners, home deliveries of parcels, mail deliveries, contacts with Customer Service and complaints handling. PostNord listens is based on measuring, analyzing and - very quickly - making the necessary improvements. In the initial stage, it has been implemented in Sweden. Denmark and Norway are to have PostNord listens fully implemented in the first quarter of 2017, with Finland commencing in the third quarter.

PostNord listens is based on measuring, analyzing and - very quickly - making improvements.

PostNord listens





Employees in focus - an important resource for PostNord

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

The dialogue with employees is conducted for example via the annual employee survey FOCUS and the annual employee dialogue. The response rate in FOCUS in 2016 was 77% (81). The decline is partly explained by the fact that for the first time, the survey was carried out entirely via digital means.

The outcome for the MIX Employee Index was 62 (63). The outcome for the LIX Leadership Index declined by one point to 67 (68). The result was dominated by the continued intensive restructuring process to address the constant decline in letter volumes, above all in Denmark where mail volumes are falling there more quickly than anywhere else in Europe. This has led to consequences for the employees and is creating a demand for changes in working practices.

However, the restructuring of the Group to adapt the organization to lower mail volumes has progressed and is a continuously ongoing program. In 2016, the average number of employees (FTE) fell by 1,978 to 33,278. PostNord's ambition is to act responsibly during staff reductions, working closely with the unions. The outcome for LIX indicates that employees trust strongly in their immediate superior, who they see as straightforward and honest. On the other hand, there is a call for management to be clearer in its communication about what the outlook for the Company is, going forward. In order to create better opportunity for both involvement and participation, PostNord has introduced a team-based approach to work.

PostNord takes the view that people's differences make for an attractive and dynamic workplace and improve our ability to meet, and derive maximum benefit from, the various needs of customers. The Move - Change for Diversity program has been and still is an initiative that adds momentum to PostNord's work in diversity.

In 2016, progress was made towards the goal of having no less than 40% female managers by 2020, with the current levels being 37% (management levels 1-3) and 30% (management levels 4-6). Our policy on

index **82** "men and women have equal opportunity at my workplace"

index **76** "at my workplace, we have a culture that promotes diversity"

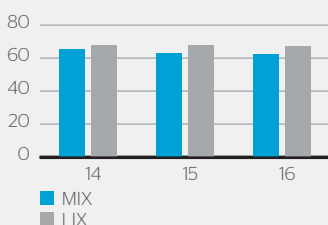
86% of the team work to team-based goals

diversity is incorporated into PostNord's recruitment processes and talent programs. Sick leave was calculated at 6.0% and is now leveling out, having risen for a few years. Restructuring is bringing new demands to bear on our employees, which may partly explain why sick leave figures are not falling. PostNord operates an active work environment policy and is OHSAS certified in Sweden and Denmark. Great importance is attached to creating a safe working environment through a proactive focus to minimize the risk of accidents in the workplace.

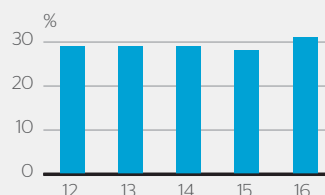
Highlights during the year

- As part of an effort to increase the involvement of employees through better understanding of PostNord's journey of change, we are implementing our "Leading Change" program.
- A Nordic mentorship program was launched within the scope of Move - Change for Diversity.
- A Nordic team-based competition to promote and share our experiences was held.
- The focus was on Employer Branding to develop PostNord's attractiveness as an employer.
- To secure future competence provision, talent programs for managers and specialists are being conducted.

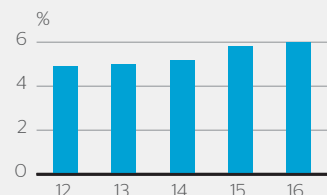
Target: Improve the Employee Index (MIX) and Leadership Index (LIX)
Outcome: MIX 62 (63), LIX 67 (68)



Target: 40% female managers by 2020
Outcome: 31% (28)



Target: Reduce sick leave levels
Outcome: 6.0% (5.8)





Targeted environmental activities delivering greater benefit to the customer and society

To deliver greater benefit to the customer and society, PostNord is focusing on reducing energy consumption in both transportation and properties and moving to fossil-free energy.

Emissions of carbon dioxide from PostNord's own vehicles and outsourced transportation services represent the Group's largest environmental impact. Reducing the Group's carbon dioxide emissions is a Group-wide objective. Since 2009, the Group's carbon dioxide emissions have fallen by around 25%. In 2016, the reduction was nearly 3%. This was achieved through continued actions in the six areas identified as critical in achieving the ambitious target, including raising the biofuel content of diesel, procuring green electricity in more parts of the organization, energy efficiency measures in buildings and merging operations. In Sweden, where several fuel suppliers offer a high admixture in their diesel, the biogenic component amounts to around 25%. The introduction of the integrated production model, in which mail and logistics operations are merged and vehicle management is coordinated, helped to reduce carbon dioxide emissions during the year.

Highlights during the year

- During 2016, PostNord arranged for the Science Based Targets initiative to assess the Group's environmental target. The conclusion was that the target was well in line with what research states is needed for the Earth to stay below a global warming threshold of two degrees.
- PostNord has been earmarking funds for environmental improvements since 2009. In 2016, funds were approved for energy optimization measures in buildings and for installation of LED lighting.
- In Denmark, the new postal legislation allowed for more flexibility at PostNord Denmark, which will reduce our transportation requirement.
- The proposal by Sweden's postal regulation inquiry to abolish the overnight delivery requirement should considerably reduce PostNord Sweden's need for air transport.

Capacity utilization:

High capacity utilization and optimal routes.

Fuel-efficient driving:

PostNord Denmark has trained approximately 1,400 out of a total of 2,100 drivers in fuel-efficient driving. The International Postal Corporation (IPC) organizes competitions in fuel-efficient driving techniques. The winning driver in PostNord's competition to drive the furthest on one litre of fuel will get to represent PostNord in the IPC competition.

Biofuel:

Higher percentage of biogenic fuel. Approximately 17% of the fuel used in the Group's road transportation was from biogenic sources.

Electric vehicles:

Of PostNord's vehicle fleet, electric vehicles account for roughly 28%.

More rail transport, less air:

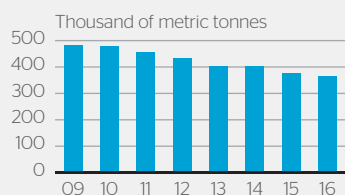
Transportation by air accounts for 4% of the Group's total carbon dioxide emissions. Around 65% of mail volumes in Sweden are transported by rail between the sorting centers. In Norway, the majority of parcel and pallet volumes are transported by rail.

Buildings:

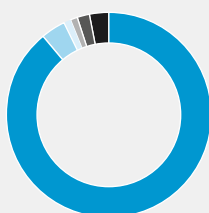
More efficient energy use in business premises via energy analysis and management by goals. Lighting is movement-controlled and is being switched to LEDs. Ventilation and external doors being upgraded.

Target: To reduce carbon dioxide emissions by 40% by 2020 from the 2009 level.

Outcome 2009-2016: -25%

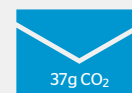


Total carbon dioxide emissions by category



- Transportation by road, 89%
- Air, 4%
- Sea, 1%
- Train, 0%
- Business travel, 1%
- Electricity, 2%
- Heating, 3%

Carbon dioxide emissions per item, 2016



Emissions per letter were practically unchanged in 2016, while emissions per parcel declined.



Increased focus on sustainable supply chain

As a major actor in the market and as a State-owned enterprise, it is important that PostNord conducts a structured supply chain sustainability management, that contributes to social development, limits negative impact on the environment, combats bribery and corruption and creates value for PostNord and our stakeholders.

PostNord annually purchase goods and services valued at approximately SEK 13 billion from several thousand suppliers. Out of these, around 500 suppliers constitute 80% of Group total spend. Most are based in the Nordic region, but many form one link in a long and complex supply chain. In 2016, PostNord added Sustainable supply chain as one of its sustainability targets included in the Group priority "sustainability in everything we do".

Supply chain sustainability activities

The focus in 2016 was to increase the percentage of suppliers undertaking to comply with the PostNord Group's Code of Conduct for Suppliers. At year-end 2016 approximately 60% of Group total spend was with suppliers who had undertaken to comply with PostNord Group's Code of Conduct for Suppliers. To increase internal awareness and capacity in supply chain sustainability more than 40 employees from relevant functions within the Group participated in a two day supply chain sustainability training course during 2016. In addition, a Group-wide process has been developed to enable PostNord to assess and approve suppliers from a sustainability perspective. The process is based on self-assessment, risk assessment and on-site audits for identified high-risk suppliers. In 2017, the focus will be on implementing the process, including roll-out of self-assessments and on-site audits, in order to measure supplier compliance with the PostNord Group's Code of Conduct for Suppliers.

Sustainability requirements for suppliers of road transportation

PostNord has, as a result of a supply chain sustainability risk assessment, identified suppliers of road transportation as an important focus category. The free movement of goods and services in Europe offers both business opportunities and jobs in the transport sector. PostNord is aware of the social and environment risks that this may create. To help improve conditions on the road for drivers at PostNord's suppliers and to take its work in sustainable transportation forward, PostNord has developed - in addition to the basic requirements of its Code of Conduct for Suppliers for a safe working environment, reasonable pay levels and working conditions, a structured environmental program and efforts to ensure the absence of bribery and corruption - specific sustainability requirements for road transport that are to be incorporated into agreements with road transport suppliers. Such requirements include, for example, that road transport suppliers must be able to show that taxes and social security contributions are paid, that cabotage rules are observed where appropriate, that pay-setting is not structured such that it creates a risk that driving and rest times and road safety are jeopardized, and that an alcohol and drug policy is communicated to drivers and regular random tests are performed. The requirements also include environmental requirements, for example, no lower than Euro 5 class for engines and priority to be given to renewable fuels. For more information, go to: www.postnord.com/en/about-us/purchasing/.



Sustainability in the supply chain

Target: By 2020, based on a risk assessment, at least 80% of Group total spend is with suppliers who *accept and comply* with PostNord Group's Code of Conduct for Suppliers.

Outcome: New target area from 2016. Will be followed up from 2017.

At year-end 2016, the proportion of suppliers who had undertaken to comply with the Code was 60%, based on the proportion of total purchasing by the Group.

PostNord in society

PostNord plays a key role in the Nordic business community and society. Every day, PostNord makes it possible for businesses, public authorities and private individuals to do business and communicate with each securely and safely.

PostNord Norway

Net sales
SEK 3,789m (4,112)

Distribution points
approximately 1,500

Employees, FTE
1,330 (1,398)

PostNord Denmark

Net sales
SEK 9,571m (9,987)

Number of letters
373 million

Distribution points
approximately 1,600

Employees, FTE
10,282 (11,044)

PostNord Sweden

Net sales
SEK 23,025m (23,080)

Number of letters
1,759 million

Distribution points
approximately 1,900

Employees, FTE
19,534 (20,402)

PostNord Finland

Net sales
SEK 984m (787)

Distribution points
approximately 1,200

Employees, FTE
173 (185)

PostNord Strålfors

Information logistics, omnichannel communication
Net sales: **SEK 2,240m (2,335)**
Employees, FTE: **883 (1,078)**
Operations in Sweden, Denmark, Finland and Norway.

Direct Link

Global distribution of marketing communications and lightweight goods, with the focus on transportation to and from the Nordic region, mainly for e-retailers.

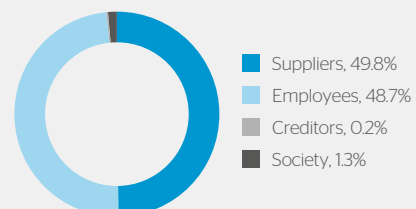
Net sales: **SEK 989m (1,055) SEKm**
Employees, FTE: **192 (188)**

Operations in the United States, United Kingdom, Germany, Singapore, Hong Kong and Australia.

PostNord delivered 5.0 billion letters and other mail items in 2016, together with 142 million parcels to households and businesses in the Nordic region. As a leading supplier of communication and logistics solutions to, from and within the Nordic region, PostNord fulfills an important role in the Nordic business community and society. Every day, PostNord makes it possible for companies, public authorities and private individuals to do business and communicate with each other. The Group's broadly-based presence enables trade between companies and consumers, regardless of geographical distance. It also helps e-retailers and their customers in rural areas. PostNord offers a good postal service via its service partners/distribution points in Denmark and Sweden and generous opening hours for collection, for example, of online purchases are offered via the Group's more than 6,100 service partners in the Nordic region.

Value generated and distributed in 2016

The value generated by PostNord's operations is distributed to employees in the form of wages, salaries and other remuneration, to suppliers in the form of purchasing, to lenders in the form of interest payments, to citizens in the countries in which PostNord operates via tax payments and to its owners in the form of dividends. Total value distributed in 2016 was SEK 35,970m.





Group

PostNord's income is under severe pressure from falling mail volumes caused by the rapid advance of digitization. At the same time, the steady growth in e-commerce continues. PostNord is working intensively on restructuring the organization to meet the changing needs of the market. PostNord reports positive adjusted operating income but is in the process of radical transformation. As a result, net income for the year is negative.

Net sales and income

PostNord's net sales decreased by 3%, excluding acquisitions, disposals and exchange rate effects. As a result of continued digitization, mail volumes declined by 9% overall, 19% in Denmark and 6% in Sweden. The Group's parcel volumes increased by 8%. Growth in e-commerce continues, with e-commerce related B2C parcel volumes rising 16%.

Group operating income totaled SEK -1,083m (564). Income was charged with an impairment loss of SEK 796m on goodwill related to the Danish organization, impairment losses of SEK 389m on property, plant and equipment associated with the Danish mail business and SEK 275m on items related to the sale of Strålfors' non-Nordic operations. In all, operating income takes into account items affecting comparability of SEK -1,583m (-363) net, of which SEK -1,441m (-357) has no effect on cash flow. In the previous year, items affecting comparability pertained mainly to provisions for restructuring costs, and a capital gain on the sale of a property.

The Group's adjusted operating income was SEK 500m (927). The negative change was primarily the result of the continued strong growth in digitization in Denmark.

Net financial items totaled SEK -25m (-113). Profit/loss for the year amounted to SEK -1,583m (278) SEKm and tax SEK -475m (-173) SEKm.

Financial position and results

Since December 31, 2015, equity has decreased by SEK 1,499m. The loss for the year accounted for the major share of the decrease.

The Group's net debt rose by SEK 525m, to SEK 354m. The interest-bearing liability consists of a long-term portion of SEK 1,716m (1,730) and a current portion of SEK 2,029m (2,133). On September 20, 2017, SEK 2,000m of the Group's bond loans falls due for payment and to secure its financial preparedness, the Group has a bridging facility of SEK 1,000m that matures in 2018.

The debt ratio (net debt/equity) was 5% (-2), which was somewhat below the Group's target of 10-50%.

Return on capital employed (ROCE) was -12.1% (5.4), as a result of the negative income for the year. Excluding items affecting comparability, the return on capital employed was 5.5% (7.8).

The Group's financial preparedness totaled SEK 4,927m (3,894) on December 31, 2016, comprising cash and cash equivalents of SEK 1,577m (1,894), short-term investments of SEK 350m (-) and an unutilized credit facility of SEK 3,000m (2,000), of which SEK 1,000m matures in 2018 and SEK 2,000m in 2019.

Cash flow from operating activities totaled SEK 1,321m (1,585), with a positive contribution from a credit

of SEK 909m (0) from Postens Pensionsstiftelse; negative impact arose primarily through lower income and the use of provisions set aside in earlier periods.

Cash flow from investing activities totaled SEK -1,550m (-646). The change arose mainly through a property sale in Copenhagen in 2015, when PostNord received a payment of SEK 495m, and an investment of cash and cash equivalents totaling SEK 350m by the Group in commercial paper during 2016.

Cash flow from financing activities totaled SEK -98m (-882).

Important events

January-March

- Business area reorganization effective January 1 The Communication Services business area was established, based on Business area Mail & Communication and Strålfors' service development business. Business area eCommerce & Logistics is a merger of Business area Logistics and the former Group function eCommerce. The new organization creates the conditions for raising the pace of development in the Group's service offerings.
- On March 1, 2016, Björn Ekstedt took up the position of Group CIO, joining the Group Executive Team at the same time.
- Via acquisition of the assets and liabilities of Danish forwarder G.P. Spedition, PostNord strengthened its position in the Nordic logistics market.

April-June

- New Swedish legislation providing exemption from VAT for stamped and certain other postal services entered into force on April 1, 2016.
- In April, the Swedish government's special inquiry into postal legislation presented its interim report on overnight delivery and the price ceiling.
- PostNord started the process of launching MyPack in Europe.
- PostNord entered into agreements on a credit facility of SEK 2 billion and a bridging finance facility of SEK 1 billion. The new credit facility replaced an existing overdraft facility.
- PostNord's Annual General Meeting voted to approve the re-election of Jens Moberg, Mats Abrahamsson, Gunnel Duveblad, Christian Ellegaard, Torben Janhoit, Magnus Skåninger and Anitra Steen to the Board of Director and the election of Mette Grunnet as new member of the Board.
- In May, the Danish Parliament, Folketinget, passed a new postal services act, introducing a series of adjustments to the requirements applying to PostNord in Denmark.

- Peter Kjaer Jensen succeeded Henning Christensen as CEO of PostNord Denmark
- PostNord was one of the first companies worldwide to have its environmental target approved by Science Based Targets.

July-September

- Tim Jørgensen took up the position of Acting Head of Business area eCommerce & Logistics.
- New mail services were launched in Denmark as of July 1. With the priority mail service being scrapped, economy mail is now the standard letter service.
- As part of the strategy of profiling PostNord as a Nordic-wide group, work started on a more public reprofiling of PostNord in Denmark.
- Denmark's tax authority SKAT announced that the special rule on postage costs, providing a simplified procedure for e-commerce companies that allows them exemption from VAT on postage costs within the scope of the national delivery obligation, would be abolished as of January 1, 2017. As a result of the scrapping of the rule, parcel distribution by PostNord will become in practice subject to VAT, to be paid by the end-user, which poses the risk of lower volumes and loss of sales. PostNord is working on identifying alternative arrangements to enable e-retailers to continue to benefit from mail items within the scope of the national delivery obligation remaining VAT-exempt.
- On September 1, PostNord Strålfors divested its subsidiaries in the United Kingdom, Poland and France.

October-December

- Tim Jørgensen was appointed Head of Business area eCommerce & Logistics and member of the Group Executive Team. Tim Jørgensen took up his role on January 1, 2017.
- It was announced that Andreas Falkenmark will be leaving his role as Head of Business area Communication Services no later than in August 2017.

Important events after the reporting period

- It was announced that Charlotte Svensson will succeed Andreas Falkenmark as Head of Business area Communication Services and member of PostNord's Group Management, the Group Executive Team. Charlotte Svensson will join PostNord from the Bonnier Group. She will take up her position no later than in August 2017.
- A new production model in Denmark will be implemented over the next few years. As a result, PostNord will be first in the world to create a financially sustainable mode of production that is fully based on coordinating utilization of infrastructure and transportation networks for the rapidly expanding logistics business with the shrinking mail business. The new production model will require a substantial reduction in the number of employees over a period of several years, and will enable large parts of the mail infrastructure for the mail business to be closed.
- On February 14, it was announced that Mette Grunnet would with immediate effect leave the Board of Directors of PostNord AB for health reasons. Mette Grunnet was elected to the Board of Directors at PostNord's 2016 Annual General Meeting, as proposed by the Danish government.

| RESULTS, SEKm ¹⁾ | 2016 | 2015 | % |
|---|--------|--------|------------------|
| Net sales | 38,478 | 39,351 | -3 ³⁾ |
| Of which, BA Communication Services ²⁾ | 20,881 | 22,194 | -5 ³⁾ |
| of which BA eCommerce & Logistics ²⁾ | 17,597 | 17,157 | p ³⁾ |
| Operating income (EBIT) | -1,083 | 564 | |
| Operating margin (EBIT) | -2.8% | 1.4% | |
| Items affecting comparability, net | -1,583 | -363 | |
| Adjusted operating income (EBIT) | 500 | 927 | |
| Adjusted operating margin (EBIT) | 1.3% | 2.4% | |
| Pre-tax income | -1,108 | 451 | |
| Net income for the year | -1,583 | 278 | |
| Earnings per share, SEK | -0.79 | 0.14 | |
| Cash flow from operating activities | 1,321 | 1,585 | |

¹⁾ For definitions, see Note 32, page 67.

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

³⁾ Changes excluding acquisitions/divestments and exchange rates.

For further information on developments in PostNord's country organization/operating segments, see pages 18-21 and Note 4.

| Net debt, SEKm | Dec. 31 | |
|---------------------------------------|------------|-------------|
| | 2016 | 2015 |
| Interest-bearing liabilities | 3,745 | 3,840 |
| Pensions and disability pension plans | -1,201 | -1,867 |
| Long- and short-term investments | -613 | -250 |
| Cash and cash equivalents | -1,577 | -1,894 |
| Net debt | 354 | -171 |

Parent Company

The Parent Company has conducted very limited operations in the form of intra-Group service, and at December 31 had three employees. No net sales were recognized during the year. Operating expenses totaled SEK 35m (39). Financial items totaled SEK -107m (-28). Of financial items, dividend from subsidiaries accounted for SEK 0m (0). Net income for the year totaled SEK 3m (-7).

Proposed appropriation of the Company's net income

The Board of Directors proposes that unappropriated earnings be distributed as follows:

| SEK | |
|-----------------------|----------------------|
| To be carried forward | 3,627,095,479 |
| Total | 3,627,095,479 |

Dividend

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

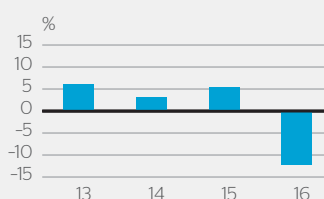
Outcome: SEK 0m (proposed) (0)

In view of the Company's results and continued restructuring requirements, the Board of Directors proposes that no dividend be paid in respect of the 2016 financial year.

Profitability

Target: Return on capital employed 10.5%

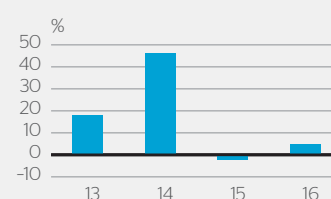
Outcome: -12.1% (5.4)



Capital structure

Target: Net debt ratio 10-50%

Outcome: 5 (-2)%



PostNord Sweden

PostNord Sweden offers a comprehensive range of distribution solutions in communication, e-commerce and logistics. PostNord Sweden is responsible for providing the universal postal service and delivers a good postal service to private individuals and business customers throughout Sweden.



PostNord Sweden's omnichannel strategy and end-to-end offering in business communication enable our customers to reach their customers - the recipients - cost-efficiently and in the way that best suits the recipient. The offering in direct marketing consists of market and customer analyses, direct mail and digital advertising services via partnerships. To meet rising demand for other and more complex cost-efficient end-to-end solutions in logistics, PostNord Sweden has in recent years

broadened its focus within consignment goods, mixed cargo groupage and third-party logistics solutions (TPL). PostNord also provides climate efficient services.

Events during the year

- New Swedish legislation providing exemption from VAT for stamped and certain other postal services entered into force on April 1. Stamps and postal services that fall within the universal postal service and are not individually negotiated are VAT-exempt. In 2016, the change in the law had negative impact of around SEK 40m for PostNord Sweden.
- In 2016, the Swedish government's special inquiry into postal legislation presented a recommendation that the current requirements for 85% of priority letters to arrive by overnight delivery and 97% of letters to be delivered within three working days should be replaced by single requirement that 95% of individual priority letters weighing up to 250 grams are to be delivered within two working days. It is proposed that the price ceiling should remain in modified form and apply to two-day delivery. The government has announced that a new postal services bill will be presented in May 2017.

- Implementation of PostNord's integrated production model, by which the mail and logistics operations are being integrated, continues on schedule. During the year, it was installed at the following locations: Alingsås, Alvesta, Enköping, Eskilstuna, Färgelanda, Helsingborg, Jönköping, Kristianstad, Lilla Edet, Linköping, Mariestad, Norrköping, Oskarshamn, Vaggeryd and Östersund.

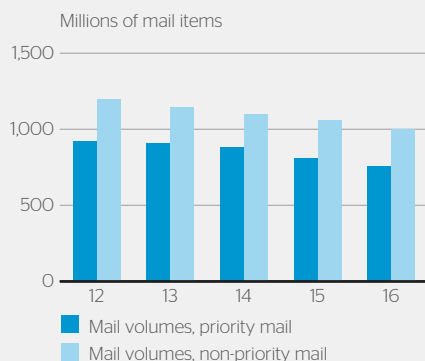
Delivery quality

Delivery quality in PostNord Sweden improved during 2016 and was measured at 91.5% (90.3)% for priority letters. Delivery quality for parcels was 95.7% (96.8). The Swedish government's requirement is that at least 85% of priority letters should be delivered on the following working day and 97% within three days. In 2016, 99.7% were delivered within three days. The mail business in Sweden is being realigned to falling volumes caused by digitization. To achieve greater flexibility and improved cost efficiency, letters are increasingly being sorted by machine into delivery order, which involves changes to mail carriers' delivery rounds. This has affected both technical and customer-perceived quality. During the year, close focus was trained on actions in processes to raise delivery quality for letters and increase customer-perceived quality. As a result, technical quality improved by 1.2 percentage points, compared with the preceding year.

Finance

Net sales totaled SEK 23,025m. Communication Services reported a 3% decrease in sales mainly as a result of a 6% decline in mail volumes. Sales for eCommerce & Logistics increased by 3% mainly through continued growth in e-commerce, which led to higher B2C volumes. Despite negative impact of higher social insurance costs for young people in Sweden, reported operating income improved to SEK 824m (750). Adjusted operating income was unchanged at SEK 847m (847).

Mail volumes, Sweden



| SEKm, unless otherwise indicated | 2016 | 2015 |
|---|--------|--------|
| Net sales | 23,025 | 23,080 |
| <i>of which, Communication Services (external)</i> | 12,076 | 12,448 |
| <i>of which, eCommerce & Logistics (external)</i> | 9,869 | 9,559 |
| Operating income (EBIT) | 824 | 750 |
| Operating margin, % | 3.5 | 3.2 |
| Items affecting comparability, net | -23 | -97 |
| Adjusted operating income (EBIT) | 847 | 847 |
| Adjusted operating margin, % | 3.7 | 3.7 |
| Priority mail, millions | 757 | 811 |
| Non-priority mail, millions | 1,002 | 1,061 |
| Average number of employees | 19,534 | 20,402 |
| Employees at end of period | 20,272 | 20,678 |

PostNord Denmark

PostNord Denmark provides an end-to-end offering in communication and logistics. The business is in the process of a major transformation, driven by the fastest shift to digitization in the world, leading to a very sharp decline in physical letters.

PostNord Denmark's omnichannel strategy and end-to-end offering in business communication enable our customers to reach their customers – the recipients – cost-efficiently and in the way that best suits the recipient. The offering in direct marketing consists of market and customer analyses, direct mail and digital advertising services via partnerships. To meet rising demand for other and more complex cost-efficient end-to-end solutions in logistics, PostNord Denmark has in recent years broadened its focus on consignment goods, mixed cargo groupage, third-party logistics solutions (TPL) and service logistics. PostNord also provides environmentally compatible products.

Events during the year

- Already heavy volume losses in mail further increased in 2016 to 19%. As a result, the program of restructuring is being intensified.
- Via acquisition of the assets and liabilities of G.P. Spedition, the Group strengthened its position in goods and pallet services in Denmark.
- In May, Denmark's Parliament, Folketinget, passed a new Postal Service Act. The national delivery obligation for priority mail was abolished, the service requirement for non-priority mail was amended and the number of delivery days was reduced from six to five.
- Denmark's priority mail service was scrapped on July 1. Where needed, overnight delivery is offered the new Quickbrev service. A new two-day service for business customers was also introduced. Saturday deliveries ceased in January 2017.
- A more public reprofiling of Post Danmark to PostNord was launched.
- The new terminals at Taastrup and Aalborg entered into service at the beginning of July. The changeover went well.
- Denmark's tax authority SKAT announced that the special rule, providing a simplified procedure for e-commerce companies that enabled them to benefit

from VAT exemption on postage costs within the scope of the national delivery obligation, would be abolished as of January 1, 2017.

- A new, more efficient organizational structure was implemented from November.

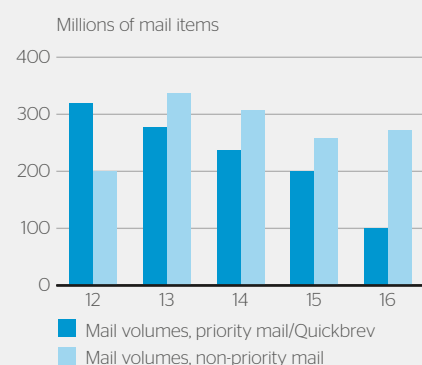
Delivery quality

Through the change in Denmark's postal legislation, PostNord Denmark had two targets for letters during the year. Delivery quality at PostNord Denmark was 89.9% (92.8) for priority mail in January–June and 93.0% for "Brevet" in July–December, compared to PostNord's own target of 95.0% for these services. Delivery quality for parcels was 96.7% (97.1). The Danish government's requirement is 93% for both mail and parcels. The focus during the year was on improving the delivery quality for "Brevet" and parcels, while changes were made to adapt the organization to the new postal services legislation. The period of fine-tuning for the two new parcel sorting facilities led to a certain overhang in parcel sorting. In the last two months of the year, the trend turned upward for both letters and parcels, which were again at a higher level at year-end.

Finance

PostNord Denmark's net sales decreased by 4%. Excluding acquisitions and exchange rate effects, sales were 6% lower. In Communication Services, income decreased by 13%, with mail volumes falling 19%. Net sales for eCommerce & Logistics increased by 6% as a result of higher B2C parcel volumes and positive growth in heavy logistics. Adjusted operating income totaled SEK -625m (-371). Income was hard hit by lower mail revenue that we could not offset through sufficient adjustments to costs related to the mail business. Reported operating income was negative, at SEK -1,910m (-287). A new and financially sustainable production model will be implemented in Denmark over the next few years.

Mail volumes, Denmark



| SEKm, unless otherwise indicated | 2016 | 2015 |
|---|--------|--------|
| Net sales | 9,571 | 9,987 |
| <i>of which, Communication Services (external)</i> | 5,410 | 6,109 |
| <i>of which, eCommerce & Logistics (external)</i> | 3,733 | 3,400 |
| Operating income (EBIT) | -1,910 | -287 |
| Operating margin, % | -20.0 | -2.9 |
| Items affecting comparability, net | -1,284 | 84 |
| Adjusted operating income (EBIT) | -625 | -371 |
| Adjusted operating margin, % | -6.5 | -3.7 |
| Priority mail/Quickbrev, millions | 101 | 201 |
| Non-priority mail, millions | 272 | 259 |
| Average number of employees | 10,282 | 11,044 |
| Employees at end of period | 9,313 | 10,285 |

PostNord Norway

In Norway, PostNord is among the country's largest logistics companies, with a strong position in parcels, e-commerce logistics, mixed-cargo groupage and consignment goods.

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

Events during the year

- New postal legislation entered into force on January 1, 2016. The new law has abolished the letter monopoly.
- In September, the 5,800 square meter terminal in Trondheim opened for business. This modern sorting facility has a capacity of 3,300 parcels per hour.
- The MyPack Go service was launched on October 1. The service enables private individuals to send parcels via PostNord Norway's service partners.
- During the past year, PostNord Norway made robust efficiency improvements and is now considered to be well equipped for 2017.

Delivery quality

Delivery quality for parcels overall was 97.3% (96.2) and for B2C 98.1% (97.2). In 2016, delivery quality was affected by a train strike. In addition, as a result of track maintenance and upgrading, some shipments that would normally have gone by rail were sent by other means, such as road transport. Despite these challenges, quality improved by more than one percentage point compared with the preceding year.

Finance

Excluding exchange rate effects, net sales decreased by 6%, largely through weak growth in the Norwegian economy, price pressure in the market and termination of unprofitable agreements in the thermo market. As a result of substantial cost cutbacks, income was maintained despite the decline in revenue and operating income totaled SEK -36m (-34). Adjusted operating income totaled SEK -31m (-25).

| SEKm, unless otherwise indicated | 2016 | 2015 |
|---|-------|-------|
| Net sales | 3,789 | 4,112 |
| of which, Communication Services (external) | 36 | 47 |
| of which, eCommerce & Logistics (external) | 3,298 | 3,660 |
| Operating income (EBIT) | -36 | -34 |
| Operating margin, % | -0.9 | -0.8 |
| Items affecting comparability, net | -5 | -9 |
| Adjusted operating income (EBIT) | -31 | -25 |
| Adjusted operating margin, % | -0.8 | -0.6 |
| Average number of employees | 1,330 | 1,398 |
| Employees at end of period | 1,164 | 1,346 |

PostNord Finland

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

PostNord Finland is striving to strengthen its position and expand in the Finnish logistics market. The economic situation in Finland remains challenging and competition is intense. Against this background, PostNord is developing its business and its offering of competitive end-to-end solutions, to meet changes in demand and, in that way, create growth.

In addition to offering parcels, pallets and mixed-cargo groupage in the relatively fragmented logistics market, PostNord Finland is among the leading players in healthcare logistics in Finland. Via its comprehensive network of distribution points, PostNord has a strong position in the B2C market, which is an important strength in the offering to the steadily growing e-commerce segment. To meet the demand from the segment, PostNord Finland is also focusing on developing efficient and more consumer-led logistics services.

Events during the year

- Results were affected by integration costs. The formal merger of PostNord Oy and Uudenmaan Pikakuljetus Oy (UPK) was performed on February 29, and the process of operational integration has now been completed.
- In June, the first part of the new system of postal regulation came into effect, enabling competitors to Posti to deliver mail throughout Finland. Finland's Ministry of Transport and Communications is currently preparing the next phase of reform of the country's postal services law regarding universal postal services. This is expected to enter into force in 2017.

Delivery quality

Delivery quality for parcels was 92.8% (95.7). Early 2016 was affected by certain challenges in connection with the integration of UPK. Subsequently, certain technical problems arose. Against that background, many initiatives have been taken to improve quality. For example, operations were reorganized to focus more closely on follow-up and day-to-day operations.

Finance

Net sales grew by 25%. Excluding acquisitions and exchange rate effects, net sales increased 5% as a result of higher parcel volumes. Operating income totaled SEK -15m (-1). The costs of integrating Uudenmaan Pikakuljetus Oy (UPK), the company acquired in 2015, had an adverse impact on income.

| SEKm, unless otherwise indicated | 2016 | 2015 |
|---|------|------|
| Net sales | 984 | 787 |
| of which, Communication Services (external) | 16 | 15 |
| of which, eCommerce & Logistics (external) | 698 | 538 |
| Operating income (EBIT) | -15 | -1 |
| Operating margin, % | -1.5 | -0.1 |
| Items affecting comparability, net | - | - |
| Adjusted operating income (EBIT) | -15 | -1 |
| Adjusted operating margin, % | -1.5 | -0.1 |
| Average number of employees | 173 | 185 |
| Employees at end of period | 135 | 235 |

PostNord Strålfors

PostNord Strålfors offers a combination of physical and digital communication solutions that give businesses with a large customer base unique opportunities to build stronger and more personal customer relationships.

It is becoming increasingly important for businesses to meet the recipient's needs in all forms of communication, both physical and digital. PostNord Strålfors enables any sender in the customer organization to send uniform messages tailored to the language and needs of the recipient/end-customer. Smarter communication produces strong customer loyalty, increased sales and greater efficiency.

Important events

- In April, Strålfors relocated its head office from Malmö to Solna. At the same time, it was renamed PostNord Strålfors.
- To concentrate its operations within the Nordic domestic market, PostNord Strålfors divested its subsidiaries in the United Kingdom, Poland and France on September 1.
- PostNord Strålfors' We Mail service, which has had major successes with customers in Finland and Norway, was also launched in Sweden in the autumn.

Finance

Net sales fell by 4%. Excluding disposals and exchange rate effects, sales increased 4%. The increase relates mainly to new customer agreements in Finland and digital communication offerings, which are compensating for a general decline in demand for physical communication and graphical products.

Adjusted operating income totaled SEK 124m (86). The improvement is above all attributable to implemented cost-cutting programs. Operating income totaled SEK -151m (-36). Reported income includes items affecting comparability totaling SEK -275m (-122). These related to impairment losses etc. arising from the sales of Strålfors' non-Nordic operations.

| SEKm, unless otherwise indicated | 2016 | 2015 |
|--|--------------|--------------|
| Net sales | 2,240 | 2,335 |
| <i>of which, Communication Services (external)</i> | <i>2,124</i> | <i>2,251</i> |
| Operating income (EBIT) | -151 | -36 |
| Operating margin, % | -6.7 | -1.5 |
| Items affecting comparability, net | -275 | -122 |
| Adjusted operating income (EBIT) | 124 | 86 |
| Adjusted operating margin, % | 5.5 | 3.7 |
| Average number of employees | 883 | 1,078 |
| Employees at end of period | 691 | 1,095 |

Direct Link

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

Outside the Nordic region, PostNord has an established presence via Direct Link, which mainly offers global delivery of goods via its local companies in Australia, China, Germany, Hong Kong, Singapore, the United Kingdom and the United States. Direct Link helps e-commerce businesses worldwide establish themselves in new markets, not least in the rapidly expanding Nordic market. The main focus of Direct Link's offering is global deliveries of goods, chiefly via postal services, but the offering also includes market analysis, direct marketing, fulfilment, customs clearance and returns management.

Finance

Sales decreased by 4%, above all due to lower volumes in APAC (Asia-Pacific). The primary factor was a delivery incident in connection with volumes via Denmark. Operating income totaled SEK 27m (78). The decline was attributable in the main to lower sales and changes in the product mix.

| SEKm, unless otherwise indicated | 2016 | 2015 |
|--|------------|--------------|
| Net sales | 989 | 1,055 |
| <i>of which, Communication Services (external)</i> | <i>989</i> | <i>1,055</i> |
| Operating income (EBIT) | 27 | 78 |
| Operating margin, % | 2.7 | 7.3 |
| Items affecting comparability, net | - | - |
| Adjusted operating income (EBIT) | 27 | 78 |
| Adjusted operating margin, % | 2.7 | 7.3 |
| Average number of employees | 192 | 188 |
| Employees at end of period | 197 | 191 |

Multi-year review

| SEKm, unless otherwise specified ¹⁾ | 2009 ³⁾ | 2010 ³⁾ | 2011 ³⁾ | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|---------------------|--------------------|--------------------|---------|---------|---------|---------|---------|
| PostNord Group ²⁾ | | | | | | | | |
| Net sales | 44,633 | 41,669 | 39,466 | 38,920 | 39,533 | 39,950 | 39,351 | 38,478 |
| Other operating income | 249 | 289 | 274 | 253 | 233 | 632 | 765 | 263 |
| Operating expenses | -44,605 | -40,589 | -38,167 | -38,669 | -39,114 | -40,247 | -39,552 | -39,824 |
| Operating income (EBIT) | 284 | 1,375 | 1,571 | 511 | 662 | 351 | 564 | -1,083 |
| Operating margin (EBIT), % | 0.6 | 3.3 | 4.0 | 1.3 | 1.7 | 0.9 | 1.4 | -2.8 |
| Total operating income (EBITDAI) | 2,298 | 3,292 | 3,237 | 2,410 | 2,310 | 2,198 | 2,436 | 1,737 |
| Operating margin (EBITDAI), % | 5.1 | 7.8 | 8.1 | 6.2 | 5.8 | 5.5 | 6.2 | 4.5 |
| Net income for the period | 2,414 ⁴⁾ | 1,031 | 1,225 | 247 | 306 | 176 | 278 | -1,583 |
| Cash flow from operating activities | n. a. | 1,824 | 1,634 | 1,825 | 1,657 | 670 | 1,585 | 1,321 |
| Net debt | -1,384 | -728 | 578 | 4,299 | 1,624 | 3,672 | -171 | 354 |
| Net debt ratio (net debt/equity), % | -10 | -6 | 5 | 37 | 18 | 46 | -2 | 5 |
| Return on capital employed, % | 2.1 | 5.1 | 13.5 | 4.4 | 6.0 | 3.1 | 5.4 | -12.1 |
| Investments | - | 1,277 | 1,957 | 2,331 | 2,241 | 1,690 | 1,109 | 1,194 |
| Dividend, total *proposed | 1,440 | 1,000 | 368 | 103 | 129 | 0 | 0 | 0* |
| Average number of employees (FTE) | 47,625 | 44,060 | 41,714 | 39,713 | 39,305 | 37,407 | 35,256 | 33,278 |
| Number of employees at end of period | 51,981 | 51,405 | 48,568 | 49,297 | 47,667 | 44,859 | 42,111 | 39,929 |
| of whom, temporary employees | 11,312 | 9,906 | 9,871 | 10,473 | 10,180 | 8,793 | 7,292 | 7,272 |
| Volumes, millions | | | | | | | | |
| Group total, parcels | 97 | 100 | 98 | 105 | 111 | 120 | 132 | 142 |
| Denmark, priority mail/Quickbrev | 680 | 602 | 411 | 320 | 278 | 237 | 201 | 101 |
| Denmark, non-priority and business mail | 305 | 283 | 366 | 365 | 337 | 308 | 259 | 272 |
| Sweden, priority mail | 1,088 | 1,045 | 980 | 925 | 912 | 880 | 811 | 757 |
| Sweden, non-priority mail | 1,245 | 1,266 | 1,251 | 1,198 | 1,144 | 1,103 | 1,061 | 1,002 |

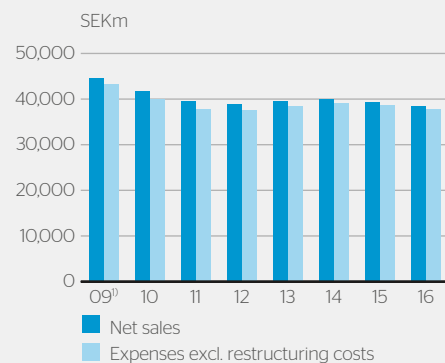
¹⁾ See definitions, Note 32, page 67.

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 results for Posten AB and Post Danmark A/S.

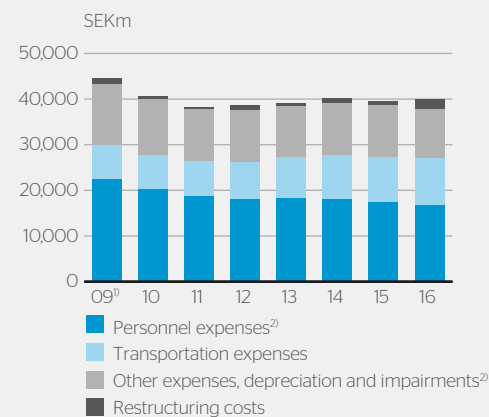
⁴⁾ Includes a capital gain of SEK 2,002m on the sale of Post Danmark A/S's share in Belgium's bpost (formerly De Post-La Poste) in July 2009.

Group net sales and operating expenses



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

Group operating expenses



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

²⁾ Excluding restructuring costs.

Comments on the multi-year review

Since 2009, the merged Group has met challenges in the guise of growing digitization, increased competition and new customer demands, through robustly restructuring the organization and exploiting synergies in above all administration, IT and purchasing, but also through investments in modern infrastructure and product development.

It is now approximately ten years since the first discussions took place testing the idea of a merger between the then Posten AB and Post Danmark A/S. On April 1, 2009, the owners' decision was announced. A decision that in the main was accepted as a logical step. Between the time when the initial discussions began and when the merger was announced, the full force of the global financial crisis hit in 2008. To the new Group, the result was that the merger would take place at the same time as demand for distribution services was collapsing through the effects of the economic downturn, but also as a result of the rapid pace of digitization. In the light of the new market situation, the rationale for the merger was regarded as even more logical. 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.

Two postal operators become one Nordic-wide full-service supplier

Over the years, PostNord has met a steady decline in mail volumes through continuous adaptation and transformation of the business. In Sweden, volume losses have long remained around 4–6%, while in Denmark they have risen to 20% as a result of the very far-reaching and coordinated transition of physical communication from government organizations to digital communication, with both citizens and businesses. Our strategy has been clear and consistent in terms of our ambition to grow in logistics. A market with lower margins but one that is increasingly benefiting from the powerful

expansion of e-commerce. PostNord has gained a strong position as expert and partner serving this growing segment – not least thanks to its more than 6,100 distribution points in the Nordic region and access to 20,000 distribution points elsewhere in Europe via its expanded collaboration with the DPD Group. One effect of the merger has been to enable major savings in shared costs and the development of a broader product portfolio.

Profits until 2016

Financially, the Group has been able to respond with vigorous actions to the difficult market situation, characterized by low growth, increased pace of digitization, competition and price pressure. In 2016, the rapid pace of digitization in Denmark led to substantial impairment losses and a reported loss for the Group. Accumulated profits from 2009 total around SEK 4 billion. Of this amount, just over SEK 3 billion has been distributed to the Group's owners. Total investments in modern infrastructure and product development amount to just over SEK 10 billion.

Rapid transformation

As a result of the necessary restructuring, one in three – in all approximately 14,300 – employees have left the Group. The Group's operating costs have been reduced by around SEK 5 billion, while income has fallen by approximately SEK 6 billion. The transformation from what in 2009 largely consisted of two postal operators, into the leading logistics and communication business in the Nordic region has entered the next phase.

- Total profits 2009–2016 approximately SEK 4 billion.
- Total dividends just over SEK 3 billion.
- Total investments more than SEK 10 billion.
- Number of employees (FTE) from around 47,000 to around 33,000.
- Since 2009, the total volume of priority mail has fallen by 53%, 85% in Denmark and 30% in Sweden.
- The total volume of parcels has risen by 46% since 2009.

Risk management

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

Organization of and responsibility for risk management

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

The risk management process

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

Material risks

Changing market conditions

PostNord must respond to changes in customer behavior, changes in market demand and the constant growth in digitization, which are causing shrinking mail volumes. Coordinated public initiatives to increase the level of digitization have already greatly impacted the Danish business, and a similar trend is also apparent in the Swedish market. PostNord is dealing with the changing market conditions via harmonization, efficiency measures, development of new services and coordination to streamline production.

Regulatory risks

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

Stability and delivery quality in IT

Efficient production via large-scale and complex distribution channels, management of high volumes of information, increasing transportation volumes, rising demand for flexible customer solutions and new, cyber-related risks place huge demands on stable, secure and cost-efficient IT systems. Against that background, improvements and investments in IT represent one of PostNord's most important Group priorities.

Production quality

The rapid adjustments needed to deal with the declining volumes in the mail business and the simultaneous expansion in the logistics business may have short-term impact on production quality. PostNord listens to its customers and carefully measures production quality to enable it to quickly take measures to improve quality and to minimize disruptions and quality problems arising from essential adjustments.

Refinancing risk

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.

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.

Interest rate risks, the Group's limited currency risks and other financial risks are managed via *financial instruments* that are used in accordance with the Group's financial policy. See also Note 27.

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 is made up of cash and cash equivalents, short-term financial investments and unutilized committed credit lines.

Further information on PostNord's management of other risks:

- For more on material assessments and estimates regarding, for example, intangible assets, see Note 2, page 48.
- For more on management of pensions, see Note 22 on page 57 et seq.
- For more on environmental risks, see page 31.
- For more on risks in the supply chain, see page 14.
- For more on work on anti-corruption, see page 30.

Corporate governance for 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 Companies Act, the Annual Accounts Act and the Swedish Code of Corporate Governance.

Shareholder structure

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

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

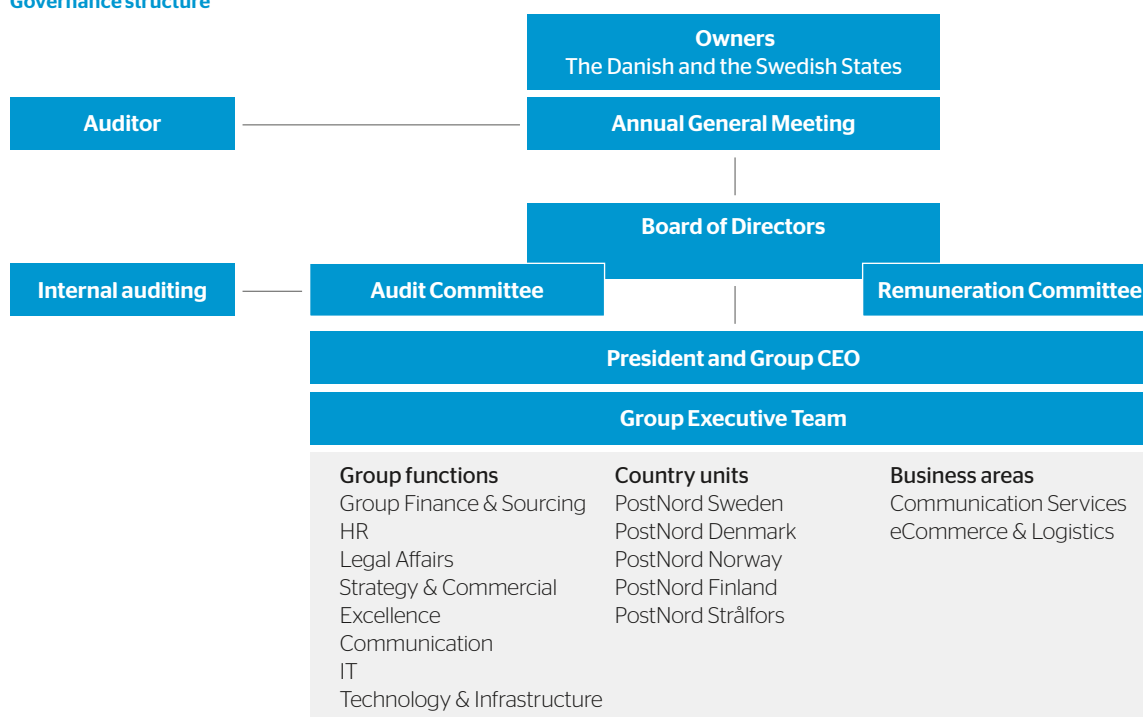
The Board of Directors has the overall responsibility for the organization and administration of the Company through continuous monitoring and control of operations. The Chair of the Board oversees the work of the Board. The Audit and Remuneration Committees assist the Board in its work.

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

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

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

Governance structure



Internal and external regulations

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

External regulations

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

Postal regulations

- The UPU Convention, the EU's Postal Directive and national legislation and directives in Sweden (e.g. the Postal Services Act and the Postal Ordinance) and Denmark (e.g. 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
- Delegated authorities for PostNord AB.
- Code of Conduct and Group policies.
- Operational governance.
- Framework for internal governance and control of financial reporting.
- Guidelines for determining terms of employment for senior executives.

Deviations from the Swedish Code of Corporate Governance

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

- Chapter 2 regarding 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.
- 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.

Annual General Meeting

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

Annual General Meeting 2016

The 2016 AGM was held on April 28, 2016. The AGM adopted the Group's and Parent Company's income statement and balance sheet and voted to discharge the Board of Directors and President and Group CEO from liability for the 2016 financial year. The AGM also adopted guidelines for remuneration to senior executives and remuneration to Board members and the auditor. Jens Moberg was re-elected Chairman of the Board. The AGM re-elected Mats Abrahamsson, Gunnel Duveblad, Christian Ellegaard, Torben Janholt, Magnus Skåninger and Anitra Steen. As Sisse Fjelsted Rasmussen had declined re-election, Mette Grunnet was elected to the Board for the first time. Accounting firm KPMG AB was re-elected as auditor through the close of next year's AGM, with authorized public accountant Helene Willberg as senior auditor. The complete minutes of the Annual General Meeting are posted on www.postnord.com.

Annual General Meeting 2017

PostNord's 2017 AGM will take place on April 27, 2017 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 main amendment in the proposals compared to the guidelines that the AGM voted on in 2016 is contained in the following paragraph:

- The guidelines shall be based on the Swedish government's "Riktlinjer för anställningsvillkor för ledande befattningshavare i företag med statligt ägande" (guidelines for employment terms for executives in State-owned companies) from December 22, 2016.
- Severance compensation shall be paid until no later than the agreed pensionable age and never longer than to the age of 65 years. The guidelines adopted at the 2016 AGM are summarized in Note 5.

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 no less than three and no more than 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 prescribes that the representation of each gender on the Board shall be at least 40%. The female/male distribution of PostNord's Board of Directors was 38%/62% in 2016 (ordinary members).

The work of the Board

Work procedures

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

The Chair of the Board is elected by the AGM, oversees the Board's work and is responsible for ensuring that such work is well-organized and carried out effectively. This includes regular monitoring of the Company's operations in dialogue with the CEO and ensuring that other Board members receive the information and documentation necessary to ensure high quality discussions and Board decisions. The Chair oversees evaluation of the Board's and the CEO's work. The Chair also represents the Company in issues of ownership.

Board meetings and issues in 2016

In 2016, the Board met on 11 occasions, including the statutory first meeting and one per capsulam meeting. The CEO described the state of the business and the market situation at each meeting. The CFO reported on the Group's economic and financial position and performance.

The Board also discussed the Group's strategy, acquisitions, employment issues 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. The Board further focused on quality issues and the challenging situation in the Danish business caused by digitization. The Company's auditor delivered an account of the year's auditing activities and these issues were discussed.

The Audit Committee

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

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

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

Board of Directors attendance, 2016

| Director | Board meetings | Audit Committee | Remuneration Committee |
|--|----------------|-----------------|------------------------|
| Jens Moberg | 11/11 | - | 2/2 |
| Mats Abrahamsson | 11/11 | - | 2/2 |
| Gunnel Duveblad | 11/11 | 7/7 | - |
| Christian Ellegaard | 11/11 | 7/7 | - |
| Sisse Fjelsted Rasmussen ¹⁾ | 2/3 | 1/3 | - |
| Mette Grunnet ²⁾ | 5/8 | 3/4 | - |
| Torben Janholt | 10/11 | - | 2/2 |
| Magnus Skåninger | 11/11 | 7/7 | - |
| Anitra Steen | 8/11 | - | 2/2 |
| Kristofer Björklund ²⁾ | 7/8 | - | - |
| Lars Chernitz | 11/11 | - | - |
| Ann-Christin Fällén ¹⁾ | 3/3 | - | - |
| Johan Lindholm | 10/11 | - | - |

¹⁾ Resigned at AGM in April 2016.

²⁾ Elected at AGM in April 2016.

During 2016, the Committee's members were Gunnel Duveblad (Chair), Christian Ellegard, Sisse Fjelsted Rasmussen, Mette Grunnet and Magnus Skåninger. Sisse Fjelsted Rasmussen resigned as a member of the Committee at the 2016 AGM, whereupon she was replaced by Mette Grunnet. The Committee met a total of seven times. The topics discussed include the following:

- The Group auditor's report on the year-end report and interim report and on audits of the end-of-period accounts.
- The Committee's new rules of procedures and the EU's Audit Regulation.
- 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.
- Assessment of external auditors.
- Auditing and monitoring of the impartiality and independence of the external auditors.
- Proposals and recommendations for the AGM's resolution on election of auditors.

The Remuneration Committee

The Remuneration Committee is tasked with preparing and presenting proposals to the Board regarding remuneration and other terms of employment for the Company's management, as well as determining principles for remuneration to external directors serving on the Boards of Group subsidiaries. The Remuneration Committee has no power of decision-making.

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

During 2016, the members of the Committee were Jens Moberg (Chair), Mats Abrahamsson, Torben Janholt and Anitra Steen. The Committee met in total on two occasions. The topics discussed include the following:

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

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.

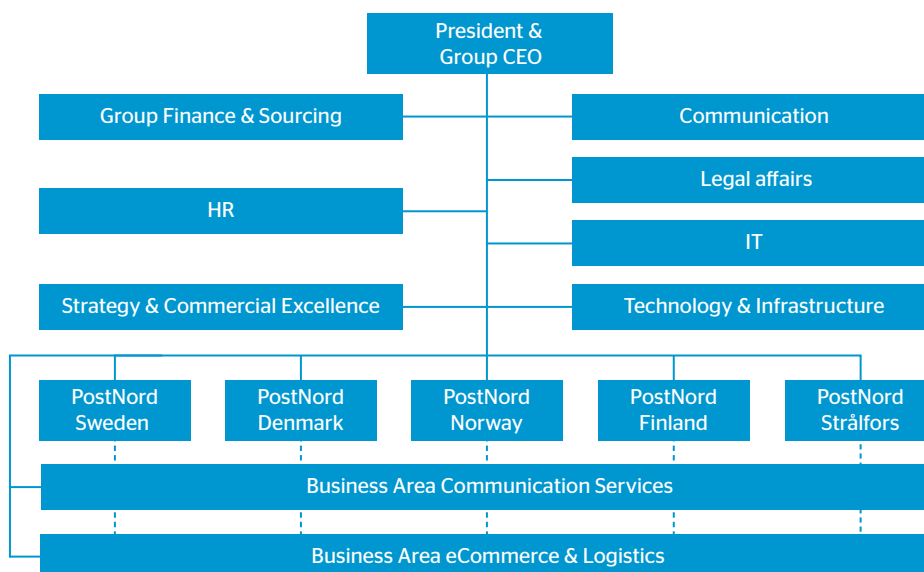
The President is responsible for day-to-day administration of the Company according to the Board's guidelines and directions. The relationship between the Board of Directors and the CEO is governed by the Board's rules of procedure and the instructions to the CEO.

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.

Remuneration at PostNord

Decisions on terms of employment and remuneration for the President and Group CEO are taken by the Board of Directors. The Board addresses remuneration issues via the Remuneration Committee. Salaries and wages for PostNord employees shall be in line with the market. For further details on remuneration for senior executives, see Note 5, Employees, personnel expenses and

PostNord - organization from 2016



remuneration to senior executives, in the consolidated financial statements. Guidelines on remuneration to senior executives adopted by the 2016 AGM are available in their entirety at www.postnord.com under Corporate Governance.

Evaluation of the work of the Board of Directors and the President and Group CEO

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. In 2016, external consultants were engaged in connection with the Board's review. The review took place in the form of surveys addressed to the Board and the President and Group CEO. The findings of the review were presented by the external consultant at the Board meeting in December and were discussed by the Board.

In addition, the Chair of the Board communicated the findings to the Company's owners at a meeting. 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 to the members of the Board of Directors

Remuneration for Board members was determined by the 2016 AGM. Remuneration for each elected Board member for the period through the next AGM is SEK 275,000, while the Chair's remuneration is SEK 650,000. The fee for the work of the Audit Committee is SEK 50,000 for members and SEK 62,500 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.

Auditors

PostNord's 2016 AGM appointed KPMG AB as the Company's auditor, with authorized public accountant Helene Willberg as senior auditor. The auditors meet with the Board at least once per year and also participate in a number of Audit Committee meetings. In 2016, 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.

Our values

Reliable

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

Business partner

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

Accessible

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

Sustainable

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

Our mission

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

Our vision

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

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

The Code of Conduct incorporates the Group's shared principles and policies in for example quality and security, human rights, diversity and equal opportunity and sustainability in the supply chain, social commitment and sponsorship, environmental conservation and business ethics, including conflicts of interest and competition. The Code is discussed at annual employee performance meetings and at recruitment. PostNord also observes a Code of Conduct for Suppliers based on the principles in the Code of Conduct and applicable to all purchasing categories throughout the Group. Both codes are available on the Group's intranet and postnord.com.





Governance for accountability and sustainability throughout the business

One of the Group's strategic priorities is to integrate sustainability aspects into everything that is done, in order to position the Group as one that is engaged in a sustainable business, i.e. it is a responsible business that benefits all its stakeholders. Operations are controlled and followed up using non-financial and financial targets set by the Board of Directors and the owners. This means that social, economic and environmental parameters must be taken into account in strategic and operational activities.

As well as complying with the law, directives and general regulations in the sector, PostNord must observe the Swedish State's ownership policy and guidelines for State-owned businesses. This includes a requirement to have a carefully considered and well-established policy and strategy, together with strategic targets for sustainable enterprise. Like other State-owned companies, PostNord's performance is measured against both financial and non-financial targets.

Control of PostNord's work on sustainability emanates from the Group Executive Team, in which the Chief Group Human Resources and Sustainability has overall responsibility for sustainability issues. Outcomes for the strategic sustainability targets (lower carbon dioxide emissions, women in management positions and sustainability in the supply chain) are followed up quarterly through reporting to the Group Executive Team and the Board. Work on strategic environmental issues falls within the responsibilities of the Chief Group Human Resources and Sustainability. The Group's environment working group consists of representatives of the sustainability section and the Group's country organizations. The function of the working group is to ensure that work on strategic environmental issues is carried out and to share experiences and best practice in the Group.

The responsibility for driving forward Group-wide efforts in sustainability in the supply chain falls to Group Sourcing. The function is responsible for the strategic control and follow-up on the Group's work in sustainability in the supply chain. During the year, a Supply Chain Sustainability Manager was appointed to head the work of developing, updating and following up the Group-wide plan for managing sustainability in the supply chain.

Code of Conduct

PostNord's Code of Conduct, which was adopted by the Board in 2014 and updated in spring 2016, specifies requirements for the ways that the Group must act in the areas that are most important to PostNord in ensuring sustainable enterprise. The Code supplements applicable law and external regulations and is the starting point for all relevant intra-Group rules. The Code applies to all Group employees and relevant parts of the Code are also to be incorporated into agreements with business partners. Ultimate responsibility for compliance lies with PostNord management, but all employees are responsible for following applicable rules, including both legislation and other mandatory external and internal rules. PostNord's managers have a specific responsibility for acting as role models and ensuring that their employees are aware of and understand the rules that apply to the business. The Code has been supplemented by discussion material for workplace meetings.

Anti-corruption

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

A Group-wide instruction supplementing the Code of Conduct specifies the circumstances in which third-party business entertainment may be offered and accepted by PostNord. The rules apply to all employees and are based on parts of the Swedish Code of Business Conduct, administered by the Swedish Anti-Corruption Institute (IMM). Implementation is supported by material for a training program. Typically, purchasers and salesmen are more susceptible to becoming involved in corruption. PostNord offers special training in topics such as anti-corruption legislation, aimed at employees in these categories. During the year, the Group Executive Team, large sections of our sales force and many middle-managers underwent training in the new instruction and associated legislation.

Competition on equal terms

The Code of Conduct emphasizes how important it is to respect PostNord's special compliance program regarding competition law. During the past year, large numbers of PostNord sales personnel, along with employees with special duties within the compliance program relating to competition law, received training in competition law. This training is given on a regular basis.

General compliance work

PostNord is in the process of drafting a new instruction, which is to form part of the implementation of PostNord's general compliance program. The instruction aims to establish a more standard structure for, and enable systematic follow-up of, internal rules intended to bring about not only compliance with legislation and other external rules but also effective risk management in sensitive areas. It supplements an earlier adopted in-house document hierarchy.

Follow-up of compliance

One of the ways in which compliance at PostNord is followed up is via PostNord's special reporting (whistle-blower) procedure, which allows anonymous reporting in the event of suspicions of certain types of violation. The system is accessed via the intranet and postnord.com. During the year, no case arose in which a subsequent investigation indicated any serious breach of PostNord's Code of Conduct. PostNord also checks systematically on compliance with legislation in the working environment and environmental sectors. In addition, PostNord was not in 2016 subject to any judgments with binding effect in cases where PostNord has been found to have committed serious breaches of the law. Furthermore, PostNord was not subject to any fines in connection with violations of environmental legislation or other external environmental regulations. The same applies to anti-corruption and competition law.

Certified management system

PostNord's business management system incorporates governing documentation and process descriptions. The business management system is linked to the above-mentioned document hierarchy. The system is certified under the standards on Occupational Health and Safety (OHSAS 18001), Quality (ISO 9001) and Environment (ISO 14001) for Group functions, business areas and the Swedish and Danish parts of our business. PostNord Norway and PostNord Strålfors operate their own business management systems for quality and environmental issues. Certification is a competitive advantage that many customers request. This involves regular internal evaluations and external audits, which form an important element of the work on internal improvement.

Diversity and workplace equality

PostNord bases its diversity and equality policy on the view that differences among people make a workplace more dynamic and attractive. PostNord's managers shall serve as role models in this work and actively promote equality and diversity. PostNord's owners also set requirements in terms of driving change towards a balanced gender distribution in senior executive positions. PostNord operates Group-wide guidelines for equality and equal opportunity in the Nordic region. The objective is to underpin a common strategic direction, level of ambition and long-term structured program to promote equality and diversity. The manager concerned is responsible for the equality issue in the recruitment process and for equality and diversity activities in general, with support from the HR function.

To live up to high demands and to bring diversity issues into focus at PostNord, the "Move - Change for Diversity" program is currently in progress. The objective of an active diversity and equality program is to help ensure that both organization and management groups better reflect the world outside and the customers of the business.

Competence provision

PostNord has an overarching competence provision plan for the 2015-2020 period. The plan is reviewed annually. An assessment of competence requirements based on the Group's strategy and business plan is in progress as part of the annual business planning process. Where necessary, the findings will lead to an action plan.

Environment

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

Suppliers

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

Cooperation on security

To ensure that letters and parcels are delivered on time to the right recipient, PostNord works systematically on both preventing and countering crime, and ensuring resilience to disruptions and breakdowns. In 2016, further resources were invested in raising security awareness and strengthening security provision in our production facilities and fleet. The total number of criminal acts against the Group, including theft and fraud, was reduced in 2016. Cybercrime, in the form of ransomware mail with PostNord's logotype, continues to target individual citizens. This has led to the establishment of regular information sharing with public authorities in an effort to prevent, detect, prosecute and communicate. PostNord's business continuity management program adheres to the ISO 22301 standard and continuous efforts are made to review and adapt our capacity to maintain deliveries in the event of disruptions and breakdowns of various types. In 2016, crisis management exercises were carried out at all levels of the Group and with good results.

Information security and privacy protection

As a major player in communication services, the Group also has a responsibility regarding information security, for example in the form of handling personal data, card information and other sensitive private information, as well as in terms of standing firm against threats and risks to information security. Handling of personal data is a major element of PostNord's services, and PostNord bears a major responsibility as a processor of personal data. For example, personal data is used for sorting and delivering mail items, and when sending out invoices on behalf of customers. PostNord also manages the personal data of its employees as personal data controller. During the year, work on the information security framework went ahead according to plan, with a continued focus on long-term work on security-enhancing measures. This work includes a number of parameters in which we need to intensify our focus going forward and further strengthen collaboration with our strategic suppliers. In 2016, no complaints were received from public authorities or other bodies regarding how personal data was handled, and no known cases of identified leaks, thefts or losses of personal data occurred.

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 through measures such as regular meetings with PostNord's management and external auditors and examination of accounting principles applied and certain particular accounting issues that are brought to the Committee's attention. The duties and powers of the President and Group CEO are governed by instructions adopted by the Board of Directors.

PostNord's operational governance is based on the Group's set financial and non-financial goals. Details are available in a summary document, Operational Governance for the PostNord Group. The document describes the organization and deals with issues such as general internal division of roles and responsibilities. The governing principles consist most importantly of management by goals and decentralized profit center responsibility. The document is linked to the Group's delegated authority procedure. PostNord's principles of internal governance and control are based on the framework developed by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission.

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

The PostNord Group runs its business in the form of a matrix organization. The matrix organization comprises country organizations (CO), Sweden, Denmark/Germany and Norway/Finland, together with two business areas (BA), BA Communication Services and BA eCommerce & Logistics. The organization also includes Strategy & Commercial Excellence and Group functions.

Governing documents

PostNord's delegated authority procedure and other governing documents, guidelines etc. are intended to facilitate and ensure compliance. The delegated authority procedure, which applies to all companies in the Group, is mandatory and governs the right of decision within the Group. The delegated authority procedure is based on the division of responsibilities, adopted by the Group Board of Directors in its rules of procedure, between the Board of Directors and President/Group CEO. Its aim is, through delegation of authority, to ensure effective internal governance and control. The Group Board of Directors' rules of procedure define the matters that require decision by the Board of Directors. The President's areas of authority extend to everything that is not subject to decision by the Board, under the law or the Board's rules of procedure (or specific Board decisions). See also page 25.

Risk assessment

Management and managers in the country structure, the business areas and Group functions are responsible for identifying and managing risks in their respective areas of responsibility, 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 Risks and Risk Management, page 24.



Control activities

Governing documents and processes concerning accounting and financial reporting are updated by the Group's Finance function in the event of amendments to legislation, accounting rules, reporting requirements, etc. The year-end accounting and reporting process includes controls for accounting principles, valuation and disclosure requirements. The control activities also include checks for compliance with decision-making and authorization rules, verification, reconciliation, manual and programmed checks and the division of duties and responsibilities in processes and routines. To a large extent, finance and payroll administration services are outsourced. Quality is ensured through the monitoring of internal control activities and reporting on compliance with agreed service levels and quality criteria. The Group's Finance function is responsible for consolidated reporting and consolidated year-end accounts. This responsibility includes analyses of the financial results of 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, based on business objectives for the units with profit center responsibility. PostNord's financial situation is discussed at each Board meeting.
- Self-monitoring enables early detection and management of any risks and errors. The Board's independent audit and control function is conducted by the Group Internal Audit function, which is tasked with evaluating PostNord's processes for governance, risk identification and risk control.
- The Audit Committee receives regular reports from the Group's external and internal auditors and follows up to ensure that measures are taken on the basis of the auditors' observations and recommendations.
- The Group's companies and Group functions conduct an annual self-assessment of the internal governance and control of financial reporting. Results are compiled by the Group's Finance function and presented to the Audit Committee and to the Group's country organizations and Group functions.
- In 2016, certain sections of the reports that the Group's companies and units presented in the self-assessment were subject verification via a limited review by the Group's external auditors.



Board of Directors



Jens Moberg

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



Mats Abrahamsson

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



Gunnel Duveblad

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



Christian Ellegaard

Born 1969.
 MBA.
 Board member since April 2013.
 Member of Audit Committee since April 2013.
 Former Member of corporate management at Berendsen Plc, CEO of Facility and various positions within the Berendsen Group, including CEO in Denmark.
 Member of the board of Det Danske Madhus A/S since November 2016.
 Own and closely-related parties' holdings of PostNord bonds: 0.



Mette Grunnet

Born 1967.
 BSc Economics and Executive MBA.
 CEO, Primo Holding A/S.
 Board member since April 2016. Left the Board on February 14, for health reasons.
 Chairman of the Board of Genua A/S.
 Member of the Boards of SPEKVA A/S, Frederiksen Scientific A/S, Spillehallen.dk A/S, Jysk-Fynsk Kapital A/S, FASTERHOLT A/S and Inter Primo A/S.
 Previous CEO of Ureflex A/S and Chairman of the Boards of Troldglas A/S, Spekva A/S, Kabooki A/S, Copy Stop Systems Aps, RFID-sec Aps, OTV A/S and Compass A/S, member of the boards of Global Industries A/S and Tops-pin Aps.
 Own and closely-related parties' holdings of PostNord bonds: 0.



Torben Janholt

Born 1946.
 Bachelor of Commerce.
 Board member since August 2009.
 Member of Remuneration Committee since 2009.
 Previous positions include CEO of J Lauritzen A/S, Chair of the board of Otto Suenson A/S, Director of A/S United Shipping & Trading Company, Bunker Holding A/S, Uni Tankers A/S and Torm A/S.
 Own and closely-related parties' holdings of PostNord bonds: 0.



Magnus Skåniger

Born 1971.

Masters degree in Political Science and Business Economics. Certified European Financial Analyst (CEFA).

Board member since April 2014.

Member of Audit Committee since April 2014.

Director and head of the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation, Sweden

Previous posts include Executive Director EY, Director PwC and budget department at the Ministry of Finance.

Own and closely-related parties' holdings of PostNord bonds: 0.



Anitra Steen

Born 1949.

Bachelor of Arts.

Board member since April 2013.

Member of Remuneration Committee since April 2013.

Previous positions include CEO of Systembolaget, Director-General of the National Tax Board, State Secretary at the Swedish Ministries of Education and Finance.

Chair of the boards of Akademiska Hus AB and AFA Försäkring. Board member of Oral Care Holding SWE AB and Attendo AB.

Ordinary member of the Swedish Press Council. Own and closely-related parties' holdings of PostNord bonds: 0.



Employee representatives

Kristofer Björklund

Born 1973

Union representative appointed by the Union of Civil Servants (ST).

Board member since April 2016.

Employed by Posten since 2003.

Own and closely-related parties' holdings of PostNord bonds: 0.



Lars Chemnitz

Born 1957.

Union representative appointed by the Union of Service and Communication Employees (SEKO).

Chair of the Danish postal workers union, 3F Post.

Member of the Board since January 2010.

Own and closely-related parties' holdings of PostNord bonds: 0.



Johan Lindholm

Born 1979.

Union representative appointed by the Union of Service and Communication Employees (Seko).

Board member since April 2015.

Deputy employee representative since April 2012.

Employed by Posten since 1999.

Own and closely-related parties' holdings of PostNord bonds: 0.

Employee representatives, deputies

Peter Madsen

Born 1953.

Union representative appointed by the Union of Service and Communication Employees (SEKO).

As a union representative, he represents 3F.

Deputy employee representative since January 2010.

Employed by Post Denmark since 1990.

Own and closely-related parties' holdings of PostNord bonds: 0.

Ulf Sjödin

Born 1956.

Union representative appointed by the Union of Civil Servants (ST).

As a union representative, he represents Saco.

Deputy employee representative since April 2015.

Employed by PostNord since 1997.

Own and closely-related parties' holdings of PostNord bonds: 0.

Sandra Svensk

Born 1977.

Union representative appointed by the Union of Service and Communication Employees (SEKO).

Deputy employee representative since April 2015.

Employed by PostNord since 1995.

Own and closely-related parties' holdings of PostNord bonds: 0.

Group Executive Team



Håkan Ericsson

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



Johanna Allert

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



Gunilla Berg

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



Björn Ekstedt

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



Andreas Falkenmark

Born 1955.
Master of Laws.
Head of Business area Communication Services since 2016.
Member of Group Executive Team since 2009.
Previous positions: Head of Business area PostNord Mail & Communication, Head of Business area Meddelande Sverige; CEO of NK Förvaltnings AB; CEO of Duka AB; CEO of Coop Sverige AB; and CEO of Observer Northern Europe.
Own and closely-related parties' holdings of PostNord bonds: 0.



Annemarie Gardshol

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



Finn Hansen

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



Anders Holm

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



Peter Kjaer Jensen

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



Tim Jørnsen

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



Kristina Lilja

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



Per Mossberg

Born 1953.
B.Sc. Economics.
Chief Communications Officer since 2009.
Member of Group Executive Team since 2009.
Previous positions: Head of Corporate Communications at Posten AB; partner at JKL AB; Executive VP (Communications) at Telia AB; Senior VP (Communications) at Trygg-Hansa SPP AB, Nobel Industrier and AB Bofors; and CEO of Näringslivets EU-fakta and Näringslivets Ekonomifakta. Chair of the Board, Sveriges Kommunikatörer.
Own and closely-related parties' holdings of PostNord bonds: 0.



Robin Olsen

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



Jan Starrsjö

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

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Group

Income statement

| SEKm | Note | 2016 | 2015 ¹⁾ |
|----------------------------------|----------|----------------|--------------------|
| Net sales | 1, 2, 4 | 38,478 | 39,351 |
| Other operating income | 3 | 263 | 765 |
| Operating income | | 38,741 | 40,116 |
| Personnel expenses | 5 | -17,261 | -18,222 |
| Transportation expenses | | -10,150 | -10,051 |
| Other expenses | 6, 7, 24 | -9,593 | -9,407 |
| Depreciation and impairments | 10, 11 | -2,820 | -1,872 |
| Operating expenses | | -39,824 | -39,552 |
| TOTAL OPERATING INCOME | | -1,083 | 564 |
| Financial income | 8 | 49 | 21 |
| Financial expenses | 8 | -74 | -134 |
| Net financial items | | -25 | -113 |
| Pre-tax income | | -1,108 | 451 |
| Tax | 9 | -475 | -173 |
| NET INCOME FOR THE PERIOD | | -1,583 | 278 |
| Attributable to | | | |
| Parent Company's shareholders | | -1,585 | 276 |
| Non-controlling interests | | 2 | 2 |
| Earnings per share, SEK | | -0.79 | 0.14 |

¹⁾ Costs of provisions have been reallocated between personnel expenses and other operating expenses.

Statement of comprehensive income

| SEKm | 2016 | 2015 |
|---|---------------|--------------|
| NET INCOME | -1,583 | 278 |
| OTHER COMPREHENSIVE INCOME | | |
| Items that cannot be transferred to net income | | |
| Revaluation of pension liabilities | -399 | 1,388 |
| Change in deferred tax | 88 | -166 |
| Total | -311 | 1,222 |
| Items that have been or may be transferred to net income | | |
| Cash flow hedging after tax | 6 | 4 |
| Translation differences | 343 | -342 |
| Translation differences - Realized and reclassified to income statement | 48 | - |
| Total | 397 | -338 |
| TOTAL OTHER COMPREHENSIVE INCOME | 86 | 884 |
| COMPREHENSIVE INCOME | -1,497 | 1,162 |
| Attributable to | | |
| Parent Company's shareholders | -1,499 | 1,160 |
| Non-controlling interests | 2 | 2 |

Statement of financial position

| SEKm | Note | Dec. 31, 2016 | Dec. 31, 2015 |
|---|--------|---------------|---------------|
| | 1, 2 | | |
| ASSETS | | | |
| Goodwill | 10 | 2,600 | 3,236 |
| Other non-current intangible assets | 10 | 854 | 955 |
| Property, plant and equipment | 11, 12 | 7,994 | 8,664 |
| Participations in associated companies and joint ventures | 13 | 69 | 71 |
| Financial investments | 14, 27 | 262 | 250 |
| Non-current receivables | 15, 22 | 1,301 | 1,945 |
| Deferred tax assets | 16 | 122 | 484 |
| Total non-current assets | | 13,202 | 15,605 |
| Inventory | 17 | 101 | 150 |
| Tax assets | | 712 | 527 |
| Trade receivables | 27 | 4,627 | 4,524 |
| Prepaid expenses and accrued income | 18 | 1,128 | 1,251 |
| Other receivables | | 561 | 563 |
| Short-term investments | 14, 27 | 351 | - |
| Cash and cash equivalents | 19, 27 | 1,577 | 1,894 |
| Assets held for sale | | 176 | 209 |
| Total current assets | | 9,233 | 9,118 |
| TOTAL ASSETS | | 22,435 | 24,723 |
| EQUITY AND LIABILITIES | | | |
| Equity | 20 | | |
| Capital stock | | 2,000 | 2,000 |
| Other contributed equity | | 9,954 | 9,954 |
| Reserves | | -1,633 | -2,030 |
| Retained earnings | | -2,673 | -777 |
| Total equity attributable to Parent Company's shareholders | | 7,648 | 9,147 |
| Non-controlling interests | | 3 | 3 |
| TOTAL EQUITY | | 7,651 | 9,150 |
| LIABILITIES | | | |
| Non-current interest-bearing liabilities | 21, 27 | 1,716 | 3,705 |
| Other non-current liabilities | | 49 | 40 |
| Other provisions | 23 | 1,389 | 1,712 |
| Deferred tax liabilities | 16 | 831 | 861 |
| Total non-current liabilities | | 3,985 | 6,318 |
| Current interest-bearing liabilities | 21, 27 | 2,029 | 134 |
| Trade payables | | 2,434 | 2,294 |
| Tax liabilities | | 82 | 47 |
| Other current liabilities | | 1,630 | 1,727 |
| Accrued expenses and deferred income | 24 | 4,027 | 4,404 |
| Other provisions | 23 | 597 | 649 |
| Total current liabilities | | 10,799 | 9,255 |
| TOTAL LIABILITIES | | 14,784 | 15,573 |
| TOTAL EQUITY AND LIABILITIES | | 22,435 | 24,723 |

Statement of cash flows

| SEKm | Note | 2016 | 2015 |
|---|-----------|---------------|--------------|
| OPERATING ACTIVITIES | | | |
| Pre-tax income | | -1,108 | 451 |
| Adjustments for non-cash items | 29 | 2,920 | 469 |
| Taxes | | -37 | -79 |
| Cash flows from operating activities before changes in working capital | | 1,775 | 841 |
| Cash flow from changes in working capital | | | |
| Increase (-)/decrease (+) inventories | | 21 | 28 |
| Increase (-)/decrease (+) other current receivables | | -228 | 76 |
| Increase (+)/decrease (-) in other current liabilities | | -236 | 629 |
| Other changes in working capital | | -11 | 11 |
| Changes in working capital | | -454 | 744 |
| Cash flow from operating activities | | 1,321 | 1,585 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | -1,001 | -1,027 |
| Sale of property, plant and equipment | | 51 | 525 |
| Acquisitions of non-current intangible assets | | -181 | -82 |
| Acquisitions of operations, effect on cash and cash equivalents | 30 | -14 | -81 |
| Disposals of operations, effect on cash and cash equivalents | 30 | -45 | - |
| Acquisitions of financial non-current assets | | -362 | - |
| Disposals of financial non-current assets | | 2 | 19 |
| Cash flows from investing activities | | -1,550 | -646 |
| FINANCING ACTIVITIES | | | |
| Amortized loans | | -100 | -843 |
| Dividend paid | | -2 | -3 |
| Increase(+)/decrease(-) in other interest-bearing liabilities | | 4 | -36 |
| Cash flows from financing activities | | -98 | -882 |
| CASH FLOWS FOR THE PERIOD | | | |
| Cash and cash equivalents, at beginning of period | | 1,894 | 1,843 |
| Translation difference in cash and cash equivalents | | 10 | -6 |
| Cash and cash equivalents, closing balance | 19 | 1,577 | 1,894 |

Statement of changes in equity

| 2015, SEKm | Equity attributable to Parent Company's shareholders | | | | | Non-controlling interests | Total equity |
|--|--|--------------------------|---------------------|-----------------|-------------------|---------------------------|--------------|
| | Share capital | Other contributed equity | Translation reserve | Hedging reserve | Retained earnings | | |
| Equity, opening balance | 2,000 | 9,954 | -1,680 | -12 | -2,275 | 4 | 7,991 |
| Comprehensive income for the period | | | | | | | |
| Net income for the period | | | - | - | 276 | 2 | 278 |
| Other comprehensive income for the period | | | -342 | 4 | 1,222 | - | 884 |
| Total comprehensive income for the period | | | -342 | 4 | 1,498 | 2 | 1,162 |
| Dividend | | | | | | -3 | -3 |
| Equity, closing balance | 2,000 | 9,954 | -2,022 | -8 | -777 | 3 | 9,150 |

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

Notes to the consolidated financial statements

Note 1 Accounting principles

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1. Introduction

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

2. Basis of preparation of the annual accounts

The consolidated financial statements were prepared in accordance with EU-approved International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as applying to financial years beginning on January 1, 2016. In addition, the Swedish Financial Reporting Board's RFR 1, Supplemental Financial Statements for Groups, was also applied.

The accounting principles described below have been applied consistently to all periods presented in the consolidated financial statements. Assets and liabilities are recognized at 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 SEK. Unless otherwise stated, all amounts are rounded off to the nearest million Swedish kronor.

3. Changes in accounting principles arising from new or amended IFRS

Amendments to IFRS applicable as of January 1, 2016 have not had any material effect on the consolidated financial statements.

A number of new or amended IFRS will not come into force until future financial years and have not been adopted early in the preparation of financial statements. Amended IFRS, other than those described below, applicable in 2017 or later are not deemed likely to have any material effect on the Group's performance and financial position.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard deals with classification, measurement, impairment and recognition of financial instruments. The categories in IAS 39 are replaced by three in which the value of the instruments is measured at amortized cost, fair value via other comprehensive income or fair value via income. The standard also deals with simplified rules on hedge accounting. The Group's intention is to apply the new

standard no later than in the financial year that commences on January 1, 2018. IFRS 9 is not expected to have any material impact on the consolidated financial statements.

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. PostNord is not planning for early adoption of IFRS 15. 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.

The potential impact of implementation of IFRS 15 on PostNord's accounts is currently being assessed. The judgements regarding effects that are described in the following are based on the information known today. During the transition from IAS 18 to IFRS 15, PostNord intends to use a fully retrospective method, meaning that all periods shown for comparison will be recalculated in accordance with IFRS 15. The standard requires further disclosures to be added to the note on revenue, including for example classification into significant revenue categories. In the cases where the revenue is received over time, contract assets and liabilities are to be specified with any change in the opening and closing balances.

PostNord operates mainly on the basis of multi-year agreements, although these do not represent any obligation on the part of the customer to use the agreement. For that reason, every order is recognized as income when the physical delivery is performed. To a minor extent, services are completed in stages and such will be recognized as income when control is transferred, that is, over time. PostNord's provisional view is that a very small proportion of the Group's revenue will be recognized as income at a later point in time, as compared to the current regime.

IFRS 16 Leases is a new standard on recognition of leases. For lessees, the classification into operating and financial leases under IAS 17 is abolished and replaced by a model in which assets and liabilities relating to lease agreements are to be recognized. In the income statement, the cost is to be allocated to amortization and interest expense. PostNord is a lessee and as per December 31, 2016, had outstanding lease fees of approximately SEK 5 billion. Under the new standard, these fees are to be recognized as assets and liabilities in the statement of financial position, which creates a relatively major impact, for example, on PostNord's net debt. IFRS 16 is to be implemented from January 1, 2019. Earlier adoption is permitted provided that IFRS 15 is also applied from the same point in time. The Company has not yet decided whether IFRS 16 will be adopted early from the start of 2018.

4. Classification

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

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

5. Principles of consolidation and business combinations

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

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

goodwill. Transaction costs attributable to the acquisition are recognized as an expense.

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

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

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

When acquisition of a subsidiary involves acquisition of net assets that do not constitute a business (asset deal), the historical cost is apportioned over the individual identifiable assets and liabilities on the basis of their fair value on the day of acquisition.

6. Associated companies and joint ventures

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

7. Foreign currency

Transactions in foreign currency in the Group's Swedish companies are translated into SEK at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are translated to SEK using the exchange rate at the end of the reporting period. Exchange rate differences arising in translation are recognized in income for the year. Non-monetary assets and liabilities measured at 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

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

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

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

Income in Business area eCommerce & Logistics is generated from logistics services for deliveries to, from and inside the Nordic region, with the focus on distribution of parcels, consignment goods, pallet goods and bulk logistics (mixed-cargo groupage), as well as third-party logistics. Income in the logistics business is recognized when the physical item is received for physical transportation.

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

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

Payment is made in three ways, credit, cash or prepayment (stamps, freight including packaging or preloaded amounts in franking machines). Credit and cash are recognized in the period in which the service is performed (item posted/handed in). Prepayments are recognized as income at sale and a prepaid income item (liability) is recognized for as yet unused stamps. The opening balance of the liability for prepaid income is then cancelled as income and the closing balance recognized as a reduction in income. The calculations are based on annual surveys of the number of stamps sold but not used in Sweden and Denmark, respectively. In Sweden, franking is accounted for in the same way, where the calculations are based on information on use from customers. In Denmark, franking is invoiced in arrears. Discounts are provided at invoicing.

9. Operating expenses and financial income and expenses

Operating expenses

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

Costs of operating leases

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

Costs of financial leases

The minimum lease payments are divided between interest expenses and repayment of the outstanding liability. Interest expenses are distributed over the period of the lease so that each accounting period includes an amount corresponding to a fixed interest rate for the liability recognized in that particular 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 primarily of cash and cash equivalents, trade receivables, loan receivables and derivatives. Liabilities consist primarily of trade payables, debt instruments issued, loan liabilities and derivatives.

Recognition in and derecognition from statement of financial position

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to the contractual provisions of the instrument. A receivable is recognized when the company has performed and there is a contractual liability for the counterparty to pay,

even if the invoice has not yet been sent. Trade receivables are recognized in the statement of financial position when the invoice has been sent. A financial asset is derecognized from the statement of financial position when the rights in the agreement are realized or expire or the company loses control over them.

Liabilities are recognized when the counterparty has performed and there is a contractual liability to pay, even if the invoice has not been received. Trade payables are recognized when the invoice is received. A financial liability is derecognized from the statement of financial position when the obligation in the agreement is discharged or otherwise expires. Acquisitions and disposals of financial assets are recognized at the trade date, that is, the date on which the transaction is completed. Receivables or liabilities are recognized gross under the heading Other liabilities or Other receivables, between the trade date and the settlement date.

Cash and cash equivalents

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

Classification and measurement

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

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

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

The categories are as follows:

Financial assets measured at fair value via income

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

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

Loan receivables and trade receivables

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

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

Doubtful accounts receivable

At the end of each accounting period, the Company assesses whether there are any objective indications that a financial asset or group of assets is in need of impairment. The criteria for determining whether there is any need for impairment consist primarily of the counterparty's officially notified incapacity to fulfil his obligations, or that party's incapacity for main-

taining payments in the financial markets, as indicated by experience.

Trade receivables are recognized at the amounts expected to be received after deductions for doubtful receivables, which are determined on a case-by-case basis. An impairment loss is applied to a trade receivable if it may be regarded as doubtful, that is, it is older than 90 days after falling due or it relates to a customer with historical problems with payment. Trade receivables that relate to customers with an acknowledged good capacity for payment and a good payment history are not regarded as doubtful, even if older than 90 days and adequate interest compensation is expected to be paid. The anticipated term of the trade receivable is short and the value is therefore recognized undiscounted at its nominal amount. Impairment of trade receivables is recognized under the heading Operating expenses.

Held-to-maturity investments

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

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

Available-for-sale financial assets

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

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

Financial liabilities measured at fair value via income

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

Other financial liabilities

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

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

Derivatives and hedge accounting

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

Cash flow hedging

Forward contracts are used to hedge assets and liabilities against foreign exchange risk. In order to secure interest flows related to certain borrowing at variable interest, interest rate swaps, in which the Company receives variable interest and pays fixed interest, are used. The swaps are measured at fair value. The interest coupon component is recognized as part of interest expense on an ongoing basis in income for the year.

Unrealized changes in fair value of the interest swaps are recognized in other comprehensive income and form part of the hedging reserve until the hedged item affects the income for the year and as long as the criteria for hedge accounting and efficiency are fulfilled. Any changes in value are recognized via the income statement. To achieve matching, hedge accounting is not necessary since the hedged item is translated at the exchange rate at the end of the period and the hedging instrument is measured at fair value, with any changes in value being recognized via the income statement.

11. Property, plant and equipment

Owned assets

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

The result from sale or disposal of property, plant and equipment is calculated as the difference between the value at sale and the carrying amount. Any profit or loss arising is recognized via income. Subsequent costs are added to the 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.

Depreciation policies

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 and improvements to leased properties | 10-50 years |
| Interiors and installations in leased premises | 5-10 years |
| Sorting equipment | 5-10 years |
| Fleet | 3-8 years |
| Computer equipment | 3-7 years |
| Other machinery and equipment | 5 years |

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

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

| | |
|--------------------------|-------------|
| Structure/roof | 50 years |
| External cladding | 30-40 years |
| Internal cladding | 10 years |
| Electrical installations | 40 years |
| Ventilation/cooling | 15-20 years |
| Sewerage/water | 40 years |

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

Impairments

The carrying amounts for the Group's property, plant and equipment are tested at the end of each reporting period to determine whether there is 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 accumulated 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 accumulated 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 accumulated cost less accumulated depreciation and impairments

Other intangible assets

Other intangible assets comprise acquired brands, customer relationships, licences and similar assets. Other intangible assets are recognized at accumulated cost less accumulated depreciation and impairments.

Amortization policies

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 and other intangible assets 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 | 3-8 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 and other intangible assets 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. Impairment losses are charged to the income statement. An impairment loss on an asset attributable to a cash-generating unit is charged first to goodwill.

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

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

14. Inventory

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

15. Dividend paid

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

16. Employee benefits

Short-term benefits

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

During periods of high holiday-taking, personnel expenses will at such times generally be lower than the average cost per period.

Post-termination benefits

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

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

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

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

Termination benefits

A cost for compensation in connection with termination of employment is recognized at the earliest point in time when the company can no longer withdraw its offer to the employees or when the company recognizes costs of restructuring. In cases where PostNord gives notice of termination of employment, a detailed plan is drawn up specifying at least workplace, positions and estimated number of employees affected, as well as type of benefits and amounts for each personnel category or position, and the time at which the plan is intended to be carried out.

17. Postage stamp liability

PostNord's postage stamp liability is calculated for stamps sold but not used. The extent of the postage stamp liability is determined on the basis of a number of assumptions. Assumptions are based on the number of stamps sold but not used in Sweden and Denmark. To ensure that the assumptions are reasonable, surveys are carried out in both Denmark and Sweden.

18. Provisions

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

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

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

19. Taxes

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

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

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

20. Pledged assets and contingent liabilities

A contingent liability is recognized 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 are also recognized 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.

Pledged assets are recognized 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 judgements and estimates

When preparing the financial statements, management has made judgements and estimates that affect the Group's reporting. These judgements and estimates are based on what was known at the time the accounts were presented, and on historic experience and the assumptions that management considers reasonable in the given circumstances. The conclusions that management has drawn are the basis of the amounts stated. Actual outcomes, judgements 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 new experience. The judgements 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.

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.

Pension obligations

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

Provisions for transition regulations

As a consequence of the Company's corporatization in Sweden in 1994, PostNord assumed an obligation (under special transition regulations) such that certain categories of the workforce may choose to retire early at the age of 60 or 63 years. Provision in the statement of financial position is calculated on the basis of previous experience of the proportion of persons who have elected to exercise their right to early retirement under these provisions. A change of 5 percentage points in the take-up rate impacts operating income by +/-SEK 3m.

Note 3 Analysis of revenue sources

Net sales

Net sales consist for the most part of services provided.

Other operating income

| SEKm | 2016 | 2015 |
|--|------------|------------|
| Rental income | 20 | 18 |
| Insurance claim payments | 0 | 2 |
| Commission income | 8 | 9 |
| Capital gains, buildings | 31 | 521 |
| Capital gains, machinery and equipment | 8 | 13 |
| Exchange rate gains | 113 | 105 |
| Other | 83 | 97 |
| Total | 263 | 765 |

Note 4 Segment reporting

The Group's organization into segments is principally based on the companies' registered geographical domicile. The PostNord Strålfors and Direct Link segments are coordinated on the basis of the nature of their operations. Market pricing applies to internal dealings between PostNord's segments. There is no latitude for purchasing externally where the service is available internally. In PostNord's operational structure, though not in its legal structure, cost distribution for corporate shared service functions is at cost price.

As of 2016, markets are divided into the following segments: PostNord Sweden, PostNord Denmark (incl. Germany), PostNord Norway, PostNord Finland, PostNord Strålfors, Direct Link and Other. Figures for comparison have been restated. The segments market and sell the total offerings of the business areas in the Nordic region.

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

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

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

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

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

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

Eliminations consists of the elimination of internal transactions.

Note 4 (cont.)

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

| 2015 Jan-Dec, SEKm | PostNord Sweden | PostNord Denmark | PostNord Norway | PostNord Finland | PostNord Strålfors | Direct Link ¹⁾ | Other ¹⁾ | Elimina- tions | Adjusted total, Group | Items affecting compara- bility | Group |
|--------------------------------------|--------------------|---------------------|--------------------|---------------------|-----------------------|------------------------------|---------------------|-------------------|-----------------------------|--|----------------|
| Net sales, external | 22,008 | 9,509 | 3,707 | 553 | 2,251 | 1,055 | 268 | - | 39,351 | - | 39,351 |
| Net sales, internal | 1,072 | 478 | 405 | 234 | 84 | - | 4 | -2,277 | - | - | - |
| Total net sales | 23,080 | 9,987 | 4,112 | 787 | 2,335 | 1,055 | 272 | -2,277 | 39,351 | - | 39,351 |
| Other operating income, external | 151 | 25 | 7 | 1 | 14 | - | 67 | - | 265 | 500 | 765 |
| Other operating income, internal | 281 | 24 | 0 | 0 | 27 | - | 3,414 | -3,746 | - | - | - |
| Total operating income | 23,513 | 10,035 | 4,119 | 788 | 2,377 | 1,055 | 3,753 | -6,022 | 39,616 | 500 | 40,116 |
| Personnel expenses | -9,813 | -5,524 | -951 | -101 | -625 | -71 | -556 | 8 | -17,633 | -589 | -18,222 |
| Transportation expenses | -5,086 | -1,383 | -2,704 | -475 | -458 | -240 | -18 | 313 | -10,051 | - | -10,051 |
| Other expenses | -7,077 | -3,112 | -347 | -206 | -1,095 | -666 | -2,477 | 5,701 | -9,279 | -128 | -9,407 |
| Depreciation and impairments | -690 | -387 | -142 | -7 | -113 | -2 | -384 | - | -1,726 | -146 | -1,872 |
| Total operating expenses | -22,666 | -10,406 | -4,144 | -789 | -2,291 | -979 | -3,440 | 6,022 | -38,689 | -863 | -39,552 |
| Adjusted operating income | 847 | -371 | -25 | -1 | 86 | 78 | 313 | - | 927 | - | - |
| Items affecting comparability | -97 | 84 | -9 | - | -122 | - | -219 | - | -363 | - | - |
| TOTAL OPERATING INCOME | 750 | -287 | -34 | -1 | -36 | 78 | 94 | - | - | - | 564 |
| Net financial items | | | | | | | | | | | -113 |
| Pre-tax income | | | | | | | | | | | 451 |
| Tax | | | | | | | | | | | -173 |
| Net income for the period | | | | | | | | | | | 278 |

¹⁾ As of the first quarter of 2016, the business of Direct Link is accounted for as a separate segment. Direct Link was formerly reported under "Other". Figures for comparison have been restated.

| Organization into geographical areas based on domicile of companies, SEKm | 2016 | | | | 2015 | | | |
|--|---------------|-----------------|---|---|---------------|-----------------|---|---|
| | Income | Total assets | Non- current assets ¹⁾ | Investments, property, plant and equipment and intangible assets | Income | Total assets | Non- current assets ¹⁾ | Investments, property, plant and equipment and intangible assets |
| Sweden | 23,085 | 12,195 | 7,301 | 714 | 23,457 | 13,515 | 6,593 | 708 |
| Denmark | 8,670 | 5,399 | 1,902 | 397 | 9,665 | 6,488 | 3,854 | 189 |
| Norway | 3,926 | 3,707 | 2,403 | 67 | 4,211 | 3,368 | 2,449 | 179 |
| Finland | 1,096 | 477 | 239 | 8 | 830 | 477 | 219 | 22 |
| Other countries | 1,964 | 657 | 34 | 8 | 1,953 | 875 | 138 | 11 |
| Total | 38,741 | 22,435 | 11,879 | 1,194 | 40,116 | 24,723 | 13,253 | 1,109 |

¹⁾ Non-current assets are assets comprising amounts that are expected to be recovered more than twelve months after the end of the reporting period.

Note 5 Employees, personnel expenses and executive remuneration

| Average number of employees per country | 2016 | | | | 2015 | | | |
|---|---------------|---------------|---------------|-----------|---------------|---------------|---------------|-----------|
| | Women | Men | Total | % Men | Women | Men | Total | % Men |
| Sweden | 6,789 | 13,750 | 20,539 | 67 | 7,272 | 14,190 | 21,462 | 66 |
| Denmark | 3,429 | 7,054 | 10,483 | 67 | 3,703 | 7,661 | 11,364 | 67 |
| Norway | 249 | 1,191 | 1,440 | 83 | 251 | 1,262 | 1,513 | 83 |
| Finland | 103 | 145 | 248 | 58 | 88 | 178 | 266 | 67 |
| Other countries | 280 | 288 | 568 | 51 | 268 | 383 | 651 | 59 |
| Total | 10,850 | 22,428 | 33,278 | 67 | 11,582 | 23,674 | 35,256 | 67 |

| Personnel expenses, SEKm | 2016 | 2015 |
|----------------------------------|---------------|----------------------|
| Salaries and other remuneration | 13,208 | 14,219 ¹⁾ |
| Statutory social insurance costs | 2,581 | 2,577 |
| Pension expenses ²⁾ | 1,385 | 1,351 |
| Other personnel expenses | 87 | 75 |
| Total | 17,261 | 18,222 |

¹⁾ Reporting of salaries and other remuneration differs from that in the 2015 Annual Report. Provisions are now classified into salaries and other remuneration, and other expense. Previously, provisions were recognized in their entirety as other expense.

²⁾ Of the Group's pension expenses, SEK 8m (5) pertains to current and earlier Presidents and Executive Vice Presidents. Obligations outstanding on behalf of these persons total SEK 177m (158).

| Salaries and other remuneration per country, SEKm | 2016 | | | | | 2015 | | | | |
|---|-------------------------------|---------------------------------|-----------------------------------|-------------------------|---------------|-------------------------------|---------------------------------|-----------------------------------|-------------------------|---------------|
| | Presi- dents ¹⁾ | Of which bonus ²⁾ | Of which, severance payment | Other employ- ees | Total | Presi- dents ¹⁾ | Of which bonus ²⁾ | Of which, severance payment | Other employ- ees | Total |
| Sweden | 16 | - | - | 7121 | 7137 | 20 | 1 | - | 7,348 | 7,368 |
| Denmark | 10 | - | 4 | 4,978 | 4,988 | 9 | - | - | 5,098 | 5,107 |
| Finland | 3 | - | - | 796 | 799 | 5 | - | - | 840 | 845 |
| Norway | 2 | - | - | 122 | 124 | 4 | - | - | 109 | 113 |
| Other countries | 5 | - | - | 155 | 160 | 3 | - | - | 184 | 187 |
| Total | 36 | - | 4 | 13,172 | 13,208 | 41 | 1 | - | 13,579 | 13,620 |

¹⁾ Current and former Presidents and Executive Vice Presidents.

²⁾ Acquisitions of subsidiaries included bonuses to be paid to CEOs on the condition that targets for EBIT were achieved or surpassed, which occurred at two subsidiaries. These agreements were subject to time limits expiring at the end of the 2014 financial year, and the final payment took place during 2015.

| Salaries and other remuneration to Group Executive Team, SEKm | 2016 | | | | 2015 | | | |
|---|-------------|---------------------|-------------------|-------------|-------------|---------------------|-------------------|-------------|
| | Salary | Pension expenses | Other benefits | Total | Salary | Pension expenses | Other benefits | Total |
| Håkan Ericsson, President and Group CEO | 94 | 2.8 | 0.1 | 12.3 | 91 | 2.7 | 0.1 | 11.9 |
| Total, President | 9.4 | 2.8 | 0.1 | 12.3 | 9.1 | 2.7 | 0.1 | 11.9 |
| Johanna Allert | 2.4 | 0.7 | 0.1 | 3.2 | 2.2 | 0.6 | 0.1 | 2.9 |
| Gunilla Berg | 4.4 | 1.3 | 0.1 | 5.8 | 4.3 | 1.3 | 0.0 | 5.6 |
| Henning Christiansen (to June 30, 2016) ¹⁾ | 8.2 | 0.0 | 0.1 | 8.3 | 3.6 | 0.0 | 0.1 | 3.7 |
| Joss Delissen (to Dec. 31, 2015) | 3.0 | 0.9 | 0.0 | 3.9 | 3.1 | 0.9 | 0.0 | 4.0 |
| Björn Ekstedt (from Feb. 1, 2016) | 2.5 | 0.8 | 0.1 | 3.4 | - | - | - | - |
| Andreas Falkenmark | 3.8 | 1.1 | 0.1 | 5.0 | 4.0 | 1.2 | 0.1 | 5.3 |
| Annemarie Gardshol | 3.6 | 1.1 | 0.0 | 4.7 | 3.5 | 1.1 | 0.0 | 4.6 |
| Finn Hansen | 3.9 | 0.0 | 0.0 | 3.9 | 3.8 | 0.0 | 0.0 | 3.8 |
| Anders Holm | 3.3 | 1.0 | 0.1 | 4.4 | 3.3 | 0.9 | 0.1 | 4.3 |
| Tim Jørnson (acting, from July 1, 2016) | 1.8 | 0.5 | 0.0 | 2.3 | - | - | - | - |
| Peter Kjaer Jensen | 3.5 | 0.4 | 0.1 | 4.0 | 2.9 | 0.9 | 0.1 | 3.9 |
| Kristina Lilja | 2.1 | 0.6 | 0.0 | 2.7 | 2.0 | 0.6 | 0.0 | 2.6 |
| Per Mossberg | 3.1 | 0.9 | 0.1 | 4.1 | 3.1 | 0.9 | 0.1 | 4.1 |
| Robin Olsen | 3.2 | 0.2 | 0.3 | 3.7 | 3.6 | 0.2 | 0.2 | 4.0 |
| Jan Starrsjö | 2.1 | 0.6 | 0.0 | 2.7 | - | - | - | - |
| Total, other Group Executive Team | 50.9 | 10.1 | 1.1 | 62.1 | 39.4 | 8.6 | 0.8 | 48.8 |
| Total, Group Executive Team | 60.3 | 12.9 | 1.2 | 74.4 | 48.5 | 11.3 | 0.9 | 60.7 |

¹⁾ Includes provision for severance payments settled.

Note 5 (cont.)

Benefits to senior executives

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

In the case of senior executives employed in Denmark, the pension cost is included in the salary and the pensionable age complies with legislation in Denmark. In Norway, senior executives are subject to Norwegian labor law and the same pension conditions as for other employees. The pensionable age is 65 years.

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

The period of notice of termination for other members of the Group Executive Team is 6-12 months by the Company and 6 months by the individual. If the employment is terminated at the employer's initiative, severance compensation corresponding to the value of the person's monthly salary will be paid for a maximum of 12 months. Whenever a new employment contract is signed, the value of company car benefit is not nowadays included in the calculation of the severance compensation. Older employment contracts still exist, in which the value of company car benefit is included in the basis of calculation for severance compensation.

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

Summary of guidelines on compensation to senior executives, adopted at the Annual General Meeting held on April 28, 2016

The total remuneration for executives shall be well-balanced, competitive, capped, reasonable and fit-for-purpose, and should be in keeping with

sound ethics and a healthy corporate culture. The remuneration shall not be pay-setting relative to comparable enterprises, but shall be characterized by restraint.

Individual premium-based pension plans are contracted for the President & Group CEO and other senior executives of the Group who are employed in Sweden, with contributions not to exceed 30 percent of the fixed monthly salary. The required insurance policies are contracted within the scope of this charge. The pensionable age is currently 62 or 65 years. In future recruitment, this will be 65 years. For executives employed in Denmark and Norway, premium-based pensions are provided to their full extent, and the pensionable age shall be in line with the guidelines and practice in the respective country.

In new employment contracts, the period of notice where the employment is terminated by the employer shall not exceed six months. Employment contracts signed earlier, with a period of notice of 12 months where employment is terminated by the employer, shall continue to apply. Where the contract is terminated by the executive, the period of notice shall be six months. Where the employment is terminated by the employer, severance compensation may be paid in an amount corresponding to no more than 12 months' salary. If the employee takes up new employment or receives income from other business activities, the salary paid during the notice period and the severance pay will be reduced by an amount corresponding to the new income.

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

| Gender representation among senior executives, % | Dec. 31, 2016 | | Dec. 31, 2015 | |
|--|---------------|-------|---------------|-------|
| | % Women | % Men | % Women | % Men |
| Group Board of Directors | 38 | 62 | 38 | 62 |
| Group Management | 29 | 71 | 31 | 69 |
| Board members and presidents of subsidiaries | 36 | 64 | 39 | 61 |

| Benefits till Board of Directors of Group and PostNord AB, SEK ⁽¹⁾²⁾ | Audit Committee | Remuneration Committee | 2016 | 2015 |
|---|--------------------|------------------------|--------------|--------------|
| Jens Moberg | | Chair of the Board | 678 | 638 |
| Gunnel Duveblad | Chair of the Board | | 332 | 313 |
| Mette Grunnet (from April 1, 2016) | Member | | 244 | - |
| Sisse Fjelsted Rasmussen (to March 31, 2016) | Member | | 75 | 300 |
| Christian Ellegaard | Member | | 319 | 300 |
| Magnus Skåninger | Member | | - | - |
| Anitra Steen | | Member | 294 | 275 |
| Mats Abrahamsson | | Member | 294 | 275 |
| Torben Janholt | | Member | 294 | 275 |
| Total | | | 2,526 | 2,376 |

¹⁾ Board members are entitled to invoice via a company or sole proprietorship, including associated social insurance costs. However this is done, it is cost-neutral to PostNord.

²⁾ Amounts recognized consist of fees for Board and committee work approved at the 2015 and 2016 AGMs in respect of work performed in the 2016 financial year.

| Remuneration approved by Annual General Meeting, held on April 28, 2016, SEK | Board of Directors | Audit Committee | Remuneration Committee |
|--|--------------------|-----------------|------------------------|
| Chair of the Board | 650 | 63 | 38 |
| Member | 275 | 50 | 25 |

Note 6 Other expenses

| SEKm | 2016 | 2015 |
|---|--------------|--------------|
| Costs of premises | 2,108 | 2,104 |
| Provisions ¹⁾ | 97 | 73 |
| Terminal fees | 1,220 | 1,198 |
| Cost of goods and materials | 786 | 889 |
| Procured IT resources | 1,601 | 1,499 |
| Capitalized production costs on own account, IT | -173 | -58 |
| Other | 3,954 | 3,702 |
| Total | 9,593 | 9,407 |
| Provisions and reversals regarding restructuring initiatives | | |
| PostNord Sweden | 27 | 4 |
| PostNord Denmark | 40 | 31 |
| PostNord Norway | - | - |
| PostNord Strålfors | 30 | 7 |
| Other countries and eliminations | - | 31 |
| Total | 97 | 73 |

¹⁾ See also Note 23 Other provisions. Figures for the preceding year have been restated as a result of reallocation of costs of provisions between personnel expenses and other operating expenses.

Note 7 Fees and reimbursement of expenses to auditors

| SEKm | 2016 | 2015 |
|-------------------------|-----------|-----------|
| KPMG | | |
| Auditing assignments | 10 | 12 |
| Other auditing services | 2 | 2 |
| Tax consultancy | 1 | 1 |
| Other services | 1 | 1 |
| Total | 14 | 16 |

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 | 2016 | 2015 |
|-----------------------------------|------------|-------------|
| Financial income | | |
| Interest income | 7 | 12 |
| Interest income, pensions | 25 | - |
| Other financial income | 17 | 9 |
| Total | 49 | 21 |
| Financial expenses | | |
| Interest expenses | -64 | -83 |
| Interest expenses, pensions | 0 | -25 |
| Interest expenses, finance leases | 0 | 0 |
| Other financial expenses | -10 | -11 |
| Net change in exchange rates | 0 | -14 |
| Total | -74 | -134 |
| Net financial items | -25 | -113 |

See also Note 27 Financial risk management and financial instruments; for more information on interest expense relating to pensions, see also Note 22 Pensions.

Note 9 Tax

| SEKm | 2016 | 2015 |
|---|-------------|-------------|
| Current tax | -57 | -55 |
| Deferred tax | | |
| Change in deferred tax in property, plant and equipment | -39 | 224 |
| Other temporary differences in balance sheet items | -187 | -336 |
| Change in deferred tax in tax loss carry-forwards | -192 | -6 |
| Total | -418 | -118 |
| Total tax | -475 | -173 |

| | 2016 | | 2015 | |
|---|------|--------------------|------|-------------------|
| | % | SEKm | % | SEKm |
| Reconciliation of effective tax rate | | | | |
| Pre-tax income | 22 | -1,108 | 22 | 451 |
| Tax at current tax rate for Parent Company | | 244 | | -99 |
| Non-deductible expenses | | -208 ¹⁾ | | -35 ¹⁾ |
| Tax-exempt income | | 6 | | 3 |
| Unused tax losses on companies sold | | -57 | | - |
| Effect of unused tax losses | | -271 | | -20 |
| Revaluation of deferred tax | | -133 | | - |
| Tax attributable to previous year | | -24 | | - |
| Effect of changes in tax rates | | 1 | | -8 |
| Effect of other tax rates in foreign subsidiaries | | -9 | | -5 |
| Other | | -24 | | -9 |
| Total | | -475 | | -173 |

¹⁾ Of which SEK -176m (-22) consists of impairment losses on goodwill and participations in associated companies.

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

Note 10 Non-current intangible assets

| SEKm | Goodwill | | Other non-current intangible assets | | | | | |
|---|--------------|--------------|-------------------------------------|---------------|--------------------------------------|---------------|---|---------------|
| | Goodwill | | Licenses and similar assets | | Capitalized development expenditures | | Total other non-current intangible assets | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Accumulated cost, opening balance | 3,300 | 3,380 | 1,778 | 2,432 | 2,553 | 2,064 | 4,331 | 4,496 |
| Acquisition of subsidiaries/business | 14 | 58 | - | 15 | - | - | - | 15 |
| Sale of subsidiaries | -59 | - | -4 | - | -16 | - | -20 | - |
| Investments during the year | - | - | 6 | 27 | 175 | 55 | 181 | 82 |
| Disposals/scrapping | - | - | -32 | -156 | -365 | -12 | -397 | -168 |
| Reclassifications | - | - | 41 | -477 | 58 | 477 | 99 ¹⁾ | - |
| Translation differences | 149 | -138 | 62 | -63 | 48 | -31 | 110 | -94 |
| Accumulated historical costs at year-end | 3,404 | 3,300 | 1,851 | 1,778 | 2,453 | 2,553 | 4,304 | 4,331 |
| Depreciation, opening balance | - | - | -1,212 | -1,440 | -1,399 | -1,047 | -2,611 | -2,487 |
| Depreciation for the year | - | - | -144 | -221 | -200 | -156 | -344 | -377 |
| Acquisition of subsidiaries/business | - | - | - | -2 | - | - | - | -2 |
| Sale of subsidiaries | - | - | 2 | - | 13 | - | 15 | - |
| Disposals/scrapping | - | - | 28 | 155 | 296 | 22 | 324 | 177 |
| Reclassifications | - | - | - | 250 | -30 | -250 | -30 ¹⁾ | - |
| Translation differences | - | - | -48 | 46 | -37 | 32 | -85 | 78 |
| Accumulated depreciation at year-end | - | - | -1,374 | -1,212 | -1,357 | -1,399 | -2,731 | -2,611 |
| Impairments, opening balance | -64 | -8 | -19 | -86 | -746 | -604 | -765 | -690 |
| Impairment losses for the year | -796 | -58 | -2 | -9 | -4 | -73 | -6 | -82 |
| Sale of subsidiaries | 59 | - | 2 | - | 3 | - | 5 | - |
| Disposals/scrapping | - | - | - | - | 51 | - | 51 | - |
| Reclassifications | - | - | - | 76 | - | -76 | - | - |
| Translation differences | -3 | 2 | 6 | - | -10 | 7 | -4 | 7 |
| Accumulated impairments at year-end | -804 | -64 | -13 | -19 | -706 | -746 | -719 | -765 |
| Closing balance | 2,600 | 3,236 | 464 | 547 | 390 | 408 | 854 | 955 |

¹⁾ Reclassification from property, plant and equipment.

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, 2016 added up to a carrying amount of SEK 390m (408).

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

Licenses and similar assets on December 31, 2016, totaled a carrying amount of SEK 464m (547).

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 2016. For more on amortization/depreciation periods used, see Note 1 Accounting principles. For more on acquisitions of intangible assets through acquisition of subsidiaries, see Note 30 Acquisitions and disposals.

Other non-current intangible assets have been impairment-tested. As a result impairments of SEK 6m (82) have been applied, attributable mainly to capitalized development expenditures for system support.

Goodwill

Goodwill is recognized as a non-current intangible asset with an indeterminable useful life at historical cost less accumulated impairment losses. Goodwill on December 31, 2016 was valued at a carrying amount of SEK 2,600m (3,236).

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 (%) | |
|-----------------------------|------------------------|--------------|--|--------|------------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| PostNord Sweden | 1,056 | 1,054 | 0.5 | 1 | 10.3 | 12.8 |
| PostNord Denmark | - | 739 | - | 1 | - | 12.3 |
| PostNord Norway | 950 | 861 | 1.6 | 2.6 | 8.9 | 12.1 |
| PostNord Strålfors | 436 | 430 | 1 | 2 | 12.9 | 11.9 |
| PostNord Finland | 149 | 143 | 2 | 3 | 10.7 | 14.5 |
| Other cash-generating units | 9 | 9 | -2-2 | -1-2.5 | 10-12.2 | 11.9-12.6 |
| Total goodwill | 2,600 | 3,236 | | | | |

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 other than PostNord Denmark have been calculated from the value in use, by discounting anticipated future cash flows based on the management's three-year business plan, with extrapolation of net cash flows after the said three-year period. Management's assumptions and assessments reflect historical experience, analysis of external trends and other available external information. The most important assumptions used in determining future cash flows are estimated volume growth in net sales, changes in costs and working capital requirements. All assumptions are applied per cash-generating unit or group of cash-generating units. The rate of growth in the terminal period, that is, after the three-year forecast period, is assumed to be -2% to 2% (-1% to 3%) and the discount rate before tax to be 8.9-12.9% (11.9-14.5%). In determining the discount rate, factors taken into account include type of business and risk and size premium.

Fair value less selling costs

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

The fair value of the assets has been calculated on the basis of the discounted cash flows. The most important assumptions are sales, changes in costs and working capital requirements. The forecast period is five years and is based on management's business plan for PostNord Denmark for the 2017-2019 period and a forecast for the following period, 2020-2021, together with the present value of an estimated terminal value. The discount rate used is a WACC of 12%, which is equivalent to an interest rate of 15.4% before tax.

During impairment testing in connection with the year-end accounts, an impairment loss emerged in the PostNord Denmark cash-generating unit. As a result, goodwill was amortized in the amount of SEK 796m to zero. The remaining negative value also indicates an impairment loss in property, plant and equipment. At this stage, the difference between fair values and carrying amounts has, in accordance with IAS 36-105, been assessed at asset level. The assessment resulted in impairment losses of SEK 389m, attributable to buildings, tenancy adjustments and sorting equipment in connection with the mail business, to SEK 1,638m, representing the recoverable amount of the tangible non-current assets in the cash-generating unit PostNord Denmark (see also Note 11).

Sensitivity analysis for remaining goodwill

The sensitivity in the calculations by the cash-generating units other than PostNord Denmark, whose goodwill has been amortized in entirety to zero, indicates that the goodwill value could be sustained in the event of reasonable changes to important assumptions other than for PostNord Norway.

The sensitivity in the calculations by the cash-generating unit PostNord Norway indicates that the goodwill value could not be sustained if the long-term operating margin declined by 0.5%, the discount rate rose by 0.5 percent, or if the long-term rate of growth declined by 0.5 percent, compared to the discount rate of 7.4% after tax and the 1.6% 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 | |
|--|--------------------|----------------------|-------------------------|----------------|---|------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Accumulated costs, opening balance | 5,850 | 7,272 | 15,769 | 15,922 | 536 | 448 | 22,155 | 23,642 |
| Acquisition of subsidiaries | - | 39 | - | 5 | - | 17 | - | 61 |
| Other acquisitions | 103 | 45 | 826 | 604 | 72 | 378 | 1,001 | 1,027 |
| Disposals/scrapping | -114 | -33 | -1,883 | -790 | -12 | - | -2,009 | -823 |
| Reclassifications | 13 ¹⁾ | -1,208 ¹⁾ | -10 ¹⁾ | 335 | -191 | -294 | -188 | -1,167 |
| Translation differences | 229 | -265 | 338 | -307 | 15 | -13 | 582 | -585 |
| Accumulated costs at year-end | 6,081 | 5,850 | 15,040 | 15,769 | 420 | 536 | 21,541 | 22,155 |
| Depreciation, opening balance | -1,637 | -2,075 | -11,795 | -11,597 | - | - | -13,432 | -13,672 |
| Depreciation for the year | -132 | -143 | -1,075 | -1,172 | - | - | -1,207 | -1,315 |
| Acquisition of subsidiaries | - | - | - | -5 | - | - | - | -5 |
| Disposals/scrapping | 29 | 22 | 1,790 | 744 | - | - | 1,819 | 766 |
| Reclassifications | 22 ¹⁾ | 465 ¹⁾ | 32 ¹⁾ | 8 | - | - | 54 | 473 |
| Translation differences | -81 | 94 | -256 | 227 | - | - | -337 | 321 |
| Accumulated depreciation at year-end | -1,799 | -1,637 | -11,304 | -11,795 | - | - | -13,103 | -13,432 |
| Impairments, opening balance | -16 | -6 | -43 | -41 | - | - | -59 | -47 |
| Impairment losses for the year ²⁾ | -178 | -10 | -286 | -2 | - | - | -464 | -12 |
| Disposals/scrapping | 29 | - | 48 | - | - | - | 77 | - |
| Reclassification | 1 | - | 2 | - | - | - | 3 | - |
| Translation differences | - | - | -1 | - | - | - | -1 | - |
| Accumulated impairments at year-end | -164 | -16 | -280 | -43 | - | - | -444 | -59 |
| Closing balance | 4,118 | 4,197 | 3,456 | 3,931 | 420 | 536 | 7,994 | 8,664 |

¹⁾ Reclassification to other intangible non-current assets SEK 69m (-) and assets held for sale SEK 62m (639).

²⁾ Of impairment losses for the year, SEK 389m was attributable to impairment in Denmark - SEK 157m in buildings and SEK 232m in machinery and equipment.

Note 12 Leased machinery, equipment and property leases

Operating leases

During the year, the Group paid lease charges of SEK 1,384m (1,308). Outstanding lease charges at the end of the period, at the exchange and interest rates prevailing for the Group, totaled SEK 4,945m (4,907). The minimum lease charges for operating leases fall due for payment as follows:

| SEKm | Machinery and equipment | | Premises | |
|----------------------------|-------------------------|------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Within 1 year | 72 | 74 | 1,172 | 1,173 |
| Between one and five years | 81 | 92 | 2,438 | 2,449 |
| More than five years | - | - | 1,181 | 1,119 |
| Total | 153 | 166 | 4,791 | 4,741 |

Finance leases

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

| SEKm | Minimum lease payments | | Interest | | Present value | |
|----------------------------|------------------------|-----------|----------|----------|---------------|-----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | Within 1 year | 6 | 9 | 0 | 1 | 6 |
| Between one and five years | 6 | 11 | 0 | 1 | 6 | 10 |
| Total | 12 | 20 | 0 | 2 | 12 | 18 |

Financial lease assets

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

| SEKm | 2016 | 2015 |
|---------------------------------|------------|------------|
| Accumulated costs | | |
| Machinery and equipment | 100 | 91 |
| Closing balance | 100 | 91 |
| Accumulated depreciation | | |
| Machinery and equipment | -84 | -76 |
| Closing balance | -84 | -76 |
| Carrying amount | 16 | 15 |

Lease charges under financial leases amounted to SEK 6m (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 68m (68). The company e-Boks A/S has its registered office in Copenhagen, Denmark, and is owned 50%.

During the year, Post Danmark A/S acquired a 25% share in the associated company eHUBnordic ApS. The company's book value at year end was SEK 1m. The company eHUBnordic ApS has its registered office in Copenhagen, Denmark.

Participations in joint ventures

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

Note 14 Financial investments

| SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|--|---------------|---------------|
| Financial investments treated as non-current assets | | |
| Endowment insurance | 170 | 152 |
| Other non-current investments | 92 | 98 |
| Closing balance | 262 | 250 |
| Short-term investments treated as current assets | | |
| Other short-term investments | 351 | - |
| Closing balance | 351 | - |

Note 15 Non-current receivables

| SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|--|---------------|---------------|
| Funded defined-benefit disability pension plans measured in accordance with IAS 19 | 790 | 867 |
| Defined-benefit pension plans measured in accordance with IAS 19 | 410 | 1,000 |
| Deposits, property leases | 35 | 41 |
| Other | 66 | 37 |
| Total | 1,301 | 1,945 |

Note 16 Deferred tax

| SEKm | 2016 | | | | 2015 | | | |
|---------------------------------|-----------------|-------------------------------------|--|-----------------|-----------------|-------------------------------------|--|-----------------|
| | Opening balance | Recognized via the income statement | Acquisition/divestment of business, recognized in Other comprehensive income | Closing balance | Opening balance | Recognized via the income statement | Acquisition/divestment of business, recognized in Other comprehensive income | Closing balance |
| Deferred tax assets | | | | | | | | |
| Other provisions | 376 | -271 | -4 | 101 | 441 | -65 | - | 376 |
| Loss carry-forwards | 206 | -192 | -2 ¹⁾ | 12 | 212 | -6 | - | 206 |
| Finance leases | - | - | - | - | 1 | -1 | - | - |
| Current assets | 2 | 3 | - | 5 | - | 2 | - | 2 |
| Offset against liabilities | -99 | - | 104 | 4 | -88 | - | -11 | -99 |
| Total | 484 | -460 | 98 | 122 | 566 | -70 | -11 | 484 |
| <i>Of which, outside Sweden</i> | <i>234</i> | <i>-</i> | <i>-</i> | <i>41</i> | <i>194</i> | <i>-</i> | <i>-</i> | <i>234</i> |
| Deferred tax liability | | | | | | | | |
| Non-current intangible assets | -16 | -4 | - | -20 | -21 | 5 | - | -16 |
| Property, plant and equipment | -274 | -39 | 1 ¹⁾ | -312 | -498 | 224 | - | -274 |
| Current assets | - | - | - | - | -14 | 14 | - | - |
| Provision for pensions | -669 | 85 | 88 | -496 | -205 | -291 | -173 | -669 |
| Offset against receivables | 99 | - | -104 | -4 | 88 | - | 11 | 99 |
| Total | -861 | 42 | -15 | -832 | -650 | -48 | -162 | -861 |
| <i>Of which, outside Sweden</i> | <i>-76</i> | <i>-</i> | <i>-</i> | <i>-145</i> | <i>-229</i> | <i>-</i> | <i>-</i> | <i>-76</i> |

¹⁾ Divested business.

Receivables and liabilities in Sweden have been recognized at SEK 255m (300) net, while other receivables and liabilities have been recognized gross. Receivables outside Sweden have been recognized at SEK 41m (234) and liabilities at SEK 145m (76).

Dates payment due, tax amounts

| SEKm | Capitalized loss carry-forwards | | Loss carry-forwards where deferred tax assets not recognized | |
|---------|---------------------------------|------|--|------|
| | 2016 | 2015 | 2016 | 2015 |
| Not due | 12 | 206 | 266 | 108 |

Loss carry-forwards where deferred tax assets were not recognized totaled SEK 266m (-) in Denmark, and SEK -m (102) in France.

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 amounting to SEK 255m (-) have not been recognized.

Note 17 Inventories

| SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|------------------------|---------------|---------------|
| Goods for resale etc. | 52 | 67 |
| Raw materials | 48 | 83 |
| Closing balance | 101 | 150 |

The major share of the goods for resale are held at PostNord Group AB. Raw materials are held at Strålfors.

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

Note 18 Prepaid expenses and accrued income

| SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|----------------------------|---------------|---------------|
| Accrued postal charges | 93 | 95 |
| Accrued commission income | 0 | 2 |
| Prepaid rent | 220 | 275 |
| Prepaid insurance premiums | 25 | 25 |
| Prepaid salaries | 127 | 133 |
| Terminal fees | 423 | 461 |
| Derivatives | 13 | 1 |
| Other items | 227 | 259 |
| Closing balance | 1,128 | 1,251 |

Note 19 Cash and cash equivalents

| SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---------------|---------------|
| Cash and bank balances | 1,036 | 1,894 |
| Short-term investments treated as cash and cash equivalents | 541 | - |
| Closing balance | 1,577 | 1,894 |

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.

Not 20 Earnings per share

| SEK | 2016 | 2015 |
|---------------------------|--------------|-------------|
| Earnings per share | -0.79 | 0.14 |

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 22 Pensions

Note 1 Accounting principles includes a description of PostNord's pension plans. The Group operates both defined-benefit and defined-contribution pension plans. There are also a small number of personnel categories that are entitled to a retirement pension under special arrangements made at corporatization. Postens Pensionsstiftelse (the Posten Pension Fund) secures pension obligations for PostNord Group AB and PostNord Sverige AB. For more information on internal dealings between the Group and Postens Pensionsstiftelse, see the section Assets under management and Note 28 Related party transactions. Postens Pensionsstiftelse is regulated under Tryggandelagen (1967:531) (the Swedish Pension Obligations Vesting Act). Postens Pensionsstiftelse is supervised by the Stockholm County Administrative Board and Finansinspektionen (the Swedish Financial Supervisory Authority). In 2016, following agreement with the principal parties, PostNord changed to PRI's calculation principles from those of the Swedish Financial Supervisory Authority regarding ITP-P defined-benefit pensions under Tryggandelagen. PostNords Försäkringsförening is regulated under Swedish Friendly Societies Act (1972:262) and is under the supervision of Finansinspektionen. As a result, PostNords Försäkringsförening must maintain a capital base that exceeds the required solvency margin. The pension plan in Norway is regulated under the Norwegian Company Pension Scheme Act, while in France the pension plan is governed by collective agreement in the graphical sector. The Group's pension obligation is 99.99% (99.98) attributable to pension benefits earned in its Swedish companies. The remaining amount is accounted for by the Group's French business (divested in 2016) and its Norwegian business.

| Provisions for pensions and similar obligations, SEKm | 2016 | 2015 |
|--|---------------|---------------|
| Pension obligations, OB | 19,843 | 20,916 |
| Transfer to assets under management | - | -8 |
| Costs relating to service during current year ¹⁾ | 315 | 307 |
| Interest expense ²⁾ | 572 | 526 |
| Occupational pensions | 39 | 65 |
| Payments of benefits | -1,097 | -1,071 |
| Actuarial gains (-) and losses (+) - change in financial assumptions ³⁾ | 1,072 | -1,115 |
| Actuarial gains (-) and losses (+) - change in demographic assumptions ³⁾ | 0 | 0 |
| Actuarial gains (-) and losses (+) - experience-based ³⁾ | 86 | 223 |
| Pension obligations, CB | 20,829 | 19,843 |

| Specification, net, commitment and asset, SEKm | 2016 | | | 2015 | | |
|---|--------------------------|---------------------|------------|--------------------------|---------------------|------------|
| | Net commitment and asset | Special payroll tax | Total | Net commitment and asset | Special payroll tax | Total |
| Funded defined-benefit disability pension plans ¹⁾ | 790 | - | 790 | 867 | - | 867 |
| Unfunded non-vested pensions ²⁾ | -669 | -162 | -831 | -712 | -173 | -885 |
| Work-related injuries ²⁾ | - | - | -35 | - | - | -39 |
| Funded pensions ¹⁾ | 1,519 | 368 | 1,887 | 1,912 | 464 | 2,376 |
| Unfunded vested pensions ¹⁾ | -1,549 | 72 | -1,477 | -1,503 | 126 | -1,377 |
| | 91 | 278 | 334 | 564 | 417 | 942 |

¹⁾ See Note 15 Non-current receivables.

²⁾ See Note 23 Other provisions.

Note 21 Interest-bearing liabilities

| SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---------------|---------------|
| Non-current interest-bearing liabilities | | |
| Liabilities to credit institutions | 1,537 | 3,520 |
| Finance leases | 9 | 19 |
| Other non-current liabilities | 170 | 166 |
| Closing balance | 1,716 | 3,705 |
| Current interest-bearing liabilities | | |
| Liabilities to credit institutions | 2,008 | 100 |
| Bank overdraft facilities utilized | 13 | 23 |
| Finance leases | 8 | 11 |
| Closing balance | 2,029 | 134 |

See also Note 27 Financial risk management and financial instruments.

| Provisions for pensions and similar obligations, SEKm (cont.) | 2016 | 2015 |
|---|---------------|---------------|
| Assets under management, fair value OB | 20,407 | 19,649 |
| Transfer from obligation | - | 8 |
| Interest income | 595 | 501 |
| Contributions from employer | 90 | 85 |
| Credit | -909 | - |
| Payments of benefits | -76 | -76 |
| Actual return above (+) and below (-) interest income | 814 | 240 |
| Assets under management, fair value CB | 20,921 | 20,407 |
| Change in net assets or net debt | | |
| Present value of defined-benefit obligations | 20,829 | 19,843 |
| Assets under management, fair value | -20,920 | -20,407 |
| Net (asset -, liability +) at year-end excluding special payroll tax⁴⁾ | -91 | -564 |
| Work-related injuries | 35 | 39 |
| Special payroll tax | -278 | -417 |
| Net (asset -, liability +) in Statement of changes in financial position including work-related injuries and effect of special payroll tax | -334 | -942 |

¹⁾ Costs of earned entitlement consist of SEK 290m (278) for funded plans and the remainder for unfunded plans

²⁾ Of the interest expense, SEK 509m (465) is attributable to funded plans and the remainder to unfunded plans

³⁾ Of actuarial gains and losses, SEK 998m (-765) 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.

Note 22 (cont.)

In the course of 2017, the Group anticipates paying benefits totaling SEK 951m (996) under defined-benefit plans. The weighted duration of the pension commitment is 14 (14) years.

When the value of the assets under management exceeds the present value of the pension calculation, this results in an asset for the Group (see Non-current receivables). The Group judges that the value of asset exceeds the present value of future repayments from the plan and has lowered future payments into the plan.

Provision for non-vested pensions

PostNord is liable for its Swedish subsidiaries' non-vested pension commitments under "interim provisions". These provisions apply to certain personnel who, under the terms of their employment, are entitled to retire at 60 or 63 years of age. A condition is that the employee had to have reached the age of 28 years by no later than January 1, 1992 and remained in the same function thereafter. The total obligation, calculated in accordance with the Pension Obligations Vesting Act, for pensions under the interim provisions was SEK 2,378m (2,495) on December 31, 2016. Experience indicates that on average 25% of those eligible exercise their right under the interim provisions, and so the provision is set at this proportion of the total obligation. The amount recognized as a liability totals SEK 693m (764), including special payroll tax. The obligation is included in the balance of Unfunded pension plans, non-vested pensions.

PostNord bears liability for an obligation, known as the ultimate liability, that PostNord Group AB assumed at its corporatization. This obligation was previously recognized as a contingent liability. At the time of transition to IAS 19, a provision was made for this obligation. On the basis of available information, this obligation was calculated at SEK 138m (121) on December 31, 2016. 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, 2016 was SEK 35m (44). 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 | 2016 | 2015 |
|--|--------------|--------------|
| Costs relating to service during current year | 315 | 307 |
| Interest expense (plus) and interest income (minus) ¹⁾ | -22 | 25 |
| Occupational pensions | 39 | 65 |
| Defined-benefit pension plans | 332 | 396 |
| Defined-contribution pension plans | 943 | 951 |
| Other pension expenses | 88 | 28 |
| Recognized within net financial items | 22 | -25 |
| Total pension expenses | 1,385 | 1,351 |

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 are based on the assumptions described below. These assumptions are calculated as weighted mean values for the particular pension plan. Changes in any of these fundamental assumptions may have considerable impact on estimated pension commitments, financing requirements and annual pension expenses.

| Actuarial assumptions, % | Dec. 31, 2016 | Dec. 31, 2015 | Dec. 31, 2014 |
|------------------------------|---------------|---------------|---------------|
| Discount rate | 2.60 | 3.00 | 2.60 |
| Future annual pay rises | 2.40 | 2.40 | 2.40 |
| Change in income base amount | 3.00 | 3.00 | 3.00 |
| Inflation | 1.50 | 1.50 | 1.50 |
| Employee turnover | 4.50 | 4.50 | 4.50 |
| Lifetime obligation | FFFS 2007:31 | FFFS 2007:31 | FFFS 2007:31 |

The expenses for 2016 are based on the actuarial assumptions established at the beginning of the year. At the end of 2016, PostNord established assumptions that were applied to the calculation of the outcome as per December 31, 2016. These actuarial assumptions are also used in the forecast for expenses in 2017. In the process, it was also taken into account that all assumptions used in the valuation should in the long term be mutually compatible.

The discount rate is determined in accordance with IAS 19, that is, on the basis of high-quality corporate bonds traded on an active market as defined by IFRS, by reference to the Swedish housing bond market. Against this background, management takes the view that the discount rate applied reflects the time value of money and offers a reasonable present value for the Group's pension obligations. Future annual salary increases reflect anticipated percentage pay rises, as a composite product of inflation, period of service and rank. The income base amount is determined annually by the government and is used, for example, to establish the ceiling for pensionable pay in the national pension system. The Group has elected for an assumed inflation rate of 1.5%. This reflects the view of the actors in the financial markets regarding inflation in the pricing of securities, that is, implicit inflation. A rate of 1.5% is assumed to reflect expectations of future inflation and is more mutually compatible with the reference interest rate from the housing bond market. The personnel turnover is the composite expectation for future business growth, real pay rises and the productivity growth required to maintain profitability. It also takes into account the personnel turnover experienced over recent years. The factor of average remaining service life is determined on the basis of the current age breakdown for the Group's employees. The life expectancy assumption is based on Finansinspektionen's directions, published as FFFS 2007:31. A new analysis of mortality rates was conducted via the DUS 14 study. PostNord is not a service enterprise in that sense, but the demographics accord very closely with FFFS 2007:31. Against that background, no change is being made to mortality assumptions and PostNord will continue to apply FFFS 2007:31.

Alecta

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

Assets under management

Total assets under management amounted to SEK 20,921m (20,407). The major share of the Group's assets under management are administered by Postens Pensionsstiftelse, SEK 19,174m (18,623). Other assets under management consist of assets in PostNords Försäkringsförening, SEK 1,712m (1,729), pension insurance with Skandia SEK 35m (55) and assets under management relating to Norwegian pension plans. Real return on assets under management totalled SEK 1,409m (741), including interest income of SEK 595m (501).

The activities of Pensionsstiftelsen are governed by an investment policy subject to the approval by its Board of Directors. The assets transferred by PostNord to Pensionsstiftelsen are to generate a reasonable return. To achieve this, a degree of risk-taking is necessary. In order to prevent the level of risk becoming excessive, Pensionsstiftelsen diversifies its investments over various asset categories.

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.

Note 22 (cont.)

The asset allocation and Pensionsstiftelsen's management shall ensure that the long-term target for return on investment is achieved, at a level of risk that is justifiable and reasonable. The return achieved on asset management varies from year to year, depending on a range of separate external factors. This means that the return on investment target is to be regarded as a target for return achieved over a longer term.

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

39% of Pensionsstiftelsen's assets are traded in an active market. The asset allocation at Pensionsstiftelsen on December 31 was as follows: fixed-income and high-yield SEK 2,934m (2,500), cash and cash equivalents including forward contracts SEK 1,420m (2,114), unlisted assets SEK 10,356m (9,658m) and shares SEK 4,458m (4,401).

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.

Sensitivity analysis

At year-end 2016, PostNord had funded pension commitments of SEK 18,611m (17,628) and assets under management of SEK 20,921m (20,407). In addition to funded commitments, a pension liability is provided for on the statement of financial position, divided into vested pension commitments of SEK 1,549m (1,503) and non-vested pension commitments of SEK 669m (712). 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 25% of the total obligation is made under these provisions, since this is what experience has shown is the take-up rate. Special payroll tax is also taken into account. Any change in the obligation as required by the interim provisions as a result of any change in the take-up rate is recognized as income or expense. For more information on the impact on income from changes in take-up rate in interim provisions, see table.

| Sensitivity analysis, SEKm | Change | Impact on income | | Impact on statement of financial position items and other comprehensive income | | |
|---|-------------|------------------------------|---------------------|--|----------------------------------|--|
| | | Forecast cost (service cost) | Net financial items | Impact on pension liability | Impact on market value of assets | Impact after tax on other comprehensive income |
| Actuarial assumptions | | | | | | |
| Change in discount rate and anticipated return on assets under management | +0.1% point | 4 | 8 | -273 | - | -213 |
| | -0.1% point | -5 | -8 | 280 | - | 218 |
| Change in actual return on assets under management | +0.1% point | 0 | 1 | - | -21 | -16 |
| | -0.1% point | 0 | -1 | - | 21 | 16 |
| Change in pay | +0.5% point | -14 | -8 | 321 | - | 250 |
| | -0.5% point | 13 | 8 | -296 | - | -231 |
| Change in income base amount | +0.5% point | 3 | 2 | -85 | - | -67 |
| | -0.5% point | -5 | -3 | 99 | - | 77 |
| Change in inflation | +0.5% point | -18 | -32 | 1,250 | - | 975 |
| | -0.5% point | 16 | 30 | -1,147 | - | -895 |
| Life expectancy, years | +1 year | -9 | -19 | 746 | - | 582 |
| | -1 year | 8 | 19 | -740 | - | -577 |
| Take-up rate, rights under interim provisions | | | | | | |
| Change in take-up rate, rights under interim provisions | +5.0% point | -3 | -3 | 112 | - | 87 |
| | -5.0% point | 3 | 3 | -111 | - | -87 |

Note 23 Other provisions

| 2016 Jan-Dec, SEKm | Opening balance | Provisions | Reversals | Utilizations | Impact of translation | Closing balance |
|--|-----------------|------------|------------|--------------|-----------------------|-----------------|
| Restructuring measures | | | | | | |
| Provision for personnel and other cutbacks | 1,310 | 274 | -31 | -556 | 51 | 1,048 |
| Non-vested pension commitments | | | | | | |
| Special payroll tax | 173 | 9 | - | -44 | 24 | 162 |
| Non-vested pension commitments in accordance with IAS 19 | 712 | 39 | - | -180 | 98 | 669 |
| Other | | | | | | |
| Work-related injuries | 39 | 1 | - | -5 | - | 35 |
| Provision for anniversary bonus | 127 | - | - | -61 | 6 | 72 |
| Total | 2,361 | 323 | -31 | -846 | 179 | 1,986 |
| <i>of which current</i> | <i>649</i> | | | | | <i>597</i> |
| <i>of which non-current</i> | <i>1,712</i> | | | | | <i>1,389</i> |

| Anticipated payments, SEKm | 1 year | 2 years | 3 years | > 3 years |
|--|------------|------------|------------|------------|
| Provision for restructuring measures | 587 | 261 | 105 | 95 |
| Provisions for non-vested pensions in accordance with IAS 19 ^{1), 2)} | 250 | 76 | 78 | 242 |
| Work-related injuries ²⁾ | 5 | 5 | 4 | 29 |
| Provision for anniversary bonus | 10 | 5 | 8 | 49 |
| Total | 852 | 347 | 195 | 415 |

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

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

| 2015 Jan-Dec, SEKm | Opening balance | Provisions | Reversals | Utilizations | Impact of translation | Closing balance |
|--|-----------------|------------|-------------|--------------|-----------------------|-----------------|
| Restructuring measures | | | | | | |
| Provision for personnel and other cutbacks | 1,247 | 905 | -234 | -573 | -35 | 1,310 |
| Non-vested pension commitments | | | | | | |
| Special payroll tax | 191 | 10 | - | -42 | 14 | 173 |
| Non-vested pension commitments in accordance with IAS 19 | 785 | 40 | - | -172 | 59 | 712 |
| Other | | | | | | |
| Work-related injuries | 42 | 1 | - | -4 | - | 39 |
| Pension settlement with Danish State ³⁾ | -1 | 11 | -10 | - | - | 0 |
| Provision for anniversary bonus | 147 | 11 | -7 | -14 | -10 | 127 |
| Total | 2,411 | 978 | -251 | -805 | 28 | 2,361 |
| <i>of which current</i> | <i>681</i> | | | | | <i>649</i> |
| <i>of which non-current</i> | <i>1,730</i> | | | | | <i>1,712</i> |

³⁾ Pension settlement with Danish State at the end of the reporting period was a net positive balance.

Note 23 (cont.)

Provisions for restructuring measures

Provisions for restructuring consist primarily of the expenses incurred as a result of the Group's efficiency programs in administration and support functions. 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.

New provisions and reversals are recognized within the business activity that decides upon closure.

During 2016, provisions and reversals for restructuring with an impact on personnel expenses amounted to SEK 146m (598). Provisions and reversals for restructuring with an impact on other expenses amounted to SEK 97m (73). 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 556m (573). The effect of discounting is recognized among financial items in the income statement. Translation differences arising from foreign exchange effects 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.

Pension settlement with Danish State refers to commitments regarding a specific category of salaried employees at Post Danmark A/S.

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, 2016 | Dec. 31, 2015 |
|--|---------------|---------------|
| Provision for stamps sold but not used | 337 | 411 |
| Accrued payroll expenses | 503 | 577 |
| Holiday pay liability | 1,429 | 1,424 |
| Special payroll tax pension expenses | 257 | 526 |
| Social insurance costs | 344 | 344 |
| Terminal fees | 381 | 335 |
| Derivatives | 7 | 17 |
| Other items | 769 | 770 |
| Closing balance | 4,027 | 4,404 |

Note 25 Pledged assets and contingent liabilities

| SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---------------|---------------|
| Pledged assets for own liabilities | | |
| Real estate mortgages ¹⁾ | 500 | 476 |
| Pledged assets ²⁾ | 220 | 202 |
| Total | 720 | 678 |
| Contingent liabilities | | |
| Guarantees, PRI | 99 | 98 |
| Guarantees, other | 33 | 46 |
| Total | 132 | 144 |

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, 2016, the Group had contracted to purchase property, plant and equipment. The investments totaled SEK 274m (180) in value and consisted primarily of transportation and sorting equipment and vehicles. It is expected that most obligations will be settled in late 2017 and early 2018.

Note 27 Financial risk management and financial instruments

The Group's management of financial risks is governed by the financial policy adopted by PostNord's Board of Directors. The policy consists of guidelines on cash management, financing and financial risk management. The Group's management of financial risk is intended to help the Group achieve its goals and realize its strategies by sustainably securing financing, liquidity and a balanced financial position that takes all financial risks into account at all times. Financial risks are divided into the categories of refinancing risk, credit risk, interest rate risk, currency risk and market risk in asset management. The Head of Finance reports to the CFO on a monthly basis regarding financial risks, financing plan and any deviations from the Financial Policy.

Liquidity management and financing

The Group's policy is to centralize and coordinate management of the Group's cash and cash equivalents for effective deployment within pre-defined risk limits. The Group's policy is to coordinate financing in the main via the Group's Parent Company.

Risk definitions and policy

Refinancing risk

Refinancing risk is defined as the risk that cash and cash equivalents are not available and/or that financing either cannot be obtained or can only be obtained at considerably higher cost. The Group's policy on refinancing risk policy consists of maintaining, at any one time, payment readiness of a scope that is designed to handle internal and external risks, and to cope with seasonal variations. The Group's financial preparedness shall amount to no less than SEK 1,000m (1,000). During the year, no new loan financing was raised. In 2015, an MTN loan of SEK 540m was repaid and a property loan of around SEK 665m was transferred in connection with a property sale. Part of the Group's financial preparedness is an unutilized overdraft facility of SEK 2,000m which runs until 2017, with an option to extend the facility until 2018.

| Liquidity preparedness SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---------------|---------------|
| Cash and cash equivalents | 1,577 | 1,894 |
| Short-term liquid investments | 351 | |
| Unutilized confirmed credit facilities | 3,000 | 2,000 |
| Short-term unconfirmed interest-bearing liabilities | -2,021 | -123 |
| Net liquidity preparedness | 2,907 | 3,771 |

Credit risk

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

The Group's policy is that the granting of credit shall be based on commercial considerations and risk assessment in order to ensure that the credit risk is balanced. When cash and cash equivalents are invested, credit risk is managed by investing in low credit risk assets and by spreading risk. The Group's 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 within the individual business areas and all customers are subject to a credit check before the credit is granted for the first time on the basis of information provided by credit rating companies. However, major lines of credit require central approval.

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.

| Age breakdown for trade receivables SEKm | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---------------|---------------|
| Trade receivables not due | 4,029 | 4,021 |
| Due but not impaired: | | |
| 1-30 days | 448 | 428 |
| 31-90 days | 112 | 64 |
| >90 days | 88 | 57 |
| Total | 4,677 | 4,570 |
| Provision for bad debts | -51 | -46 |
| Total | 4,627 | 4,524 |

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

Currency risk

The Group operates businesses in several geographical markets and conducts transactions in several foreign currencies, meaning that it is vulnerable to exchange rate fluctuations. This affects both transaction exposure and translation exposure.

Transaction exposure

Transaction exposure represents a risk that profitability will be adversely affected by changes in exchange rates. 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. The Group limits its transaction exposure by matching inward and outward payment flows in the particular currency and enters into forward currency contracts.

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.

| Currency in SEKm | 2016 | | | 2015 | | |
|---------------------|------------|-------------|-----------------|-------------|------------|-----------------|
| | Position | Hedged | Net position | Position | Hedged | Net position |
| DKK | 809 | -675 | 134 | 3 | - | 3 |
| EUR | -158 | 39 | -119 | -112 | 102 | -9 |
| NOK | -40 | 42 | 2 | -31 | 24 | -8 |
| Other currencies | 86 | -51 | 35 | -52 | 60 | 9 |
| Total | 697 | -645 | 52 | -192 | 187 | -5 |

Note 27 (cont.)

Translation exposure

Translation exposure is defined as the value of equity in foreign Group companies and arises within the Group in relation to the functional currency of the Parent Company. The Group's policy is that translation exposure is a strategic risk. Consequently, translation exposure is limited only through annual adjustment to the Group companies' capital structure and when the Parent Company is financed in currencies other than its functional currency in order to obtain a natural hedge.

Group translation exposure

| Currency | 2016 | | | 2015 | | |
|------------------|--------------|------------|-----------|--------------|------------|-----------|
| | SEKm | % | +/-1% | SEKm | % | +/-1% |
| DKK | -20 | -1 | 0 | 1,746 | 35 | 17 |
| EUR | 426 | 12 | 4 | 301 | +6 | 3 |
| NOK | 2,994 | 85 | 30 | 2,735 | 55 | 27 |
| Other currencies | 132 | 4 | 1 | 203 | +4 | 2 |
| Total | 3,531 | 100 | 35 | 4,985 | 100 | 50 |

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 loan debt.

Sensitivity analysis interest rate risk

| Interest rate risk | Change in market interest rates | 2016 | 2015 |
|---|---------------------------------|------------------------|------------------------|
| | | Impact on income, SEKm | Impact on income, SEKm |
| Cash and cash equivalents +/- 1 %-point | | 17 | 19 |
| | Loans, +/- 1 %-point | 30 | 18 |

| Contractual maturities of financial liabilities, Dec. 31, 2016, 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 | 2,950 | 2,000 | - | 950 | - | - | - |
| Liabilities to credit institutions | 608 | 21 | 100 | - | - | - | 487 |
| Finance lease liabilities | 17 | 8 | 5 | 2 | 1 | 1 | - |
| Total interest-bearing liabilities | 3,575 | 2,029 | 105 | 952 | 1 | 1 | 487 |
| Interest payments | | 46 | 9 | 7 | 4 | 4 | 22 |
| Interest/currency swaps | | | | | | | |
| - Liabilities | | 4 | 2 | - | - | - | - |
| - Receivables | | 1 | - | - | - | - | - |
| Total forecast interest payments | | 51 | 11 | 7 | 4 | 4 | 22 |
| Total, net | | 2,080 | 116 | 959 | 5 | 5 | 509 |

| Contractual maturities of financial liabilities, Dec. 31, 2015, 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 | 2,950 | - | 2,000 | - | 950 | - | - |
| Liabilities to credit institutions | 694 | 123 | - | 100 | - | - | 471 |
| Finance lease liabilities | 31 | 11 | 9 | 5 | 3 | 2 | 1 |
| Total interest-bearing liabilities | 3,675 | 134 | 2,009 | 105 | 953 | 2 | 473 |
| Interest payments | | 54 | 51 | 11 | 7 | 3 | 26 |
| Interest/currency swaps | | | | | | | |
| - Liabilities | | 8 | 4 | 2 | - | - | - |
| - Receivables | | 2 | 1 | 0 | - | - | - |
| Total forecast interest payments | | 64 | 56 | 13 | 7 | 3 | 26 |
| Total, net | | 199 | 2,065 | 118 | 960 | 5 | 499 |

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, 2016 | | | | | |
|--|---|---|--|--|-----------------|-------------|
| | Financial assets at fair value via income ¹⁾ | Loan and trade receivables measured at amortized cost | Financial liabilities at fair value via income ¹⁾ | Financial liabilities measured at amortized cost | Carrying amount | Fair value |
| Financial investments | 262 | - | - | - | 262 | 262 |
| Derivatives | 13 | - | - | - | 13 | 13 |
| Trade receivables | - | 4,627 | - | - | 4,627 | 4,627 |
| Terminal fees ²⁾ | - | 423 | - | - | 423 | 423 |
| Short-term investments | - | 351 | - | - | 351 | 351 |
| Cash and cash equivalents | - | 1,577 | - | - | 1,577 | 1,577 |
| Non-current interest-bearing liabilities, credit institutions | - | - | - | -1,537 | -1,537 | -1,552 |
| Non-current interest-bearing liabilities, other | - | - | -170 | - | -170 | -170 |
| Non-current interest-bearing liabilities, leasing | - | - | - | -9 | -9 | -9 |
| Current interest-bearing liabilities | - | - | - | -2,029 | -2,029 | -2,059 |
| Trade payables | - | - | - | -2,434 | -2,434 | -2,434 |
| Other current liabilities | - | - | - | -1,631 | -1,631 | -1,631 |
| Derivatives | - | - | -7 | - | -7 | -7 |
| Terminal fees | - | - | - | -381 | -381 | -381 |
| Total financial assets and liabilities by category | 275 | 6,978 | -177 | -8,021 | -945 | -990 |

| Carrying amount and fair value of financial assets and liabilities, SEKm | December 31, 2015 | | | | | |
|--|---|---|--|--|-----------------|---------------|
| | Financial assets at fair value via income ¹⁾ | Loan and trade receivables measured at amortized cost | Financial liabilities at fair value via income ¹⁾ | Financial liabilities measured at amortized cost | Carrying amount | Fair value |
| Financial investments | 250 | - | - | - | 250 | 250 |
| Derivatives | 1 | - | - | - | 1 | 1 |
| Trade receivables | - | 4,524 | - | - | 4,524 | 4,524 |
| Terminal fees ²⁾ | - | 461 | - | - | 461 | 461 |
| Cash and cash equivalents | - | 1,894 | - | - | 1,894 | 1,894 |
| Non-current interest-bearing liabilities, credit institutions | - | - | - | -3,520 | -3,520 | -3,581 |
| Non-current interest-bearing liabilities, other | - | - | -166 | - | -166 | -166 |
| Non-current interest-bearing liabilities, leasing | - | - | - | -19 | -19 | -19 |
| Current interest-bearing liabilities | - | - | - | -134 | -134 | -134 |
| Trade payables | - | - | - | -2,294 | -2,294 | -2,294 |
| Other current liabilities | - | - | - | -1,727 | -1,727 | -1,727 |
| Derivatives | - | - | -17 | - | -17 | -17 |
| Terminal fees | - | - | - | -335 | -335 | -335 |
| Total financial assets and liabilities by category | 251 | 6,879 | -183 | -8,029 | -1,082 | -1,143 |

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

²⁾ The periods for settlement of terminal fees have been considerably shortened in recent years and have therefore been transferred from Financial assets at fair value via the income statement to Loan and trade receivables at amortized cost.

Recognition and fair value measurement of financial instruments

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

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

Level 2

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

| Financial assets and liabilities by level, SEKm ¹⁾ | Level 2, Dec. 31, 2016 | Level 2, Dec. 31, 2015 |
|---|------------------------|------------------------|
| Financial assets | | |
| Endowment insurance | 170 | 152 |
| Currency derivatives | 13 | 1 |
| Commercial paper | 351 | - |
| Total financial assets | 534 | 153 |
| Financial liabilities | | |
| Currency derivatives | 0 | 2 |
| Interest rate derivatives | 7 | 15 |
| Total financial liabilities | 7 | 17 |

¹⁾ Figures for comparison have been restated in view of the fact that terminal fees have been transferred from Financial assets at fair value via the income statement to Loan and trade receivables at amortized cost.

Note 28 Related party transactions

Group companies

For deliveries of services and products between Group companies, the principle used is cost price plus a margin, except for services within the PostNord service offering, where market prices apply. For a detailed list of Parent Company and Group participations in Group companies, associated companies and joint ventures, see Note 6 to the Parent Company's financial statements.

The Swedish State

Under Sweden's Postal Services Act, PostNord is mandated by the Swedish State to provide a universal postal service. Like other postal operators in Sweden, PostNord must obtain a license to operate postal services. For this license, PostNord paid SEK 17m (15) to the Swedish Post and Telecom Authority (PTS) during the period. In addition, PostNord paid PTS SEK 8m (9) for handling of undeliverable mail.

PostNord received SEK 21m (24) from PTS in remuneration under agreements on the procurement of postal services for the disabled.

PostNord Group AB paid an advance of SEK 95m to the Swedish Transport Administration (STA) to bring forward the construction of rail facilities for the Rosersberg Mail Terminal. The project forms part of the Swedish national transport system for the 2010-2021 period. The amount is to be repaid when funds are available within the STA's budget. No interest or compensation for increased costs for the period between lending and repayment will be paid by STA. In connection with this 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. This interest rate compensation is recognized as a liability on an accruals basis of over the period of the loan. The receivable and interest rate compensation is recognized net.

The Danish State

PostNord is required, via Post Danmark A/S, to provide a universal postal service under Danish postal legislation. According to the agreement between Post Danmark A/S and the Danish Ministry of Transport, Building and Housing, fees totaling SEK 6m (3) were recognized in 2016.

During the period, Post Danmark A/S paid pension premiums to the Danish State in the amount of SEK 166m (157) on behalf of the group of salaried employees who were employed before corporatization.

Other organizations in Sweden

PostNords Försäkringsförening (the PostNord Insurance Association) is a friendly society that operates autonomously from the PostNord Group and under the supervision of Finansinspektionen. The Association insures PostNord's obligations in employee sickness and family pension under the ITP-P scheme. During the period, the Group's Swedish companies received benefits totaling SEK 15m (11) and paid premiums totaling SEK 114m (0).

Postens Pensionsstiftelse (the Posten Pension Fund) secures pension obligations for PostNord Group AB and PostNord Sverige AB. These companies capitalize new pension obligations at Pensionsstiftelse and are credited with pensions paid out. During 2016, a total of SEK 0m (0) was capitalized and SEK 909m (0) 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 2016 and 2015.

Note 29 Supplementary disclosures, Statement of cash flows

| SEKm | 2016 | 2015 |
|---|--------------|------------|
| Interest payments | | |
| Interest received | 23 | 21 |
| Interest paid | 118 | 135 |
| Adjustments for non-cash items | | |
| Amortization of non-current assets | 1,551 | 1,690 |
| Impairment losses, property, plant and equipment | 464 | 12 |
| Impairment losses, non-current intangible assets | 805 | 140 |
| Impairment losses, other assets | 190 | 30 |
| Capital gain/loss on assets | 16 | -482 |
| Change in pension liability | 384 | -798 |
| - of which credit from Postens Pensionsstiftelse | 909 | - |
| - of which pensions paid | -1,021 | -995 |
| - of which, premium paid to PostNords Försäkringsförening ¹⁾ | -90 | -85 |
| Other provisions | -490 | -117 |
| Other items not affecting cash flow | - | -6 |
| Total | 2,920 | 469 |

¹⁾ Premium paid to PostNords Försäkringsförening was previously recognized within financing activities.

Note 30 Acquisitions and divestments

| Effect of acquisitions and divestments on assets and liabilities, SEKm | 2016 | | 2015 | |
|--|--------------|-------------|--------------|----------|
| | Acquisitions | Divested | Acquisitions | Divested |
| Goodwill | 14 | - | 58 | - |
| Non-current intangible assets | 2 | - | 13 | - |
| Property, plant and equipment | - | -54 | 62 | - |
| Other non-current assets | - | - | 3 | - |
| Total non-current assets | 16 | -54 | 136 | - |
| Current assets | - | -185 | 71 | - |
| TOTAL ASSETS | 16 | -239 | 207 | - |
| TOTAL LIABILITIES | - | 85 | -118 | - |
| NET ASSETS | 16 | -154 | 89 | - |
| Purchase consideration paid/received | -16 | 56 | -89 | - |
| Less: Seller's bond | 2 | - | - | - |
| Cash and cash equivalents acquired/disposed of | - | -101 | 8 | - |
| Net effect on cash and cash equivalents | -14 | -45 | -81 | - |

Note 30 (cont.)

Acquisition of assets and liabilities

During the second quarter 2016, PostNord Logistics A/S acquired the assets and liabilities of G.P Spedition Aps. Of the purchase price of SEK 16m, SEK14m has been paid and the remainder will be settled on completion of all conditions in the agreement.

Divestment of subsidiaries

On September 1, 2016, Strålfors Group AB sold its subsidiaries in the United Kingdom, Poland and France. The companies had a total of around 400 employees and total net sales of approximately SEK 470m. The purchasing consideration was SEK 0m.

On November 7, 2016, PostNord Group AB sold all its shares in Fastighets AB Skogskojan 1.

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

| 2015 Jan-Dec, SEKm | Goodwill | Intangible assets | Property, plant and equipment | Other non-current assets | Current assets | Liabilities | Net assets |
|--------------------------------|-----------|-------------------|-------------------------------|--------------------------|----------------|-------------|------------|
| Acquired | | | | | | | |
| PostNord Terminal Langhus AS | - | - | 2 | - | - | - | 2 |
| Jetpak Borg AS | 28 | 5 | - | 1 | 27 | -33 | 28 |
| PostNord Terminal Trondheim AS | - | - | 59 | - | 5 | -45 | 19 |
| Uudenman Pikakuljetus OY | 30 | 8 | 1 | 2 | 39 | -40 | 40 |
| Total acquired | 58 | 13 | 62 | 3 | 71 | -118 | 89 |

Note 31 Events after the reporting date

Decision on new production model in Denmark

A new production model in Denmark will be implemented over the next few years. As a result, PostNord will be first in the world to create a financially sustainable mode of production that is fully based on coordinating utilization of infrastructure and transportation networks for the rapidly expanding logistics business with the shrinking mail business. Building on the logistics network will lay the foundations for efficient and scalable distribution of letters and ensure a competitive logistics offering for the future. The new production model will require a substantial reduction in the number of employees over a period of several years, and will enable large parts of the mail infrastructure for the mail business to be closed.

Note 32 Definitions and alternative key ratios

ALTERNATIVE KEY RATIOS

The alternative key ratios that PostNord uses are important in terms of managing the organization and ensuring that a focus is maintained on value-creating activities. The key ratios return on operating capital (ROCE) and net debt ratio are objectives that have been set for PostNord by its owners. These key ratios 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 is used to analyze operational activities without focusing on investments and any impairment losses.

Adjusted operating income

Operating income excluding items affecting comparability.

Adjusted operating margin

Adjusted operating income in relation to net sales.

EBITDAI

Operating income excluding depreciation and impairments.

Financial preparedness

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

Items affecting comparability

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

Ongoing restructuring costs are not regarded as items affecting comparability.

Net debt

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

| | 2016 | 2015 |
|---|------------|-------------|
| Interest-bearing liabilities, current | 2,029 | 134 |
| Interest-bearing liabilities, long-term | 1,716 | 3,705 |
| Financial investments | -262 | -250 |
| Non-current receivables ¹⁾ | -1,201 | -1,867 |
| Short-term investments | -351 | - |
| Cash and cash equivalents | -1,577 | -1,894 |
| Net debt | 354 | -171 |

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

Net debt in relation to EBITDAI.

Net debt ratio

Net liabilities in relation to equity.

Operating capital

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

Operating margin

Operating income in relation to net sales.

Return on operating capital (ROCE)

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

OTHER KEY RATIOS

Average number of employees (FTE)

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

Basic staff

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

Earnings per share

Share of net earnings attributable to Parent Company shareholders in relation to the average number of shares outstanding.

Parent Company

Income statement

| SEKm | Note | 2016 | 2015 |
|-------------------------------------|---------|-------------|------------|
| | 1, 2, 7 | | |
| Other operating income | | 16 | 26 |
| Operating income | | 16 | 26 |
| Personnel expenses | 3 | -29 | -33 |
| Other expenses | 4 | -6 | -6 |
| Operating expenses | | -35 | -39 |
| TOTAL OPERATING INCOME | | -19 | -13 |
| Interest income and similar items | 5 | 2 | 49 |
| Interest expenses and similar items | 5 | -109 | -77 |
| Financial items | | -107 | -28 |
| Income after financial items | | -126 | -41 |
| Group contributions paid | | -41 | - |
| Group contributions received | | 170 | 34 |
| Appropriations | | 129 | 34 |
| Pre-tax income | | 3 | -7 |
| Tax | | - | - |
| NET INCOME | | 3 | -7 |

Statement of comprehensive income

| SEKm | 2016 | 2015 |
|---|----------|-----------|
| Net income for the period | 3 | -7 |
| Other comprehensive income for the period | - | - |
| COMPREHENSIVE INCOME | 3 | -7 |

Balance sheet

| SEKm | Note | Dec. 31, 2016 | Dec. 31, 2015 |
|---|------|---------------|---------------|
| | 1, 2 | | |
| ASSETS | | | |
| Participations in Group companies | 6 | 11,676 | 11,676 |
| Interest-bearing receivables | 9 | 19 | 13 |
| Total non-current assets | | 11,695 | 11,689 |
| Interest-bearing receivables from Group companies | 9 | 8,059 | 8,207 |
| Other receivables from Group companies | | 172 | 38 |
| Prepaid expenses and accrued income | | 5 | 2 |
| Total current assets | | 8,236 | 8,247 |
| TOTAL ASSETS | | 19,931 | 19,936 |
| EQUITY AND LIABILITIES | | | |
| Restricted equity | | | |
| Capital stock | 7 | 2,000 | 2,000 |
| Share premium reserve | | 10,141 | 10,141 |
| Non-restricted equity | | | |
| Retained earnings | | 3,624 | 3,630 |
| Net income for the period | | 3 | -7 |
| TOTAL EQUITY | | 15,768 | 15,764 |
| LIABILITIES | | | |
| Interest-bearing debt | 9 | 1,069 | 3,063 |
| Interest-bearing liabilities to Group companies | 9 | 1,030 | 979 |
| Other non-current liabilities | | 4 | 4 |
| Total non-current liabilities | | 2,103 | 4,046 |
| Current interest-bearing liabilities | 9 | 1,999 | 100 |
| Other current liabilities | 9 | 44 | 1 |
| Accrued expenses and deferred income | 9 | 17 | 25 |
| Total current liabilities | | 2,060 | 126 |
| TOTAL LIABILITIES | | 4,163 | 4,172 |
| TOTAL EQUITY AND LIABILITIES | | 19,931 | 19,936 |

Parent Company statement of cash flows

| SEKm | 2016 | 2015 |
|---|------------|-------------|
| OPERATING ACTIVITIES | | |
| Pre-tax income | 3 | -7 |
| Appropriations | -129 | -34 |
| Adjustments for non-cash items | 57 | -37 |
| Cash flows from operating activities before changes in working capital | -69 | -78 |
| Cash flow from changes in working capital | | |
| Increase (-)/decrease (+) in operating receivables | -1 | -1 |
| Increase (+)/decrease (-) in operating liabilities | -6 | -8 |
| Changes in working capital | -7 | -9 |
| Cash flow from operating activities | -76 | -87 |
| INVESTING ACTIVITIES | | |
| Changes in Group receivables | 142 | 645 |
| Cash flows from investing activities | 142 | 645 |
| FINANCING ACTIVITIES | | |
| Amortization of loans | -100 | -740 |
| Group contributions received | 34 | 182 |
| Cash flows from financing activities | -66 | -558 |
| CASH FLOWS FOR THE PERIOD | 0 | 0 |
| Cash and cash equivalents at start of year | 0 | 0 |
| Cash and cash equivalents at year-end | 0 | 0 |

Parent Company changes in equity

| SEKm | Restricted equity | | Non-restricted equity | | Total |
|---|-------------------|-----------------------|---|--|--------|
| | Capital stock | Share premium reserve | Retained earnings incl. net income for year | | |
| Shareholders' equity, opening balance Jan. 1, 2015 | 2,000 | 10,141 | 3,630 | | 15,771 |
| Comprehensive income for the period | | | -7 | | -7 |
| Shareholders' equity, closing balance Dec. 31, 2015 | 2,000 | 10,141 | 3,623 | | 15,764 |
| Shareholders' equity, opening balance Jan. 1, 2016 | 2,000 | 10,141 | 3,623 | | 15,764 |
| Comprehensive income for the period | | | 3 | | 3 |
| Shareholders' equity, closing balance Dec. 31, 2016 | 2,000 | 10,141 | 3,627 | | 15,768 |

Notes to Parent Company financial statements

Note 1 Accounting principles

The Parent Company applies in the main the same accounting principles as the Group, and thus RFR 2, Accounting for Legal Entities. The differences between the Parent Company's and the Group's accounting principles result from limits on the Parent Company in application of IFRS under the Annual Accounts Act, the Act on Safeguarding of Pension Commitments (Tryggandelagen) and, to some extent, from tax considerations. The accounting principles are unchanged from the 2015 Annual Report, other than that assets pledged and contingent liabilities are no longer reported in the context of the balance sheet but are presented only as a note to the financial statements (according to changes in the Annual Accounts Act).

Changes in accounting principles arising from new or amended IFRS

A number of new or amended IFRS 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.

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.

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.

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.

Employee benefits

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

Financial guarantees

The Parent Company's financial guarantees consist of guarantees on behalf of subsidiaries and joint ventures. Under financial guarantees, the Company has an obligation to compensate holders of debt instruments in respect of losses that the latter may incur by reason of a specified debtor failing to make payment when due in accordance with the terms of the contract. In reporting financial guarantee agreements, the Parent Company applies RFR 2, a lighter regime than IAS 39 regarding financial guarantee agreements issued on behalf of subsidiaries, associated companies and joint ventures. The Parent Company recognizes financial guarantee agreements as an appropriation in the balance sheet in cases where PostNord is under an obligation for which payment is likely to be required to settle the obligation.

Taxes

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

Segment reporting

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

Note 2 Significant assessments and estimates

When preparing the financial statements, management has made assessments and estimates that affect the Group's reporting. These assessments and estimates are based on what was known at the time the accounts were presented, and on historic experience and the assumptions that management considers reasonable in the given circumstances. The conclusions that management has drawn are the basis of the carrying amounts.

Actual outcomes, assessments and estimates in future financial statements over the year ahead may deviate from those contained in this report as a result of changes in external circumstances and newly gained experience.

Shares in subsidiaries

Assumptions are made about future conditions in order to calculate future cash flows that determine the recoverable value. 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 | 2016 | 2015 |
|----------------------------------|-----------|-----------|
| Salaries and other remuneration | 18 | 20 |
| Statutory social insurance costs | 7 | 7 |
| Pension expenses | 4 | 6 |
| Total | 29 | 33 |

The Parent Company has three employees, the President/CEO, the Group CFO and the Group Head of Strategy. The President/Group CEO Håkan Ericsson is paid a salary SEK 745,000 per month. On his behalf, the Parent Company pays for a retirement pension insurance policy in the amount of SEK 37,000 per month, and an endowment insurance policy in the amount of SEK 185,667 to secure the pension obligation.

Note 4 Fees and reimbursement of expenses to auditors

| SEKm | 2016 | 2015 |
|-----------------------------|----------|----------|
| 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 | 2016 | 2015 |
|---------------------------------------|-------------|------------|
| Interest income from Group companies | 2 | 1 |
| Currency earnings | - | 48 |
| Total | 2 | 49 |
| Interest expense from Group companies | -10 | -6 |
| Interest expenses | -49 | -64 |
| Currency earnings | -42 | - |
| Other financial expenses | -8 | -7 |
| Total | -109 | -77 |

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 | 2016 | 2015 |
|--------------------------|---------------|---------------|
| Accumulated costs | | |
| Opening balance | 11,676 | 11,676 |
| Closing balance | 11,676 | 11,676 |

| Shares held directly and indirectly by Parent Company PostNord AB, SEKm | Corporate registration number | Registered office | Country | Share of equity, % | | No. of shares | Carrying amount in Parent Company Dec. 31, 2016 |
|---|-------------------------------|--------------------|---------------|--------------------|----------|----------------|---|
| | | | | Direct | Indirect | | |
| PostNord Group AB | 556128-6559 | Solna | Sweden | 100 | | 600,000 | 11,676 |
| PostNord Sverige AB | 556711-5695 | Solna | Sweden | | 100 | 1,000 | |
| Nils Hansson Logistics AB | 556147-4254 | Ljungbyhed | Sweden | | 100 | 2,500 | |
| Tidningstjänst AB | 556039-7480 | Stockholm | Sweden | | 100 | 7,500 | |
| Posten Leasing AB | 556341-0009 | Stockholm | Sweden | | 100 | 5,000 | |
| Fastighets AB Penelope | 556517-0544 | Stockholm | Sweden | | 100 | 100 | |
| Nässjöterminalen Kommanditbolag | 916629-7458 | Solna | Sweden | | 100 | | |
| Rosersberg Brevterminal AB | 556819-9862 | Stockholm | Sweden | | 100 | 1,000 | |
| Hallsberg Brevterminal AB | 556848-8133 | Stockholm | Sweden | | 100 | 500 | |
| KB Sveterm | 916631-9492 | Stockholm | Sweden | | 100 | | |
| Kardinalmärket 1 AB | 556875-8899 | Stockholm | Sweden | | 100 | 50,000 | |
| Fast AB Rosersberg 11:126 | 556743-9574 | Stockholm | Sweden | | 100 | 1,000 | |
| PostNord Strålfors Group AB | 556062-0618 | Malmö | Sweden | | 100 | 21,381,288 | |
| PostNord Strålfors AB | 556102-9843 | Ljungby | Sweden | | 100 | 50,000 | |
| Tand 2:103 Fastighets AB | 556594-3650 | Östersund | Sweden | | 50 | 2,000 | |
| PostNord Strålfors A/S | 10068657 | Brøndby | Denmark | | 100 | 200,000 | |
| PostNord Strålfors Oy | 0115061-7 | Vantaa | Finland | | 100 | 2,100 | |
| PostNord Strålfors AS | 944997431 | Oslo | Norway | | 100 | 870 | |
| PostNordbolagen AB | 556158-7006 | Ljungby | Sweden | | 100 | 1,000 | |
| Svensk Adressändring AB | 556476-3562 | Stockholm | Sweden | | 85 | 850 | |
| AddressPoint AB | 556587-5597 | Stockholm | Sweden | | 85 | 1,700 | |
| Direct Link Worldwide Ltd. | 2911080 | Middlesex | Great Britain | | 100 | 110,000 | |
| Direct Link Worldwide Distribution Pte Ltd | 199700772 | Singapore | Singapore | | 100 | 700,000 | |
| Direct Link Worldwide Pty Ltd | 95493459 | Sydney | Australia | | 100 | 1 | |
| Direct Link Worldwide Company Ltd | 199700772 | Hong Kong | China | | 100 | 1 | |
| Direct Link Worldwide Inc. | 112-797-736/000 | New Jersey | USA | | 100 | 100 | |
| Direct Link Worldwide GmbH | 217864281 | Mörfelden-Walldorf | Germany | | 100 | 150 | |
| PostNord Logistics GmbH | HRB8888HL | Lübeck | Germany | | 100 | 1 | |

Note 6 (cont.)

| Shares held directly and indirectly by Parent Company PostNord AB, SEKm | Corporate registration number | Registered office | Country | Share of equity, % | | No. of shares | Carrying amount in Parent Company Dec. 31, 2016 |
|---|-------------------------------|-------------------|---------|--------------------|----------|---------------|---|
| | | | | Direct | Indirect | | |
| PostNord AS | 984054564 | Oslo | Norway | | 100 | 117,570 | |
| PostNord Terminal Trondheim AS | 992,079,797 | Oslo | Norway | | 100 | 406,220 | |
| PostNord Terminal Langhus AS | 990427321 | Oslo | Norway | | 100 | 200,000 | |
| PostNord Oy | 1056251-7 | Vanda | Finland | | 100 | 5,817 | |
| PostNord OY Eesti filiaal | 11472268 | Harju | Estonia | | 100 | | |
| PostNord Logistics A/S | 20148586 | Copenhagen | Denmark | | 100 | 500,001 | |
| PostNord Scanning AB | 556824-2852 | Stockholm | Sweden | | 100 | 1,000 | |
| PostNord Scanning Oy | 2552507-3 | Helsinki | Finland | | 100 | 1,000 | |
| PostNord Logistics TPL AB | 556161-7191 | Haninge | Sweden | | 100 | 50,000 | |
| PostNord Logistics TPL A/S | 26115396 | Brøndby | Denmark | | 100 | 100 | |
| PostNord Fulfilment AB | 556234-1353 | Stockholm | Sweden | | 100 | 1,000 | |
| PostNord Fulfilment AS | 811873632 | Oslo | Norway | | 100 | 1,000 | |
| PostNord Fulfilment Sp.zOo | 5272719788 | Warsaw | Poland | | 100 | 100 | |
| PostNord Logistics Thermo AB | 556454-1737 | Östersund | Sweden | | 100 | 8,000 | |
| Transbothnia AB | 556278-8876 | Umeå | Sweden | | 100 | 3,000 | |
| Post Danmark A/S | 26663903 | Copenhagen | Denmark | | 100 | 25,000,000 | |
| PostNord Scanning A/S | 19803376 | Copenhagen | Denmark | | 100 | 10 | |
| Post Fleet Management A/S | 79203114 | Copenhagen | Denmark | | 100 | 400 | |
| e-Boks A/S | 25674154 | Copenhagen | Denmark | | 50 | 6,000,000 | |
| Distribution Services A/S | 56448810 | Copenhagen | Denmark | | 100 | 30 | |
| eHUBnordic ApS | 36959517 | Copenhagen | Denmark | | 25 | | |
| Total holdings in Group companies | | | | | | | 11,676 |

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

| Classes of share, number | 2016 | 2015 |
|--------------------------|----------------------|----------------------|
| 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 Class B shares to 1/10th of a vote.

Proposed appropriation of the Company's net income

The Board of Directors proposes that the unappropriated net income be distributed as follows:

| | 2016 | 2015 |
|----------------------------|----------------------|----------------------|
| To be carried forward, SEK | 3,627,095,479 | 3,623,727,627 |
| Total | 3,627,095,479 | 3,623,727,627 |

Note 8 Pledged assets and contingent liabilities

| SEKm | 2016 | 2015 |
|---|--------------|------------|
| Pledged assets for own liabilities | | |
| Pledged assets | 19 | 13 |
| Total | 19 | 13 |
| Contingent liabilities | | |
| Guarantees, PRI | 137 | 135 |
| Guarantees, other | 2 | - |
| Guarantees on behalf of subsidiaries | 917 | 726 |
| Total | 1,056 | 861 |

Note 9 Financial instruments

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

| Carrying amount and fair value of financial assets and liabilities, SEKm | December 31, 2015 | | | | | |
|--|--|---|---|--|-----------------|--------------|
| | 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 | 13 | - | - | - | 13 | 13 |
| Interest-bearing receivables, Group companies | - | 8,207 | - | - | 8,207 | 8,207 |
| Other receivables, Group companies | - | 38 | - | - | 38 | 38 |
| Non-current interest-bearing liabilities, Credit institutions | - | - | - | -3,049 | -3,049 | -3,100 |
| Non-current interest-bearing liabilities, Other | - | - | -14 | - | -14 | -14 |
| Non-current interest-bearing liabilities, Group companies | - | - | - | -979 | -979 | -979 |
| Current interest-bearing liabilities | - | - | - | -100 | -100 | -100 |
| Trade payables | - | - | - | 0 | 0 | 0 |
| Other current liabilities | - | - | - | -1 | -1 | -1 |
| Derivatives | - | - | -15 | - | -15 | -15 |
| Total financial assets and liabilities by category | 13 | 8,245 | -29 | -4,129 | 4,100 | 4,049 |

The Board of Directors' and CEO's certification

The Board of Directors and the President and Group CEO 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 July 19, 2002 on the application of international accounting standards. The annual accounts and the consolidated 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 affect the view of the Company created by the annual report. The administration report for the Parent Company and the Group provides a true and fair picture of the development of the operations, financial position and performance of the Parent Company and the Group and also describes material risks and uncertainties to which the Parent Company and the other companies in the Group are exposed. The annual accounts and consolidated accounts were approved for publication by the Board and the President and Group CEO on February 23, 2017.

Solna, February 23, 2017

Jens Moberg

Chairman of the Board

Mats Abrahamsson

Director

Gunnel Duveblad

Director

Christian Ellegaard

Director

Torben Janholt

Director

Magnus Skåninger

Director

Anitra Steen

Director

Kristofer Björklund

Employee Representative

Lars Chemnitz

Employee Representative

Johan Lindholm

Employee Representative

Håkan Ericsson

President and Group CEO

Our Audit Report was submitted on March 2, 2017

KPMG AB

Helene Willberg

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 2016. The annual accounts and consolidated accounts of the company are included on pages 4-9, 16-74 and the section on environmentally licensed operations on page 83 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, 2016 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, 2016 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 group.

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.

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 46 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, 2016 amounted to SEK 2,600 million, after the effect of the impairment loss of SEK 796 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 seven units.

The impairment tests require that the group make projections about both internal and external conditions and plans for the operations. Examples of such judgments include future cash flows, which in turn require assumptions to be made of future development and market conditions.

Another important assumption is which discount rate to be used in order to reflect the time value of money as well as the specific risks the operations face.

Response in the audit

We have assessed whether the impairment tests have been prepared in accordance with the prescribed method.

Moreover, we have considered the reasonableness of the predicted future cash flows as well as the discount rates used through evaluation of the group's written documentation and forecasts. Our work has also included an assessment of the accuracy to previous years' cash flow forecasts in comparison to actual outcome.

An important part of our work has also been to examine the group's own sensitivity analysis to evaluate how reasonable changes in the assumptions may impact the valuation. We have involved our valuation specialists in the audit, in particular related to the assumptions made regarding external markets.

We have also assessed the disclosures relating to the impairment tests presented in the annual accounts and the consolidated accounts.

Valuation of defined benefit obligations and plan assets

See note 2 and 22 and accounting principles on page 47 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The group had defined benefit obligations of SEK 20,829 million at December 31, 2016, that primarily are funded but to a lesser extent also unfunded. The fair value of the plan assets amounted to SEK 20,921 million at same date.

The accounting for pension obligations is based on several assumptions for calculating the size of the obligations, which implies that changed assumptions could result in significant effects on the group's earnings and financial position.

Response in the audit

We have involved our pension specialists in the assessment of the reasonableness in assumptions made and interpretations of the regulations for accounting for pensions. Moreover, we have performed detailed testwork and reconciled information to external actuaries.

Specifically, we have evaluated the estimates of the inflation rate, salary increases, mortality rates and retirement ages.

We have confirmed the fair value of plan assets to independent financial institutions as well as randomly tested the valuation of the assets.

We have also assessed the disclosures relating to pensions presented in the annual accounts and the consolidated accounts.

Deferred tax assets related to tax losses carried-forward and temporary differences

See note 2 and 16 and accounting principles on page 47 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The group had at December 31, 2016, deferred tax assets of SEK 12 million related to tax losses carried forward and SEK 110 million related to temporary differences. The accounting for deferred tax assets is based on the group's projections and assessed timing of future taxable income.

The assumptions made for future taxable income require assessment of future market conditions as well as interpretation of tax regulations. The carrying value of deferred tax assets may be over or underestimated and can vary significantly if different assumptions are applied in assessments of future profits and the possibility of future use.

Response in the audit

We have tested and assessed the applied principles and the integrity of the group's method for forecasting future profits.

We have also evaluated the reasonableness of the group's assessment of future profits and compared key assumptions used in the calculation to business plans as well as considered the group's historical ability to prepare accurate forecasts.

Moreover, we have assessed the reasonableness in the group's assessment and interpretation of the current tax legislation.

We have also assessed the disclosures relating to deferred tax assets 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 1-3, 10-15 and 79-85. The Board of Directors and the Chief Executive Officer 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 Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2016 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 skepticism 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.

Stockholm, March 2, 2017
KPMG AB

Helene Willberg
Authorized Public Accountant

Sustainability information

1 Principles and delimitations

Sustainability reporting follows the Global Reporting Initiative's (GRI) "G4 Sustainability Reporting Guidelines", "Core". The reporting covers all of PostNord's operations unless otherwise stated below. As of 2015, Uudenman Pikakuljetus OY (UPK) and Jetpak Borg AS are included in the environmental data. Figures for earlier years have been adjusted. UPK is included in the employee data. In 2016, GP Spedition AS was acquired. Environmental data for the company are not included, but employee data are. Otherwise, PostNord Strålfors' subsidiaries in the United Kingdom, Poland and France were sold and are therefore not included in the results for the year.

Environment

PostNord follows the Greenhouse Gas Protocol when calculating emissions. The environmental data includes PostNord's Nordic operations. During the year, Strålfors' non-Nordic businesses were divested. As a result, emissions attributable to these operations have been excluded from all environmental data in this report. The operations of Direct Link are not included in the calculations. Swedish Adressändring AB is not included, as the business does not have any significant environmental impact.

Employees

In addition to the Nordic businesses (representing around 98% of the Group's average number of employees), employee data also comprise the non-Nordic operations of Strålfors.

Suppliers

The data encompass PostNord's Nordic operations. Total purchasing refers to purchases during the period May 2015 to April 2016.

2 Materiality analysis

Identification

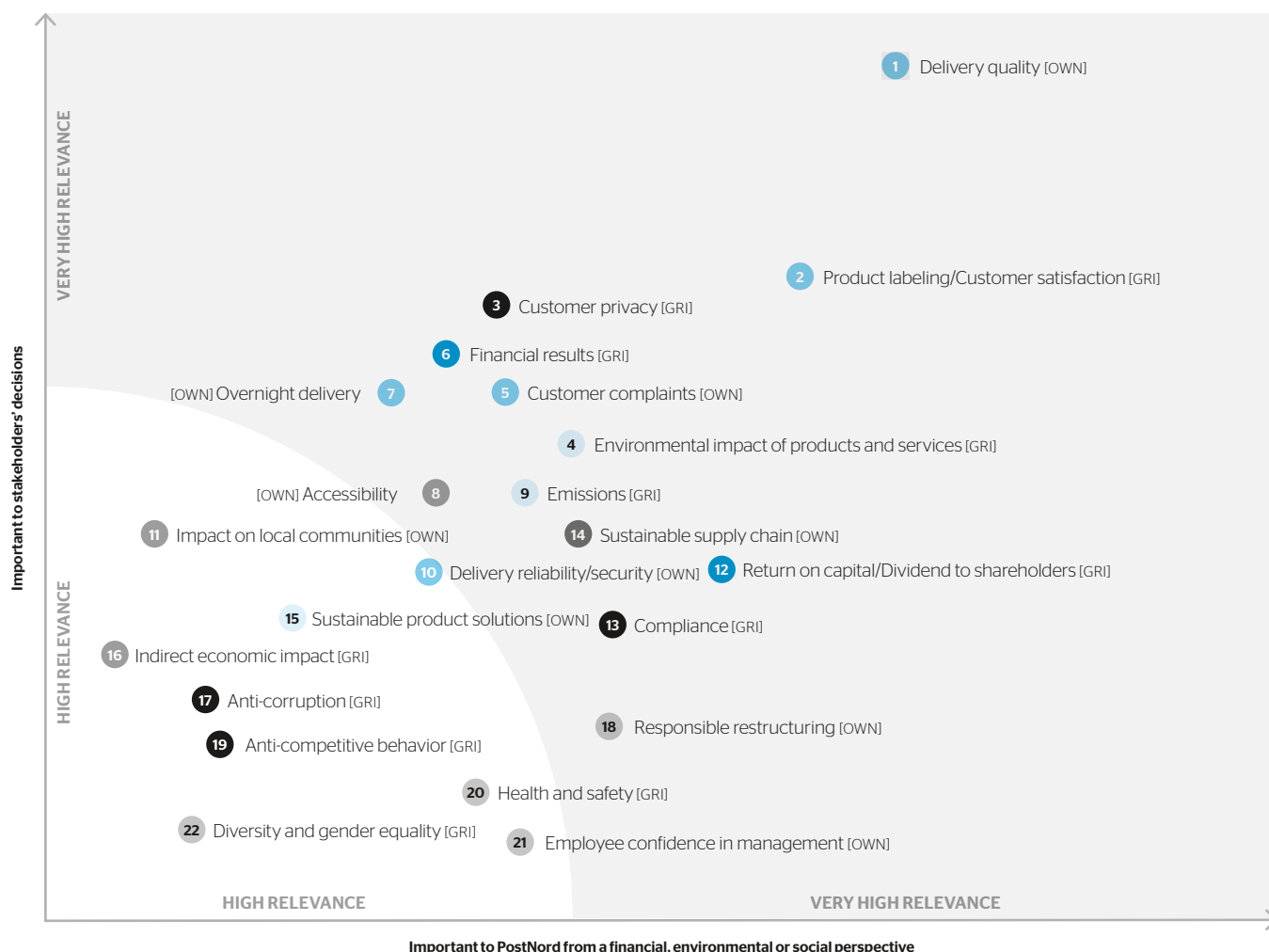
Within a framework comprising identification with GRI's aspects, ISO 26000, the UN Global Compact, regulations and strategically important questions from stakeholder dialogues, an outline list of sustainability issues relevant to PostNord was drawn up in 2014. During 2017, the process of identification relative to the UN's Global Sustainability Goals will be carried out.

Priorities

In 2014, these sustainability issues were ranked in terms of their importance to PostNord and their importance vis-à-vis decision-making by PostNord's stakeholders, by a group consisting of the Group Executive Team and representatives of Group functions, country organizations and business areas. Over 2015, a number of in-depth interviews were conducted with personnel in management and other strategic functions, in order to establish support for the initiative.

Verification

Work continued on validation of the results of the materiality analysis by selected representatives of selected stakeholder groups. Customers highlighted delivery quality, the environment and follow-up of the supply chain as important areas, while employee representatives emphasized health and safety, responsible restructuring, environmental issues and sustainability in the supply chain. Suppliers regarded environmental issues and follow-up of the supply chain as the most important issues. During 2015, PostNord's Swedish owners conducted a sustainability analysis of PostNord, focusing on issues such as responsible and attractive employer, sustainable logistics, sustainable products and services, procured transport services/sustainable supply chain.



Compilation of results of the materiality assessment:

| Important area | Sustainability issues in matrix on, page 88 | Important | | Why important to stakeholders' decisions? | Why important to PostNord? |
|---|--|-----------|------|--|---|
| | | Ext. | Int. | | |
| <p>We are striving for profitable long-term development</p> <p><i>For more information, see inside cover, pages 16-17.</i></p> | Financial results ⁶ Return on capital/Dividend to owners ¹² | x | x | A well-managed, profitable company is attractive in the eyes of the world outside – the company finds it easier to attract new customers, employees, suppliers and financiers. Dividends are paid to the owners and, by extension, to all citizens in Denmark and Sweden. Taxes are paid to the State treasuries in the countries where business is conducted. | Profitable, sustainable development is required if the company is to exist and be successful. |
| <p>We enable companies and consumers to do business and communicate</p> <p><i>For more information, see pages 8-11 and 15.</i></p> | Delivery quality ¹ Delivery reliability/security ¹⁰ Product labeling/Customer satisfaction ² Customer complaints ⁵ Overnight delivery ⁷ | x | x | High delivery quality is crucial to customer decisions on choice of supplier of communications and logistics services. | Along with customer satisfaction, it is a requirement for continued business and profitable development. |
| <p>We take responsibility for our environmental impact</p> <p><i>For more information, see pages 13, 30-31 and 83-84.</i></p> | Environmental impact of products and services ⁴ Emissions ⁹ Sustainable product solutions ¹⁵ | x | x | Many customers have ambitious environmental targets that PostNord, as supplier, can help to achieve. As a State-owned company, PostNord is expected to act in an exemplary manner in environmental matters. | Environmental efforts are becoming an increasingly important competitive factor and are crucial to PostNord's ability to rise to the challenge of competition. Lower environmental impact often means lower resource consumption, and consequently lower costs. |
| <p>We care about our employees</p> <p><i>For more information see pages 12, 31 and 81-82.</i></p> | Responsible restructuring ¹⁸ Health and safety ²⁰ Employee confidence in management ²¹ Diversity and gender equality ²² | x | x | Being a good employer is fundamental to attracting skilled personnel. Many customers also make demands in this respect. | As one of the Nordic region's biggest employers, PostNord bears major responsibility for its employees. Good employee relations are crucial to PostNord, particularly if it is to succeed in restructuring the business. |
| <p>We take responsibility for our impact on society</p> <p><i>For more information see page 15.</i></p> | Accessibility ⁸ Impact on local communities ¹¹ Indirect economic impact ¹⁶ | x | x | Many consumers and organizations use and depend on PostNord's services – they expect PostNord to always keep its promises. | PostNord has a key role to play in the business community and in society, both in the performance of its universal postal service obligations, and by being a communication and logistics supplier with extensive coverage and capacity |
| <p>We make demands when purchasing goods and services</p> <p><i>For more information see pages 14 and 31.</i></p> | Sustainable supply chain ¹⁴ | x | x | Good relations with suppliers have a positive effect on cooperation. Customers and other stakeholders expect PostNord to manage its supply chain in a responsible manner. | Working with responsible business partners reduces risks and contributes to PostNord's own sense of responsibility and performance in terms of sustainability. |
| <p>We comply with legislation and regulations</p> <p><i>For more information see pages 30-31.</i></p> | Customer privacy ³ Compliance with regulations ¹³ Anti-corruption ¹⁷ Anti-competitive behavior ¹⁹ | x | x | PostNord handles large volumes of mail items and customer data, and all stakeholders expect PostNord to handle them in the correct way. | PostNord has several external and internal principles and regulations to navigate and comply with. |

3 Measurement and calculation methods – Corporate Image

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

4 Measurement and calculation method – Customer value (CVI)

The customer value index (CVI) has since 2011 been used as PostNord's monitoring tool for regular follow-up of customer satisfaction and how customers perceive the business. Since the start of 2015, the survey has been conducted once a year (previously twice a year) and includes all PostNord country organizations, with the emphasis on the Nordic countries. Starting in 2015, the survey has been conducted among individual customers online instead of by telephone. The survey of businesses still takes place by telephone. The methodology adjustments introduced were tested carefully to ensure comparability with earlier results. On that basis, PostNord takes the view that the 2013 and 2014 figures provided for comparison, as presented in this report, are relevant and reliable. The 2016 survey was carried out during November and December, with 3,664 corporate customers responding and 4,600 individual customers making up the online panel.

5 Quality – letters and parcels

Quality: 1st class mail

Measurement and calculation method: Swedish External Monitoring (SWEX) and Danish External Monitoring (DEX) are two independent external quality measurements that continuously gauge the share of 1st class mail that is delivered on time from customer to customer. Measurements are conducted by means of a statistically assured test mail operation that meets the requirements set forth in EN standard I3850.

Quality: parcels

Measurement and calculation method: The PostNord Group's overall quality figure is a weighted figure that is calculated from the reported quality and volumes for the country concerned. The production system measures the proportion of parcels that arrive on time, from the first production scan until the delivery scan, either at the distribution point or at the recipient. The products included in the measurements are B2B parcels and B2C parcels, other than in Finland, where only B2B parcels are included. In Denmark, C2C parcels are also included.

6 Number of employees by category

| Employees by category at end of period, basic staff | 2016 |
|---|---------------|
| Administration | 4,484 |
| <i>of whom, women</i> | 1,905 |
| <i>of whom, men</i> | 2,579 |
| Production | 28,173 |
| <i>of whom, women</i> | 8,727 |
| <i>of whom, men</i> | 19,446 |
| Total, PostNord Group | 32,657 |

The figures shown in the 2015 Annual and Sustainability Report are not comparable with the figures shown for 2016, as certain roles have been reclassified.

| Number of employees at end of period | 2016 | 2015 |
|--------------------------------------|---------------|---------------|
| Basic staff | 32,657 | 34,819 |
| <i>of whom, women</i> | 10,632 | 11,453 |
| <i>of whom, men</i> | 22,025 | 23,366 |
| Temporary employees | 7,272 | 7,292 |
| <i>of whom, women</i> | 2,401 | 2,633 |
| <i>of whom, men</i> | 4,871 | 4,659 |
| Total PostNord Group | 39,929 | 42,111 |

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

7 Sick leave

| Sick leave, % | Total, 2016 | of whom, women | of whom, men | Total 2015 ¹⁾ |
|--------------------|-------------|----------------|--------------|--------------------------|
| PostNord Sweden | 6.8 | 8.6 | 6.0 | 6.5 |
| PostNord Denmark | 5.0 | 5.7 | 4.7 | 5.0 |
| PostNord Norway | 6.3 | n/a | n/a | 6.1 |
| PostNord Finland | 3.4 | 4.1 | 2.9 | 3.4 |
| PostNord Strålfors | 4.2 | 6.4 | 3.1 | 4.0 |
| Other units | 2.3 | 2.3 | 2.3 | 2.0 |
| Total | 6.0 | 7.3 | 5.4 | 5.8 |

¹⁾ Figures for 2015 are not comparable with the figures presented in the 2015 Annual and Sustainability Report. This is because, starting this year, PostNord will be reporting results for the Group's operational country units, rather than for the actual countries themselves.

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

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

8 Occupational injuries

| Occupational injuries, per million hours worked | Total, 2016 | Total 2015 ¹⁾ |
|---|-------------|--------------------------|
| PostNord Sweden | 45.8 | 45.4 |
| PostNord Denmark | 85.6 | 87.3 |
| PostNord Norway | 23.7 | 19.3 |
| PostNord Finland | 22.5 | 10.8 |
| PostNord Strålfors | 15.3 | 11.0 |
| Other units | 4.1 | 5.5 |
| Total PostNord Group | 54.7 | 54.3 |

¹⁾ Figures for 2015 are not comparable with the figures presented in the 2015 Annual and Sustainability Report. This is because, starting this year, PostNord will be reporting results for the Group's operational country units, rather than for the actual countries themselves.

Comment: Most occupational injuries in the Group occur in production and distribution and, in the vast majority of cases, are caused by various types of fall. PostNord uses a structured system for reporting of near-accidents in order to create the conditions that will enable the prevention of occupational injuries. Absence resulting from accidents, measured in the number of hours, has been falling since 2010, indicating fewer serious occupational injuries. No occupational fatalities occurred in 2016 and 2015.

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

9 Gender and age distribution

| Gender distribution, basic staff | 2016 | 2015 |
|----------------------------------|--------|--------|
| Managers | 1,616 | 1,702 |
| of whom, women | 31% | 28% |
| Number employees | 32,657 | 34,819 |
| of whom, women | 33% | 33% |

| Age distribution, basic staff | 2016 | 2015 |
|-------------------------------|-------------|-------------|
| <29 | 15% | 14% |
| 30-50 | 44% | 46% |
| (51) | 41% | 40% |
| Total PostNord Group | 100% | 100% |

Measurement and calculation method: Data on gender affiliation are taken from the payroll system that the particular employee is registered on.

Age distributions for employees at Direct Link in the USA and APAC are not available (approximately 0.4% of the overall population).

10 Measurement and calculation method Employee Index and Leadership Index

Employee index (MIX)

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

Leadership Index (LIX)

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

11 Membership of employer organizations, collective bargaining agreements etc.

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

Sweden: Almega and the Swedish Confederation of Transport Enterprises

Denmark: Dansk Industry

Finland: The Confederation of Finnish Industries

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

All employees are entitled to join associations and other organizations, and to organize trade unions. In the Group, more than 99% of the workforce is covered by collective bargaining agreements entered into in the country concerned.

12 Emissions

| Emissions (tonnes, unless otherwise indicated) | 2016 | 2015 |
|---|----------------|----------------|
| Fossil carbon dioxide emissions, total | 364,608 | 375,300 |
| Direct carbon dioxide emissions (EN15, Scope 1) | 151,783 | 133,180 |
| <i>Own transportation</i> | | |
| Fossil fuels | 151,049 | 132,452 |
| Renewable fuels | 30,303 | 24,550 |
| Direct heating (gas and oil) | 734 | 729 |
| Indirect carbon dioxide emissions (EN16, Scope 2) | 19,094 | 21,631 |
| Heating and electricity | 71,345 | 78,497 |
| Purchases of eco-labelled electricity (EN19) | -52,252 | -56,865 |
| Other indirect carbon dioxide emissions (EN17, Scope 3) | 193,732 | 220,489 |
| <i>Sub-contract transportation (road, rail, air and sea)</i> | | |
| Fossil fuels | 189,014 | 215,721 |
| Renewable fuels | 37,892 | 22,454 |
| Business travel, EN17 | 4,718 | 4,768 |
| Other significant air emissions from transportation (EN21) | | |
| Carbon monoxide | 332 | 367 |
| Nitrous oxides | 1,918 | 1,302 |
| Hydrocarbons (VOCs) | 126 | 129 |
| Particulate emissions | 50 | 45 |

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

Measurement and calculation methods

Road

CO₂ 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 refer to the usage phase.

Emission factors:

Denmark

| | |
|-----------------|---|
| CO ₂ | Danish Energy Agency |
| Other gases | Danish Ministry of Transport, TEMA 2010 |

Other Nordic

| | |
|-----------------|--|
| CO ₂ | SPBI (Swedish Petroleum & Biofuel Institute) |
| Other gases | NTM (Network for Transport Measures) |

Air

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

Emission factors:

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

Rail

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

Ferry

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

Emission factors:

| | |
|---------|---|
| Denmark | Danish Ministry of Transport, TEMA 2010 |
|---------|---|

Premises

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

Emission factors:

Denmark

| | |
|------------------|----------------------|
| Electricity | Danish Energy Agency |
| District heating | Danish Energy Agency |

Other information Nordic region

| | |
|-------------|--|
| Electricity | Swedish Energy Markets Inspectorate, supplier data |
| Heating | SCB (Statistics, Sweden), supplier data |
| Gas | Swedish Environmental Protection Agency |

13 Emissions intensity

CO₂/mail item refers to the handling of priority mail, Värde, Varubrev, Magasinpost, Brevet, Quickbrevet, Posttidning A (newspaper/periodical, priority delivery) and daily 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).

14 Environmentally licensed operations

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

15 Climate compensation

No climate compensation has taken place. PostNord is affected by local regulations in emission control areas, e.g. bans on studded tires on certain streets and in certain environmental zones.

16 Customer reports in environmental conservation

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

17 Cooperation within environmental conservation

PostNord takes the view that environmental objectives are best achieved in cooperation with others. As a result, a focus is placed on dialogue with customers, suppliers of vehicles and fuels, for example, and infrastructure owners regarding ways in which logistics can best be environmentally adapted in the Nordic countries. PostNord also takes an active role in the CONCITO, KNEG and NTM business networks in Denmark and Sweden. In December, PostNord hosted a Nordic conference on the use of biofuel in heavy transportation, in association with NTM, CONCITO and FORES. Internationally, PostNord participates in the IPC's EMMS environmental program, and IPC has judged PostNord's work on reducing carbon dioxide emissions to be among the best in the industry, awarding PostNord the ranking of Gold. During the year, PostNord also supported WWF on Science Based Targets and contributed to WWF's work in the climate sector via PostNord's charity stamp. PostNord is also an active member of CSR Sweden and the WSP Green Chain.

PostNord is affiliated to the consortium that is developing an electrified road system at Arlanda Airport. The planned electrified road will enable fossil-fuel-free heavy goods transport between Stockholm Arlanda Airport and PostNord's Green Building verified terminal in the Rosersberg logistics center.

18 Other

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

| STANDARD DISCLOSURES | | Section, Page/ Comments | Global Compact (principle number) |
|---|---|--|--------------------------------------|
| Strategy and analysis | | | |
| G4-1 | Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability | President & Group CEO statement, pages 2-3, Strategy, pages 6-8 | 1-10 |
| Organizational profile | | | |
| G4-3 | Name of organization | Page 1 | |
| G4-4 | Primary brands, products and services | Pages 9-10, page 15 | |
| G4-5 | Location of headquarters | Back page | |
| G4-6 | Number of countries and names of those in which the organization has significant operations | Page 15 and Note 5, page 50 | |
| G4-7 | Nature of ownership and legal form | Page 6 and Corporate Governance Report, page 25 | |
| G4-8 | Markets, (including geographic breakdown, sectors served and types of customers and beneficiaries) | Market, pages 4-5 and Society, pages 15, Operations, pages 18-21 | |
| G4-9 | The scale of the organization, including total number of employees, operations, net sales and capitalization | Pages 15-16, page 22, Statement of changes in financial position, page 40, Note 5, page 50, Number of employees by category, page 81 | |
| G4-10 | Number of employees per contract, gender, region and division into permanent and temporary employees | Note 5, page 50, Number of employees by category, page 81 | 6 |
| G4-11 | Number of employees covered by collective bargaining agreements, percentage | Sustainability information 11, page 82 | 3 |
| G4-12 | Description of the organization's supply chain | Sustainable supply chain, page 14 | |
| G4-13 | Changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain | Note 29, page 65 | |
| G4-14 | Handling of the precautionary approach or principle | Corporate governance, page 31 | 7 |
| G4-15 | External sustainability principles and initiatives that the organization supports | Corporate governance, page 29 | |
| G4-16 | Memberships of associations, industry organizations and advocacy organizations | Sustainability information 17, page 84 | |
| Identified material aspects and boundaries | | | |
| G4-17 | Entities included in the report | Sustainability information 1, page 79 | |
| G4-18 | Process for defining the report content | Sustainability information 2, pages 79-80 | 1-10 |
| G4-19 | Material aspects identified | Sustainability information 2, pages 79-80 | |
| G4-20 | The aspect boundary for each material aspect within the organization | Sustainability information 2, pages 79-80 | |
| G4-21 | The aspect boundary for each material aspect outside the organization | Sustainability information 2, pages 79-80 | |
| G4-22 | Effect of any restatements of information provided in previous reports | Sustainability information 1, page 79 | |
| G4-23 | Changes from previous reporting periods in the scope and aspect boundaries | No changes have been made. | |
| Stakeholder engagement | | | |
| G4-24 | List of stakeholder groups | Strategy, page 6 | |
| G4-25 | Basis for identification and selection of stakeholders with whom to engage | Strategy, page 6 | |
| G4-26 | Approach to stakeholder engagement | Strategy, page 6, Customers/recipients, pages 10-11, Employees, page 12. | |
| G4-27 | Key topics and concerns that have been raised through stakeholder engagement | Strategy, page 6 | |
| Report profile | | | |
| G4-28 | Reporting period | Page 1 | |
| G4-29 | Date of most recent previous report | March 18, 2016 | |
| G4-30 | Reporting cycle | Page 1 | |
| G4-31 | Contact persons | Inside back cover | |
| G4-32 | Reporting option and content | Page 1, Sustainability information 1, page 79, GRI Index, pages 85-86 | |
| G4-33 | Policy and current practice for external assurance | Page 1 and Assurance Report, page 87 | |
| Corporate governance | | | |
| G4-34 | Governance structure, including committees and Board responsibility for economic, environmental and social performance | Corporate governance, pages 25-31 | |
| Ethics and integrity | | | |
| G4-56 | Values, principles, standards and norms of behavior, e.g. Code of Conduct | Corporate governance, pages 29-31 | 10 |
| SPECIFIC STANDARD DISCLOSURES | | Section, Page/ Comments | Global Compact (principle number) |
| Economic - Economic development | | | |
| G4-DMA | Disclosures on management approach | Inside cover, Strategy, pages 6-8, Corporate governance, pages 25-30, 32-33, pages 79-80 | |
| G4-EC1 | Direct economic value generated and distributed | Society, page 15 | |

| <i>cont.</i> | SPECIFIC STANDARD DISCLOSURES | Section, Page/ Comments | Global Compact (principle number) |
|---|---|---|--------------------------------------|
| Environmental Impact - Emissions | | | |
| G4-DMA | Disclosures on management approach | Inside cover, Strategy, pages 6-8, Environment, page 13, Corporate governance, pages 30-31, pages 79-80 | |
| G4-EN15 | Direct greenhouse gas emissions (Scope 1) | Environment, page 13, Sustainability information 12, page 83 | 7, 8 |
| G4-EN16 | Indirect greenhouse gas emissions (Scope 2) | Sustainability information 12, page 83 | 7, 8 |
| G4-EN17 | Other indirect greenhouse gas emissions (Scope 3) | Sustainability information 12, page 83 | 7, 8 |
| G4-EN18 | Emissions intensity | Environment, page 13, Sustainability 13, page 83 | 8 |
| G4-EN19 | Reduction in greenhouse gas emissions | Inside cover, Environment, page 13, Sustainability information 12, page 83 | 8, 9 |
| G4-EN21 | Other significant air emissions | Sustainability information 12, page 83 | 7, 8 |
| Environmental - Compliance | | | |
| G4-DMA | Disclosures on management approach | Corporate governance, page 29-31, pages 79-80 | 7, 8, 9 |
| G4-EN29 | Fines for non-compliance with environmental laws | Corporate governance, page 30 | 8 |
| Social - Labor law - Health and safety | | | |
| G4-DMA | Disclosures on management approach | Inside cover, Strategy, pages 6-8, Corporate governance, pages 29-31, Sustainability information, pages 79-80 | |
| G4-LA6 | Accidents, occupational injuries and sick leave | Inside cover, Employees, page 12, page 57 et seq., Sustainability information 7 and 8, page 82 | |
| Social - Labor law - Workplace equality and diversity | | | |
| G4-DMA | Disclosures on management approach | Inside cover, Strategy, pages 6-8, Employees, page 12, Corporate governance, pages 29-31, Sustainability information, pages 79-80 | |
| G4-LA12 | Gender and age distribution for all employees and managers | Inside cover, Employees, page 12, Sustainability information 9, page 82 | 6 |
| Social - Society - Anti-corruption | | | |
| G4-DMA | Disclosures on management approach | Corporate governance, pages 29-31, Sustainability information pages 79-80 | 10 |
| G4-SO5 | Incidents of corruptions and action taken | Corporate governance, page 30 | |
| Social - Society - Anti-competitive behavior | | | |
| G4-DMA | Disclosures on management approach | Corporate governance, pages 29-31, Sustainability information pages 79-80 | |
| G4-SO7 | Legal actions taken against anti-competitive activities | Corporate governance, page 30 | |
| Social - Society - Compliance | | | |
| G4-DMA | Disclosures on management approach | Corporate governance, pages 29-31, Sustainability information pages 79-80 | |
| G4-SO8 | Non-compliance with laws and regulations | Corporate governance, page 30 | |
| Social - Product liability - Labeling of products and services | | | |
| G4-DMA | Disclosures on management approach | Customers/recipients, pages 10-11, Sustainability information, pages 79-80 | |
| G4-PR5 | Customer satisfaction | Customers/recipients, page 11, Sustainability information 4, page 81 | |
| Social - Product liability - Customer privacy | | | |
| G4-DMA | Disclosures on management approach | Corporate governance, page 31, Sustainability information, pages 79-80 | |
| G4-PR8 | Number of complaints regarding breaches of customer privacy | Corporate governance, page 31 | |
| OTHER MATERIAL SUSTAINABILITY ISSUES FOR POSTNORD | | | |
| OWN | Delivery quality | Inside cover, Customers/recipients, pages 10-11, Operations, pages 18-20 | |
| OWN | Customer complaints | Customers/recipients, page 11 | |
| OWN | Overnight delivery | Inside cover, Customers/recipients, pages 10-11, Operations, pages 18-19 | |
| OWN | Sustainable product solutions | Offering, page 10 | |
| OWN | Accessibility | Customers/recipients, pages 10-11, Society, page 15 | |
| OWN | Delivery reliability/security | Corporate governance, page 31 | |
| OWN | Impact on local communities | Society, page 15 | |
| OWN | Sustainable supply chain | Inside cover, Suppliers, page 14, Sustainability information, pages 79-80 | |
| OWN | Responsible restructuring | Employees, page 12 | |
| OWN | Employee confidence in management | Inside cover, Employees, page 12 | |

Assurance Report

Auditor's Limited Assurance Report on PostNord AB's Sustainability Report

To PostNord AB

Introduction

We have been engaged by the Board of Directors of PostNord to undertake a limited assurance engagement of PostNord's Sustainability Report for the year 2016. PostNord has defined the scope of the Sustainability Report on the inside cover.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 86 in the Sustainability Report, that are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) 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.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. 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. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. The auditor applies ISQC 1 (the International Standard on Quality Control) and therefore uses a comprehensive system of quality control including documented guidelines and procedures regarding compliance with the requirements of professional ethics, standards as to the exercise of professions and relevant requirements of laws and other statutes. Consequently the procedures performed do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we do not express a reasonable assurance conclusion.

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

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

Conclusion

Based on the limited assurance procedures we have 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.

Stockholm, March 2, 2017

KPMG AB

Helene Willberg
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR



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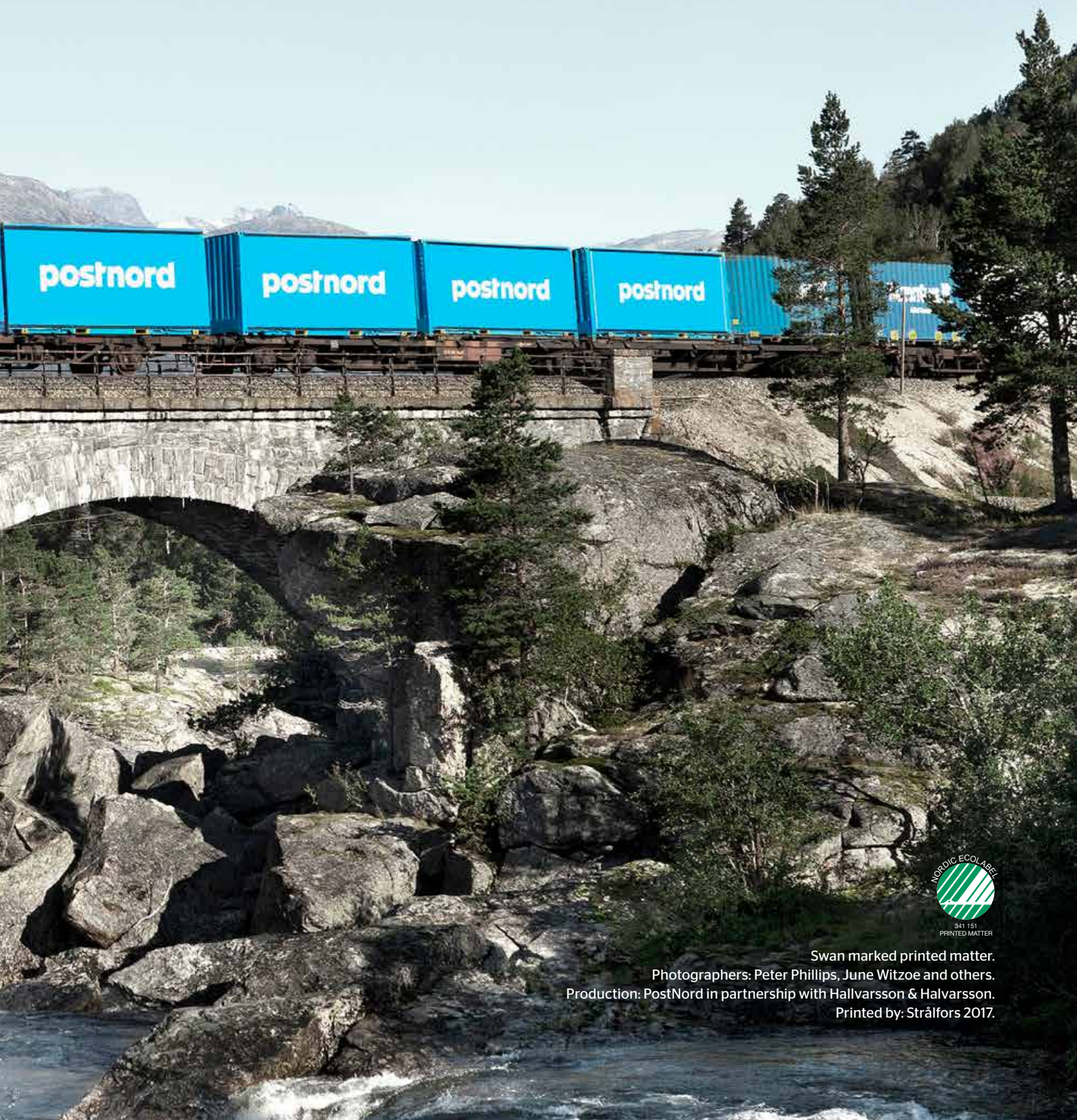
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Financial calendar

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|---------------------------------------|------------------|
| Annual General Meeting | April 27, 2017 |
| Interim report January-March 2017 | April 28, 2017 |
| Interim report January-June 2017 | July 20, 2017 |
| Interim report January-September 2017 | October 27, 2017 |



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