



PostNord

Interim report second quarter and first half of 2020

Overview

Strong improvement in income despite dramatically changed conditions as a result of the coronavirus pandemic. The efficiency programs continued to perform well. Increased eCommerce generated record-high parcel volumes, which was partly offset by weak demand from physical stores. Increased sick leave at the beginning of the quarter returned to normal levels at the end of the quarter. Delivery quality was satisfactory for the parcel business and very good for the mail business.

Second quarter 2020*

- Sales level stable
- Strongly improved income
- High delivery quality
- Strengthened financial preparedness

Effects of the coronavirus pandemic*

- Significantly higher parcel volume
- Increased decline in letter volume
- Marginal financial impact
- High uncertainty in general

| SEKm | April-June | | January-June | |
|-------------------------------------|------------|-------|--------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Net sales | 9,328 | 9,514 | 18,832 | 18,985 |
| Operating income (EBIT) | 517 | -70 | 831 | 92 |
| Adjusted operating income (EBIT) | 404 | 95 | 718 | 257 |
| Income before tax | 386 | -144 | 685 | -55 |
| Net income for the period | 262 | -171 | 525 | -115 |
| Earnings per share (SEK) | 0.13 | -0.09 | 0.26 | -0.06 |
| Cash flow from operating activities | 1,175 | 492 | 1,932 | 927 |
| Net debt ratio (net debt/equity)** | 164% | 103% | 164% | 103% |
| Return on operating capital (ROCE) | 7.0% | 2.4% | 7.0% | 2.4% |

*Unless otherwise stated, the report comments on developments in April–June 2020 compared with the same period in 2019. The term like-for-like refers to the change in fixed currency for comparable units.

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

Comments by the President and Group CEO

Nothing was really the same in the second quarter of the year, neither for society at large nor for us at PostNord. The ongoing coronavirus pandemic affected our customers, our partners, our suppliers and ourselves in a very real way. Although the uncertainty remains high, we as a company handled the difficult situation well in the second quarter. We have shown an ability to handle major changes in volume at a high level of delivery quality, while continuously focusing on our improvement programs.

Overall, sales for the quarter were in line with the corresponding period last year, at SEK 9,328m. On the other hand, the relative shares of our various businesses changed substantially. Parcel volumes rose by all

"Despite increased sick leave and a sharp change in demand, we have delivered on our mission with commitment, high delivery quality and good efficiency."

of 15 percent and a total of 49 million parcels were handled during the quarter, on par with the record set in the seasonally strong fourth quarter 2019. The number of home deliveries and similar delivery arrangements increased sharply in all markets, although this was partly offset by falling demand for deliveries to stores. Letter volumes fell due to digitalization and reduced import volumes due to the pandemic. On the other hand, sales of stamps, pre-stamped parcels and postcards (Real Postcards) showed an increase. This is probably because in the pandemic, it has been more difficult for people to meet their loved ones, and therefore a physical greeting in the form of a letter or postcard has become particularly important. All in all, this shows that PostNord plays an important role in society, not least in troubled times.

Operating income improved sharply to SEK 517m (-70). The improvement programs progressed successfully. At the same time, price increases had a positive effect on income. Additional costs arising from the pandemic were offset by corresponding government compensation.



During the quarter, several strategically important steps were taken. Deliveries to corporate customers via DigitalLOCK was introduced in Sweden. An agreement was concluded regarding the sale of properties in Norrköping, Sweden, and a decision made on a new terminal in the Tampere area in Finland. Major agreements were signed with, for example, Nordic Nest, Varner, Internetstores and Coop Danmark.

Preparations are ongoing for transition to two-day distribution of letters in Sweden. In Sweden and Denmark, dialogue with politicians concerning a long-term financially sustainable letter business continues. The current agreement between PostNord Denmark and the Danish government was extended for another six months, until the turn of the year. PostNord Denmark receives compensation for the extra costs involved in the universal service obligation. However, it is assessed that the compensation does not offset the costs we incur in Denmark.

Despite the many challenges that ensued from the coronavirus pandemic, we maintained high delivery quality. In both Sweden and Denmark, we are clearly at a level above the legal requirements for letters. Delivery quality for parcels declined slightly, but still amounted to 94.7 percent for the Group as a whole.

I am proud of our employees and how well they handled a turbulent second quarter. Despite increased sick leave and a sharp change in demand, we have delivered on our mission with commitment, high delivery quality and good efficiency. At the same time, the future is unusually uncertain, both in the short and long term, so it is with both humility and confidence that we approach the second half of the year.

Annemarie Gardshol
President & Group CEO

Net sales and income

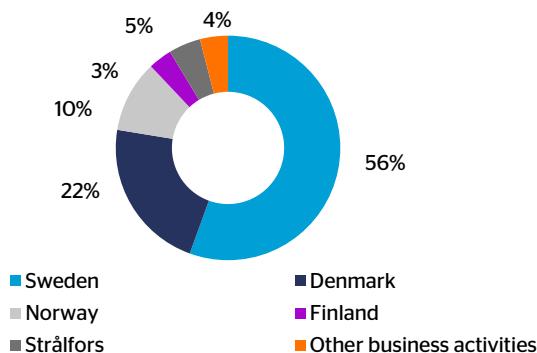
Net sales

Net sales amounted to SEK 9,328m (9,514) in the second quarter of the year, an increase of 0.3 percent in fixed currency for comparable units

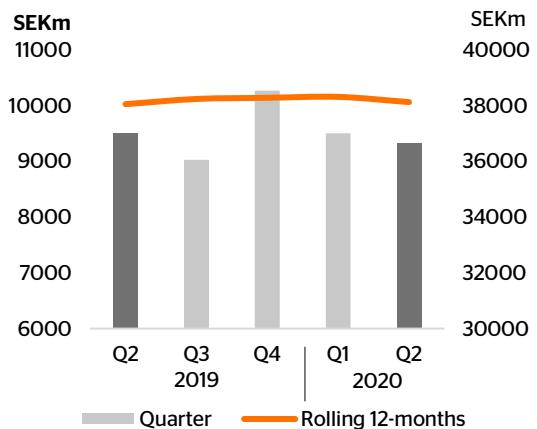
The trend of declining letter volumes due to increased digitalization continued and accelerated due to reduced import volumes caused by the coronavirus pandemic. A total of 319 million letters were handled, corresponding to a volume decrease of 19 percent. This was a higher rate than in both the corresponding period last year (-10 percent) and the previous quarter (-12 percent). Advertising mailings also declined sharply.

The product mix for the parcel and logistics business was greatly affected by changing consumer behavior as a result of the pandemic. Strong demand for home deliveries and similar delivery arrangements resulted in a volume increase of 28 percent to business-to-consumer customers. However, volumes for business-to-business customers fell by 14 percent, and demand from stores was particularly weak. A total of 49 million parcels were handled, more than ever before in a second quarter. Other operating income increased to SEK 418m (84), partly due to currency effects, compensation for universal postal service in Denmark and property sales.

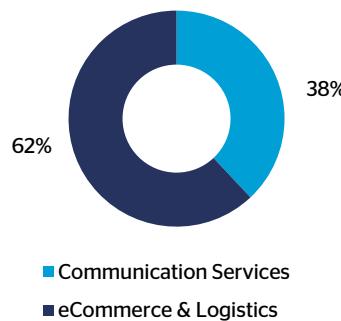
Net sales per segment



Net sales



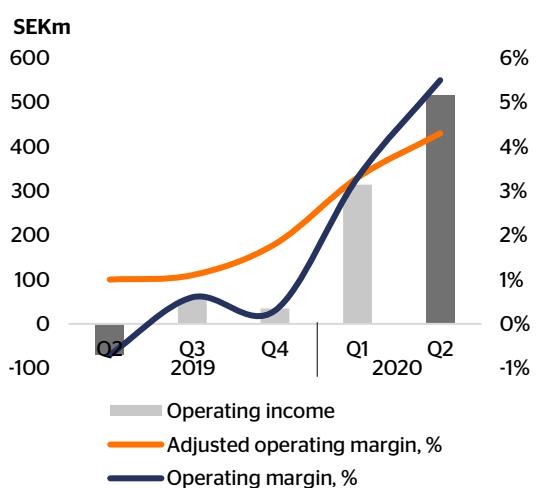
Net sales per service category



Income

Operating income for the fourth quarter was SEK 517m (-70), corresponding to an operating margin of 5.5 (-0.7) percent. The ongoing improvement program continued according to plan, with a large number of activities that overall produced efficiency improvements and therefore lower costs. A property sale in Denmark provided a positive contribution of SEK 113m, as did the increase in postage introduced in Sweden from January 1. Government compensation as a result of the coronavirus pandemic amounted to around SEK 80m, to cover the cost of hiring extra staff. Return on capital employed improved to 7.0 percent (2.4), above all as a result of the improved income. Net financial items totaled SEK -130m (-74). The change mainly relates to the translation effects of health insurance plans and currency. Tax for the period totaled SEK -124m (-27) and income for the period SEK 262m (-171).

Operating income



Cash flow and financial position

Cash flows

Cash flow from operating activities totaled SEK 1,175m (492). The improved income and reduced accounts receivable contributed positively. Cash flow from investing activities totaled SEK -237m (-314). Disposal of a subsidiary contributed SEK 5m (-), for more details see Note 4. Investments in property, plant, equipment and in intangible assets during the period totaled SEK 251m (322). The decrease arose in the main through a reduced number of ongoing projects. The investments focused mainly on vehicles, sorting machines, equipment for third-party logistics, the build-up of a distribution hub in Denmark and IT development. Cash flow from financing activities totaled SEK -311m (-841). The change is attributable to new loans SEK -m (1,000), amortization of loans SEK -6m, (-1,550) and amortization of lease liability SEK -316m (-285).

Net debt

The Group's net debt, including pensions and lease liabilities, increased by SEK 1,279m during the second quarter, mainly due to an increased pension liability of SEK 2,186m.

The higher pension liability was mainly due to assumptions of higher inflation expectations and a lower discount rate, and to the reclassification of the PostNord Försäkringsförening's (PFF) surplus.

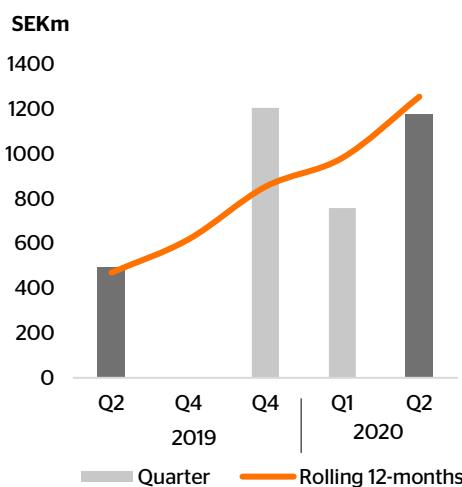
The reclassification is caused by the fact that PFF has transferred the insurance portfolio to an external party during the quarter. Upon transfer,

PFF enters into liquidation and the surplus is reclassified from pensions and disability pensions plan to other operating receivables, which are not part of net debt and therefore the pension liability increases. The surplus of PFF is reported with SEK 243m in Other non-current receivables and with SEK 400m in Other current receivables. The increased debt was to some extent offset by a positive return of around SEK 200 million from Postens Pensionsstiftelse. The net debt ratio including pensions and lease liabilities (net debt/equity) was 370 percent (257). The Group's net debt/equity ratio excluding lease liabilities amounted to 164 percent (103), which was above the Group's target of 10-50 percent. The interest-bearing debt excluding lease liabilities is long-term and amounted to SEK 3,784m (3,870). Financial preparedness at the end of the quarter amounted to SEK 7,377m (5,374), of which cash and cash equivalents were SEK 4,377m (3,374). During the quarter, the Group's revolving credit facility was increased to SEK 3,000m (2,000). At the end of the quarter, the facility was unused.

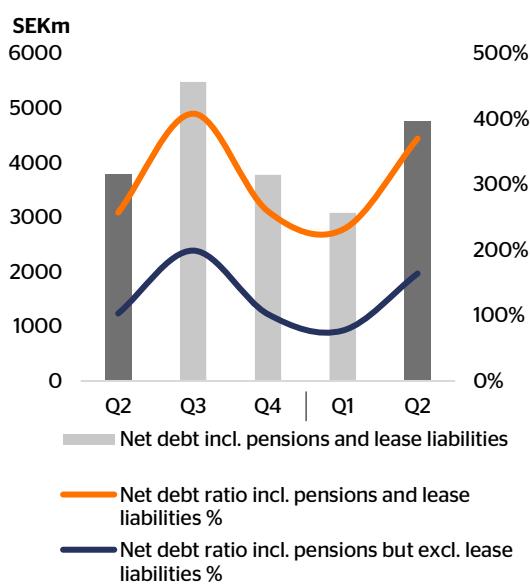
Equity

The Group's equity decreased to SEK 2,806m from SEK 3,952m on March 31, 2020. The change for the quarter is attributable to the income of SEK 262m million for the period, translation differences of SEK -156m and the change of net SEK -1,249m after tax in the pension commitment.

Cash flow from operating activities



Net debt and net debt ratio



| Net debt | June 30 2020 | Mar. 31 2020 | Dec. 31 2019 | Sep. 30 2019 | June 30 2019 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| SEKm | | | | | |
| Interest-bearing liabilities | 9,524 | 9,830 | 9,550 | 9,513 | 9,499 |
| Pensions and disability pension plans | 5,532 | 3,346 | 3,500 | 4,710 | 3,485 |
| Long- and short-term investments | -297 | -309 | -198 | -197 | -196 |
| Cash and cash equivalents | -4,377 | -3,764 | -3,398 | -2,914 | -3,374 |
| Net debt incl. pensions and lease liabilities | 10,382 | 9,103 | 9,454 | 11,112 | 9,414 |
| Net debt ratio incl. pensions and lease liabilities | 370% | 231% | 259% | 408% | 257% |
| Net debt incl. pensions but excl. lease liabilities | 4,753 | 3,187 | 3,776 | 5,476 | 3,787 |
| Net debt ratio incl. pensions but excl. lease liabilities | 164% | 79% | 102% | 199% | 103% |
| Net debt excl. pensions and leases | -779 | -159 | 276 | 767 | 301 |
| Net debt ratio excl. pensions and lease liabilities | -27% | -4% | 7% | 28% | 8% |

Sustainability information

Delivery quality

Delivery quality in Sweden is still above the legal requirement of 95 percent for stamped letters that must be delivered to the intended recipient within two working days, maintaining a level of 97.9 percent (98.2) over the past 12 months. In Denmark, quality also exceeded the legal requirement. Over the past 12-month period, delivery quality for the Brevet service was 95.1 percent (96.0), compared with the legal requirement that 93 percent of letters must be delivered to the intended recipient within five working days.

Overall delivery quality for parcels in the PostNord Group was 96.1 percent (95.4) over the past 12-month period.

Personnel

The average number of employees (FTEs) totaled 27,207 (28,289). The change is largely due to the transition in Denmark and Sweden, but also in Other business activities. The number of employees in the Group functions has decreased.

Sick leave increased slightly as a result of the coronavirus pandemic to 5.6 percent (5.4) on a trailing 12-month basis, where the impact in each individual month is limited. Over a multi-year perspective, sick leave has gradually fallen.

At the end of the quarter, the proportion of women at management levels 1-3 was 36 percent (35). At levels 4-6, the figure was 31 percent (31).

Sustainable supply chain

The target for a sustainable supply chain in 2020 is that 80 percent of purchase volumes from significant suppliers should be from those who accept and comply with PostNord's Supplier Code of Conduct. The outcome for the year's first quarter was 75 percent (69). During the quarter, 94 (10) suppliers were asked to carry out self-evaluation. The ongoing coronavirus pandemic means that the on-site audits that would have been carried out in the second quarter have been postponed to the future.

Climate impact

Emissions for the first half-year amounted to 151,605 tonnes of carbon dioxide, -3 percent compared with the first half of 2019 and -39 percent compared with the base year 2009, in comparable units. The target is to reach -40 percent at the end of 2020, compared with the base year 2009. Emissions from operations in Sweden and Finland decreased, which was partially offset by increases in Denmark and Norway, caused by increased transportation.

At PostNord Sweden, emissions decreased as a result of a decline in national and regional transport, but also as a result of an increased mix of biofuels. Emissions in third-party logistics increased slightly, as a result of increased transport volumes.

Parent Company

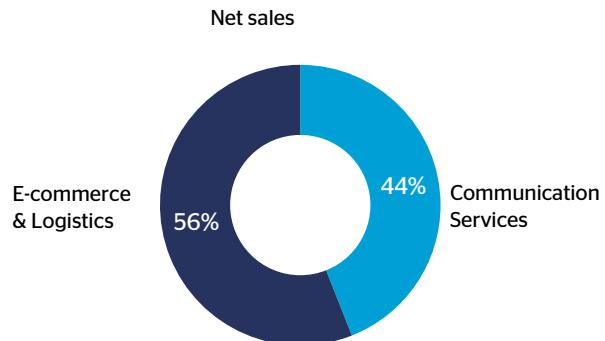
The Parent Company conducted limited operations, in the form of intra-Group services. No net sales were recognized during this or the corresponding quarter last year. Net income for the period totaled SEK -18m (-79).

PostNord Sweden

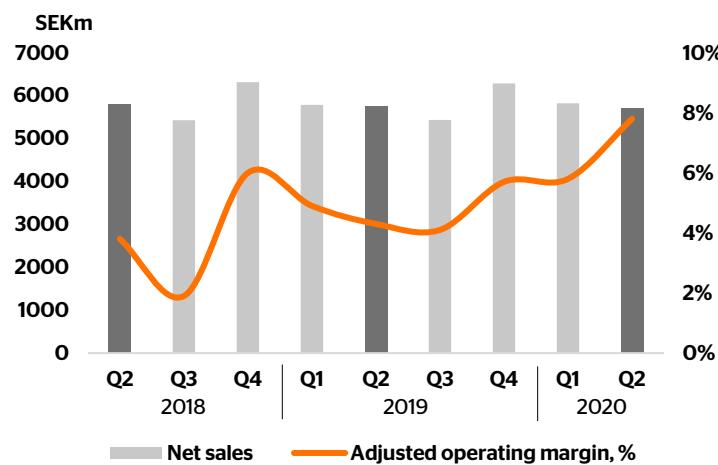
Net sales increased marginally to SEK 5,708m (5,757) in fixed currency for like-for-like units. Sales for the mail business fell by 6 (-6) percent, while sales in the parcel and logistics business increased with 4 (3) percent. Demand for goods distribution to stores decreased as a result of the coronavirus pandemic, while the number of home deliveries increased very sharply.

Operating income improved to SEK 446m (245). The ongoing improvement programs proceeded according to plan, contributing to a lower level of costs. The increase in postage from 1 January contributed positively.

The delivery quality for letters was 97.9 percent (98.2), thus exceeding the legal requirement of 95 percent by a margin. The substantial increase in the number of parcels created challenges in handling. Despite the increase, delivery quality averaged 94.9 percent (94.2) for the quarter and 96.2 percent (94.9) for the past 12-month period.



Net sales and adjusted operating margin



97.9%

Delivery quality, mail Legal requirement 95%

Refers to the period July 2019-June 2020

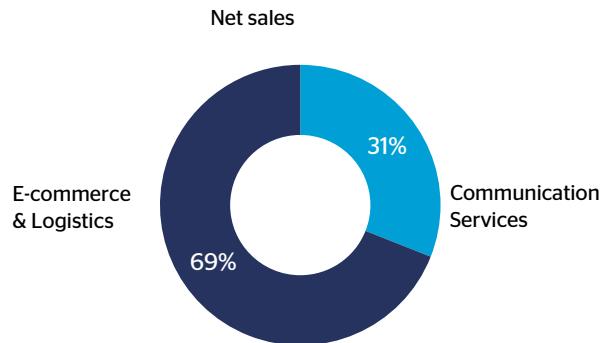
| SEKm | April-June | | △ (like-for-like) Change | January-June | | △ (like-for-like) Change |
|---|------------|-------|--------------------------------|--------------|--------|--------------------------------|
| | 2020 | 2019 | | 2020 | 2019 | |
| Net sales | 5,708 | 5,757 | 1% | 11,532 | 11,540 | 1% |
| – Communication Services (extern) | 2,335 | 2,484 | -6% | 4,832 | 5,140 | -6% |
| – eCommerce & Logistics (extern) | 2,955 | 2,944 | 4% | 5,824 | 5,781 | 3% |
| – Internal | 418 | 329 | 27% | 876 | 619 | 42% |
| Operating income (EBIT) | 446 | 245 | 82% | 784 | 528 | 48% |
| Operating margin | 7.8% | 4.3% | - | 6.8% | 4.6% | - |
| Items affecting comparability | - | - | - | - | - | - |
| Adjusted operating income (adjusted EBIT) | 446 | 245 | 82% | 784 | 528 | 48% |
| Adjusted operating margin | 7.8% | 4.3% | - | 6.8% | 4.6% | - |

PostNord Denmark

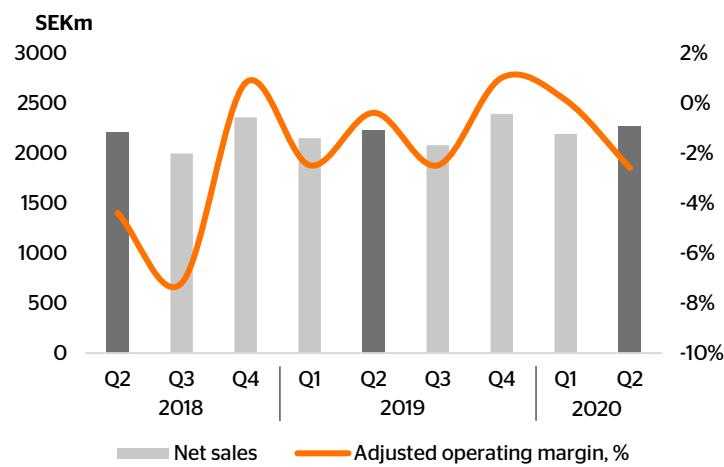
Net sales increased by 1 percent to SEK 2,265m (2,228). However, the product mix changed dramatically as sales in the mail business fell by 25 percent (18), while sales in the parcel and logistics business increased by 20 percent (15). The sharp change meant that for the first time the mail business represented less than a third of PostNord Denmark's total sales.

Operating income improved to SEK 54m (-10). The income was positively affected by compensation from the Danish government. A capital gain on a property sale provided a positive contribution of SEK 113m to income, and the adjusted operating profit therefore amounted to SEK -59m (-10).

Delivery quality for letters exceeded the legal requirement and amounted to 95.1 percent (96.0), while delivery quality for parcels declined to 93.7 percent (95.6) during the quarter and 95.9 percent (96.5) over the past 12-month period.



Net sales and adjusted operating margin



95.1%

Delivery quality, mail Legal requirement 93%

Refers to the period July 2019-June 2020

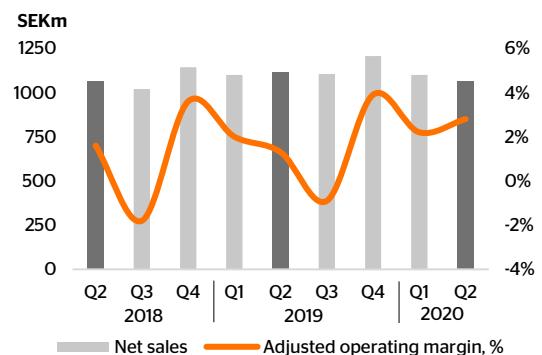
| SEKm | April-June | | △ (like-for-like) Change | January-June | | △ (like-for-like) Change |
|---|------------|-------|--------------------------------|--------------|-------|--------------------------------|
| | 2020 | 2019 | | 2020 | 2019 | |
| Net sales | 2,265 | 2,228 | 1% | 4,453 | 4,375 | 0% |
| – Communication Services (extern) | 657 | 877 | -27% | 1,439 | 1,759 | -19% |
| – eCommerce & Logistics (extern) | 1,437 | 1,196 | 17% | 2,683 | 2,331 | 14% |
| – Internal | 171 | 155 | 55% | 331 | 286 | 45% |
| Operating income (EBIT) | 54 | -10 | - | 56 | -64 | - |
| Operating margin | 2.4% | -0.4% | - | 1.3% | -1.5% | - |
| Items affecting comparability | 113 | - | - | 113 | - | - |
| Adjusted operating income (adjusted EBIT) | -59 | -10 | - | -57 | -64 | - |
| Adjusted operating margin | -2.6% | -0.4% | - | -1.3% | -1.5% | - |

PostNord Norway

Net sales increased by 8 percent in fixed currency for like-for-like units, amounting to SEK 1,066m (1,116). The ongoing coronavirus pandemic has changed customer behavior, with volumes to business-to-business customers falling by 17 percent, primarily driven by declining demand in the retail sector, while volumes to business-to-consumer customers increased by 55 percent. **Operating income** improved to SEK 30m (15). Short-term redundancies were introduced towards the end of the first quarter but were withdrawn in late April.

Delivery quality decreased slightly, to 95.5 percent (96.0) during the quarter and 96.0 percent (96.2) over the past 12-month period.

Net sales and adjusted operating margin



| SEKm | April-June | | △ (like-for-like) Change | January-June | | △ (like-for-like) Change |
|---|------------|-------|--------------------------------|--------------|-------|--------------------------------|
| | 2020 | 2019 | | 2020 | 2019 | |
| Net sales | 1,066 | 1,116 | 8% | 2,167 | 2,215 | 6% |
| – Communication Services (extern) | 20 | 15 | 59% | 40 | 32 | 37% |
| – eCommerce & Logistics (extern) | 851 | 909 | 11% | 1,757 | 1,820 | 5% |
| – Internal | 195 | 192 | -8% | 370 | 364 | 10% |
| Operating income (EBIT) | 30 | 15 | 100% | 54 | 37 | 46% |
| Operating margin | 2.8% | 1.3% | - | 2.5% | 1.7% | - |
| Items affecting comparability | - | - | - | - | - | - |
| Adjusted operating income (adjusted EBIT) | 30 | 15 | 100% | 54 | 37 | 46% |
| Adjusted operating margin | 2.8% | 1.3% | - | 2.5% | 1.7% | - |

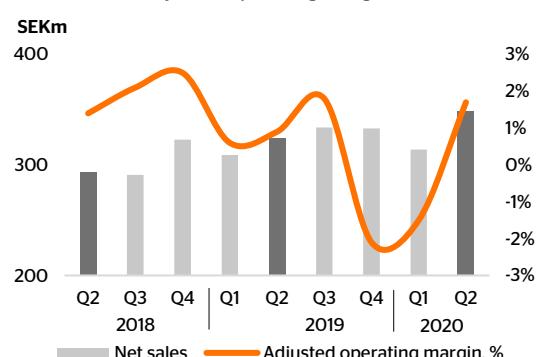
PostNord Finland

Net sales increased by 7 percent (3) in fixed currency for like-for-like units, amounting to SEK 349m (324). Sales to physical stores fell sharply as a result of the effects of the coronavirus pandemic, which was offset by increased home deliveries. Overall, business-to-business volumes decreased by 7 percent, while business-to-consumer volumes increased by 53 percent.

Operating income improved to SEK 6m (3).

Delivery quality decreased to 94.7 percent (95.9) during the quarter, but increased marginally over the past 12-month period, to 95.4 percent (95.3).

Net sales and adjusted operating margin



| SEKm | April-June | | △ (like-for-like) Change | January-June | | △ (like-for-like) Change |
|---|------------|------|--------------------------------|--------------|------|--------------------------------|
| | 2020 | 2019 | | 2020 | 2019 | |
| Net sales | 349 | 324 | 7% | 663 | 633 | 3% |
| – Communication Services (extern) | 0 | 2 | -100% | 0 | 3 | -100% |
| – eCommerce & Logistics (extern) | 233 | 199 | 14% | 446 | 398 | 11% |
| – Internal | 116 | 123 | -6% | 217 | 230 | -5% |
| Operating income (EBIT) | 6 | 3 | 100% | 1 | 5 | -80% |
| Operating margin | 1.7% | 0.9% | - | 0.2% | 0.8% | - |
| Items affecting comparability | - | - | - | - | - | - |
| Adjusted operating income (adjusted EBIT) | 6 | 3 | 100% | 1 | 5 | -80% |
| Adjusted operating margin | 1.7% | 0.9% | - | 0.2% | 0.8% | - |

PostNord Strålfors

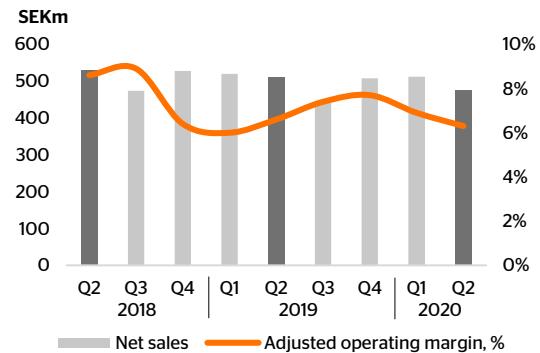
Net sales for Strålfors decreased by 5 percent (4) amounting to SEK 475m (511).

The lower sales volume follows the long-term trend of a structurally declining market for printed matter in the wake of digitization. On the other hand, the major share of the printed matter market has been less affected by coronavirus pandemic.

Operating profit amounted to SEK 30m (34). The result was impacted by the lower level of sales, which was partly offset by good productivity in the printing and enveloping business and a higher proportion of digital services.

During the quarter, Strålfors adjusted parts of the production for 3D printing and produced 35,000 protective visors in support of the healthcare system during the pandemic

Net sales and adjusted operating margin



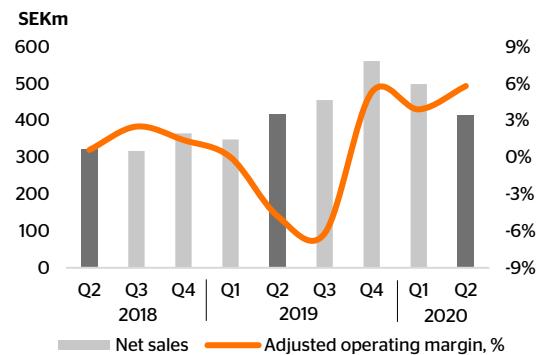
| SEKm | April-June | | △ (like-for-like) Change | January-June | | △ (like-for-like) Change |
|---|------------|------|--------------------------------|--------------|-------|--------------------------------|
| | 2020 | 2019 | | 2020 | 2019 | |
| Net sales | 475 | 511 | -5% | 986 | 1,031 | -3% |
| – Communication Services (extern) | 431 | 472 | -6% | 909 | 958 | -4% |
| – Internal | 44 | 39 | 8% | 78 | 73 | 7% |
| Operating income (EBIT) | 30 | 34 | -12% | 65 | 65 | 0% |
| Operating margin | 6.3% | 6.6% | - | 6.6% | 6.3% | 5% |
| Items affecting comparability | - | - | - | - | - | - |
| Adjusted operating income (adjusted EBIT) | 30 | 34 | -12% | 65 | 65 | 0% |
| Adjusted operating margin | 6.3% | 6.6% | - | 6.6% | 6.3% | - |

Other business activities

Net sales fell marginally during the quarter to SEK 414m (417). As for the industry as a whole, Direct Link had at the beginning of the quarter major challenges in finding transport capacity in the aviation industry to and from Asia, Europe and the USA, as a result of the coronavirus pandemic. However, conditions improved and were satisfactory at the end of the quarter.

Operating income improved to SEK 24m (20). The capacity for scalability is the main factor behind the improved income compared with the corresponding period last year.

Net sales and adjusted operating margin



| SEKm | April-June | | △ (like-for-like) Change | January-June | | △ (like-for-like) Change |
|---|------------|-------|--------------------------------|--------------|-------|--------------------------------|
| | 2020 | 2019 | | 2020 | 2019 | |
| Net sales | 414 | 417 | -1% | 913 | 765 | 18% |
| – Communication Services (extern) | 63 | 62 | 1% | 114 | 112 | 18% |
| – eCommerce & Logistics (extern) | 348 | 353 | -2% | 792 | 649 | 2% |
| – Internal | 3 | 2 | - | 8 | 4 | 20% |
| Operating income (EBIT) | 24 | -20 | - | 43 | -20 | - |
| Operating margin | 5.8% | -4.8% | - | 4.7% | -2.6% | - |
| Items affecting comparability | - | - | - | - | - | - |
| Adjusted operating income (adjusted EBIT) | 24 | -20 | - | 43 | -20 | - |
| Adjusted operating margin | 5.8% | -4.8% | - | 4.7% | -2.6% | - |

First half of 2020.

Net sales amounted to SEK 18,832m (18,985) in the first half-year, unchanged (0 percent) in fixed currency for like-for-like units. Letter volumes fell by 15 percent (9) as a result of digitalization, and a total of 700 million (825) letters were distributed during the first six months of the year. Parcel volumes increased by 7 percent (5) percent and a total of 92 million (86) parcels were handled during the period. The lower sales volume for Strålfors follows the long-term trend of a structurally declining market for printed matter in the wake of digitalization. Direct Link's tailored offerings to customers operating in global e-commerce delivered strong sales growth.

Operating profit amounted to SEK 831m (92) in the first half-year, and the operating margin was 4.4 percent (0.5). The improvement in income was mainly attributable to the ongoing improvement programs. The ever-lower letter volumes impacted income through lower revenues while the business has a high proportion of fixed costs. An increase on postage in Sweden at the turn of the year and government compensation for the universal service obligation in Denmark made a positive contribution. Income for Strålfors was negatively affected by lower sales levels, which was offset by good productivity and a higher proportion of digital services. Direct Link's capacity for scalability, combined with higher sales levels, led to significantly improved results.

Cash flow from operating activities totaled SEK 1,932m (927). The significantly improved income was the single largest factor behind the stronger cash flow.

Financial preparedness was strengthened during the second quarter via the signing of an increased revolving credit facility. At the end of the quarter, the facility comprised SEK 3,000m and was unused.

The coronavirus pandemic affected PostNord from mid-March onwards, see section "Impact of the coronavirus pandemic".

Key events in April -June 2020

Universal service obligation (USO)

At the end of June, the agreement between PostNord Denmark and the Danish government for the universal service obligation, including cost compensation, was extended. The agreement is valid until December 31, 2020 and entails compensation of DKK 112 million, which will be paid during the second half of the year. The agreement is subject to approval by the EU and Finance Denmark. Dialogue continues with the intention of reaching a long-term agreement.

Sale of logistics properties in Norrköping

In June, an agreement was signed on the sale of properties used for third-party logistics operations in Norrköping. The background lies in the PostNord Group's strategic policy to focus more strongly on its core business, i.e. mail and parcel operations, as well as associated logistics services, but not ownership of third-party logistics properties. The agreement is a sale and leaseback transaction and provides positive recognized income, in accordance with IFRS 16 for sale and leaseback, of approximately SEK 200m and a cash contribution of just over SEK 900m in the third quarter.

Transfer of assets from PostNords Försäkringsförening

On April 30, PostNords Försäkringsförening (PFF) completed a portfolio transfer of its insurance portfolio to SPP. As a result of the transaction, PFF entered into liquidation. When the liquidation is completed, PostNord is estimated to have converted the receivable into liquidity of approximately SEK 600 million. The surplus of PFF is reported with SEK 243m in Other non-current receivables and with SEK 400m in Other current receivables.

Significant agreements with Nordic Nest, Varner, Internetstores and Coop

Several significant agreements were signed during the quarter. Nordic Nest, a leading e-commerce player in home furnishings in the Nordic region, entered into agreements for deliveries in Sweden, Denmark, Finland and Norway. The e-commerce agreement with Varner, the group behind the Dressmann, Cubus, Bikbok, Carlings, Volt, Urban, Wow and Junkyard chains, was extended. PostNord and Internetstores deepened their Nordic logistics cooperation. PostNord Denmark signed a significant agreement with the grocery company Coop Danmark.

Major events after the reporting period

Viktor Davidsson appointed new CFO of PostNord

In July, Viktor Davidsson was appointed new CFO of the PostNord Group. He comes most recently from MediaMarkt Retail Group and before that SAS Scandinavian Airlines. Davidsson's most recent role was CFO of the Spanish part of MediaMarkt, MediaMarkt Iberia, and before that he was CFO of MediaMarkt in Sweden. Prior to that, he worked at SAS, where he held several different roles in the Swedish part of the Group, such as Vice President Business and Financial Control for SAS Operations Sweden. Viktor Davidsson has also worked as a management consultant at BearingPoint in Denmark and has experience of procurement from his time at Tetra Pak. Davidsson comes to PostNord with wide-ranging experience regarding the planning and implementation of large improvement programs, with positive results and a strong focus on business operations.

Viktor Davidsson was born in 1977. He has degrees in economics and engineering from Lund University. He replaces acting CFO Lena Larsson, who has held that position since the former CFO, Gunilla Berg, left the Group in spring 2019. Viktor Davidsson will take up his new position on September 1. At that date, Lena Larsson returns to her position as Head of Group Business Control.

Impact of the coronavirus pandemic

Like society at large, PostNord is affected by the coronavirus pandemic. There is a risk of weaker demand, and that suppliers and customers may get into difficulties. PostNord's own ability to deliver is under pressure, as are income and cash flow, although the extent is difficult to foresee. In this situation, it is therefore particularly important:

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

In March, sick leave in all segments increased as a result of the coronavirus pandemic, to 8.7 (5.8) percent. Sick leave has since gradually returned to more normal levels.

PostNord has received around SEK 80 million in government compensation directly related to the coronavirus pandemic. Most of the compensation relates to sick leave.

A review of future investment needs has been carried out and a number of investments have been postponed to the future. Investments for the first half-year totaled SEK 408m, SEK 141m lower than in the corresponding period last year.

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

During the pandemic, Strålfors has switched parts of its 3D production for the benefit of the healthcare system. In total, 6,400 holders and 35,000 protective visors were delivered.

Emissions from air travel have been cut to almost zero for the entire second quarter.

Solna, July 16, 2020
PostNord AB (publ), CIN 556771-2640

The Board of Directors and the President and Chief Executive Officer hereby declare that the interim report provides a true and fair view of the Group's and the Parent Company's operations, position and results, and also describes the material risks and uncertainties faced by the Parent Company and companies making up the Group.

Christian Jansson
Chairman

Christian Frigast
Vice Chairman

Charlotte Strand
Director

Måns Carlson
Director

Peder Lundquist
Director

Sonat Burman Olsson
Director

Ulrica Messing
Director

Susanne Hundsbæk-Pedersen
Director

Bo Fröström
Employee representative

Johan Lindholm
Employee representative

Sandra Svensk
Employee representative

Annemarie Gardshol, President & Group CEO

Group Income statement

| SEKm | Note | April-June | | January-June | |
|------------------------------|------|---------------|---------------|----------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Net sales | 1 | 9,328 | 9,514 | 18,832 | 18,985 |
| Other operating income | | 418 | 84 | 729 | 140 |
| Operating revenue | 3 | 9,746 | 9,598 | 19,561 | 19,125 |
| Personnel expenses | | -3,976 | -4,153 | -7,929 | -8,193 |
| Transportation expenses | | -2,514 | -2,773 | -5,227 | -5,558 |
| Other operating expenses | | -2,090 | -2,108 | -4,292 | -4,064 |
| Depreciation and impairments | | -651 | -635 | -1,283 | -1,219 |
| Operating expenses | | -9,230 | -9,668 | -18,731 | -19,033 |
| OPERATING INCOME | 3 | 517 | -70 | 831 | 92 |
| Financial income | | 4 | 6 | 26 | 12 |
| Financial expenses | | -134 | -80 | -171 | -159 |
| Net financial items | | -130 | -74 | -146 | -147 |
| Income before tax | | 386 | -144 | 685 | -55 |
| Tax | | -124 | -27 | -160 | -60 |
| NET INCOME | | 262 | -171 | 525 | -115 |
| Attributable to | | | | | |
| Parent Company shareholders | | 261 | -171 | 523 | -116 |
| Non-controlling interests | | 1 | 0 | 2 | 1 |
| Earnings per share, SEK | | 0.13 | -0.09 | 0.26 | -0.06 |

Group Statement of comprehensive income

| SEKm | | April-June | | January-June | |
|---|--|---------------|---------------|---------------|---------------|
| | | 2020 | 2019 | 2020 | 2019 |
| NET INCOME | | 262 | -171 | 525 | -115 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Items that cannot be transferred to net income | | | | | |
| Revaluation of pension liabilities | | -1,573 | -1,346 | -1,502 | -1,977 |
| Change in deferred tax | | 324 | 277 | 309 | 407 |
| Total | | -1,249 | -1,069 | -1,193 | -1,570 |
| Items that have been or may be transferred to net income | | | | | |
| Cash flow hedges after tax | | -1 | -2 | -1 | -2 |
| Translation differences | | -156 | 73 | -177 | 211 |
| Total | | -157 | 71 | -178 | 209 |
| TOTAL OTHER COMPREHENSIVE INCOME | | -1,406 | -998 | -1,371 | -1,361 |
| COMPREHENSIVE INCOME | | -1,144 | -1,169 | -846 | -1,476 |
| Attributable to | | | | | |
| Parent Company shareholders | | -1,145 | -1,169 | -848 | -1,477 |
| Non-controlling interests | | 1 | 0 | 2 | 1 |

Group Statement of financial position

| SEKm | Note | Jun. 30 2020 | Jun. 30 2019 | Dec. 31 2019 |
|---|------|-----------------|-----------------|-----------------|
| | 1 | | | |
| ASSETS | | | | |
| Goodwill | | 2,529 | 2,682 | 2,619 |
| Other non-current intangible assets | | 526 | 767 | 608 |
| Property, plant and equipment | | 7,544 | 8,078 | 8,113 |
| Right-of-use assets | | 5,799 | 5,783 | 5,813 |
| Participations in associated companies | | 110 | 95 | 111 |
| Non-current interest-bearing receivables | 6 | 190 | 195 | 198 |
| Other non-current receivables | 6 | 596 | 1,031 | 874 |
| Deferred tax assets | | 880 | 481 | 491 |
| Total non-current assets | | 18,173 | 19,114 | 18,826 |
| Inventories | | 101 | 108 | 105 |
| Tax assets | | 283 | 264 | 222 |
| Trade receivables | 6 | 4,390 | 4,732 | 4,928 |
| Prepaid expenses and accrued income | | 1,023 | 1,212 | 823 |
| Other current receivables | 6 | 897 | 137 | 464 |
| Current interest-bearing receivables | 6 | - | - | 0 |
| Cash and cash equivalents | 6 | 4,377 | 3,374 | 3,398 |
| Assets held for sale | | 87 | 124 | 126 |
| Total current assets | | 11,159 | 9,952 | 10,064 |
| TOTAL ASSETS | | 29,332 | 29,066 | 28,891 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | 2,806 | 3,665 | 3,654 |
| LIABILITIES | | | | |
| Non-current interest-bearing liabilities | 6 | 3,784 | 3,870 | 3,872 |
| Long-term lease liabilities | | 4,470 | 4,418 | 4,476 |
| Other non-current liabilities | | 365 | 46 | 180 |
| Pensions | | 5,601 | 4,363 | 4,211 |
| Other provisions | 5 | 2,299 | 3,046 | 2,548 |
| Deferred tax liabilities | | 63 | 157 | 142 |
| Total non-current liabilities | | 16,581 | 15,901 | 15,428 |
| Current interest-bearing liabilities | 6 | 5 | - | - |
| Current lease liabilities | | 1,265 | 1,210 | 1,202 |
| Trade payables | 6 | 2,518 | 2,621 | 2,811 |
| Tax liabilities | | 370 | 48 | 80 |
| Other current liabilities | 6 | 1,648 | 1,180 | 1,099 |
| Accrued liabilities and deferred income | | 3,326 | 3,412 | 3,439 |
| Other provisions | 5 | 812 | 1,027 | 1,083 |
| Liabilities categorized as assets held for sale | | - | - | 95 |
| Total current liabilities | | 9,945 | 9,500 | 9,809 |
| TOTAL LIABILITIES | | 26,525 | 25,400 | 25,237 |
| TOTAL EQUITY AND LIABILITIES | | 29,332 | 29,066 | 28,891 |

Group Statement of cash flows

| SEKm | Note | April-June | | January-June | |
|--|------|--------------|--------------|--------------|--------------|
| | | 2020 | 2019 | 2020 | 2019 |
| OPERATING ACTIVITIES | | | | | |
| Income before tax | | 386 | -144 | 685 | -55 |
| Adjustments for non-cash items ¹ | | 317 | 490 | 494 | 735 |
| Income tax paid | | -63 | -75 | -87 | -105 |
| Cash flows from operating activities before change in working capital | | 640 | 271 | 1,092 | 575 |
| Cash flow from changes in working capital | | | | | |
| Increase(-)/decrease(+) in inventories | | 2 | 2 | 4 | -8 |
| Increase(-)/decrease(+) in other operating receivables | | 165 | 25 | 476 | 231 |
| Increase(+)/decrease(–) in other operating liabilities | | 359 | 201 | 352 | 136 |
| Other changes in working capital | | 9 | -7 | 8 | -7 |
| Changes in working capital | | 535 | 221 | 840 | 352 |
| Cash flow from operating activities | | 1,175 | 492 | 1,932 | 927 |
| INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant and equipment | | -240 | -251 | -408 | -549 |
| Sale of property, plant and equipment | | - | 4 | 1 | 8 |
| Acquisitions of non-current intangible assets | | -11 | -71 | -20 | -135 |
| Sale of subsidiary, effect on cash and cash equivalents | 4 | 5 | - | 166 | - |
| Acquisition of financial assets | | - | 2 | - | -3 |
| Sale of financial assets | | 9 | 2 | 9 | 102 |
| Cash flows from investing activities | | -237 | -314 | -252 | -577 |
| FINANCING ACTIVITIES | | | | | |
| Amortized loans | | -6 | -1,550 | -84 | -1,615 |
| New loans | | - | 1,000 | - | 2,100 |
| Amortized lease liabilities | | -316 | -285 | -628 | -539 |
| Dividend paid | | -2 | -2 | -2 | -2 |
| Increase(+)/decrease(–) in other interest-bearing liabilities | | 13 | -4 | 15 | -13 |
| Cash flows from financing activities | | -311 | -841 | -699 | -69 |
| CASH FLOWS FOR THE PERIOD | | | | | |
| Cash and cash equivalents, at beginning of period | | 627 | -663 | 981 | 281 |
| Translation difference in cash and cash equivalents | | 3,764 | 4,036 | 3,398 | 3,088 |
| Cash and cash equivalents, closing balance | | 4,377 | 3,374 | 4,377 | 3,374 |
| ¹ Adjustments for non-cash items: | | | | | |
| Depreciation and impairments | | 651 | 634 | 1,283 | 1,218 |
| Change in pension liability | | -36 | 92 | -97 | 42 |
| Other provisions | | -190 | -235 | -560 | -527 |
| Other comments | | -108 | -1 | -132 | 2 |
| Total | | 317 | 490 | 494 | 735 |

Group Statement of changes in equity

| January - June 2019 | | Equity attributable to the Parent Company's shareholders | | | | | |
|--|----------------------------|--|---------------------|-----------------|-------------------|---------------------------|----------------|
| SEKm | Capital stock ¹ | Miscellaneous | | | | Total | |
| | | contributed capital | Translation reserve | Hedging reserve | Retained earnings | Non-controlling interests | equity capital |
| Opening balance Jan. 1, 2019 | 2,000 | 10,621 | -1,611 | 0 | -5,870. | 2 | 5,142 |
| Comprehensive income for the period | | | | | | | |
| Net income for the period | - | - | - | - | -116 | 1 | -115 |
| Other comprehensive income for the period | - | - | 211 | -2 | -1,570 | - | -1,361 |
| Total comprehensive income for the period | - | - | 211 | -2 | -1,686 | 1 | -1,476 |
| Dividend | - | - | - | - | - | -2 | -2 |
| Shareholders' equity, closing balance June 30, 2019 | 2,000 | 10,621 | -1,400 | -2 | -7,556 | 2 | 3,665 |

| July - December 2019 | | Equity attributable to the Parent Company's shareholders | | | | | |
|--|----------------------------|--|---------------------|-----------------|-------------------|---------------------------|----------------|
| SEKm | Capital stock ¹ | Miscellaneous | | | | Total | |
| | | contributed capital | Translation reserve | Hedging reserve | Retained earnings | Non-controlling interests | equity capital |
| Opening balance July 1, 2019 | 2,000 | 10,621 | -1,400 | -2 | -7,556 | 2 | 3,665 |
| Comprehensive income for the period | | | | | | | |
| Net income for the period | - | - | - | - | -125 | 0 | -125 |
| Other comprehensive income for the period | - | - | -109 | 2 | 221 | - | 114 |
| Total comprehensive income for the period | - | - | -109 | 2 | 96 | 0 | -11 |
| Shareholders' equity, closing balance Dec. 31, 2019 | 2,000 | 10,621 | -1,509 | 0 | -7,460 | 2 | 3,654 |

| January - June 2020 | | Equity attributable to the Parent Company's shareholders | | | | | |
|--|----------------------------|--|---------------------|-----------------|-------------------|---------------------------|----------------|
| SEKm | Capital stock ¹ | Miscellaneous | | | | Total | |
| | | contributed capital | Translation reserve | Hedging reserve | Retained earnings | Non-controlling interests | equity capital |
| Opening balance Jan. 1, 2020 | 2,000 | 10,621 | -1,509 | 0 | -7,460 | 2 | 3,654 |
| Comprehensive income for the period | | | | | | | |
| Net income for the period | - | - | - | - | 523 | 2 | 525 |
| Other comprehensive income for the period | - | - | -177 | -1 | -1,193 | - | -1,371 |
| Total comprehensive income for the period | - | - | -177 | -1 | -670 | 2 | -846 |
| Dividend | - | - | - | - | - | -2 | -2 |
| Shareholders' equity, closing balance June 30, 2020 | 2,000 | 10,621 | -1,686 | -1 | -8,130 | 2 | 2,806 |

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

Summary Parent Company income statement

| SEKm | Note | April-June | | January-June | |
|--|------|------------|------------|--------------|-------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | 1 | | | | |
| Other operating income | | 3 | 3 | 7 | 7 |
| Operating revenue | | 3 | 3 | 7 | 7 |
| Personnel expenses | | -3 | -34 | -7 | -40 |
| Other expenses | | -5 | -33 | -10 | -43 |
| Operating expenses | | -8 | -67 | -17 | -83 |
| OPERATING INCOME | | -5 | -64 | -10 | -76 |
| Interest income and similar income items | | 2 | 0 | 4 | 0 |
| Interest expenses and similar items | | -15 | -15 | -29 | -24 |
| Financial items | | -13 | -15 | -25 | -24 |
| Income after financial items | | -18 | -79 | -35 | -100 |
| Appropriations | | - | - | - | - |
| Income before tax | | -18 | -79 | -35 | -100 |
| Tax | | - | - | - | - |
| NET INCOME | | -18 | -79 | -35 | -100 |

Parent Company Statement of comprehensive income

| SEKm | | April-June | | January-June | |
|---|--|------------|------------|--------------|-------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Net income for the period | | -18 | -79 | -35 | -100 |
| Other comprehensive income for the period | | - | - | - | - |
| COMPREHENSIVE INCOME | | -18 | -79 | -35 | -100 |

Summary Parent Company balance sheet

| SEKm | Note | June 30, | June 30 | Dec. 31 |
|-------------------------------------|------|---------------|---------------|---------------|
| | | 2020 | 2019 | 2019 |
| | 1 | | | |
| ASSETS | | | | |
| Financial assets | | 10,893 | 10,890 | 10,893 |
| Total non-current assets | | 10,893 | 10,890 | 10,893 |
| Current receivables | | 8,231 | 8,130 | 8,288 |
| Total current assets | | 8,231 | 8,130 | 8,288 |
| TOTAL ASSETS | | 19,124 | 19,020 | 19,181 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | 15,656 | 15,513 | 15,690 |
| Non-current liabilities | | 3,435 | 3,435 | 3,434 |
| Current liabilities | | 33 | 72 | 57 |
| TOTAL EQUITY AND LIABILITIES | | 19,124 | 19,020 | 19,181 |

Notes to the financial statements

Note 1 – Accounting principles

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

New and revised accounting principles

The new or revised IFRS that entered into force in 2020 have not had any impact on the consolidated financial statements. A number of new or revised IFRS that will come into effect in the next few financial years have not been adopted early in the preparation of these financial statements. They are not expected to have a material impact on the Group's or the Parent Company's forthcoming financial reports. The same accounting principles and calculation methods have been used in this interim report as in the 2019 annual report.

Significant assessments and estimates

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

Note 2 – Risks

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

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

Note 3 – Operating segments

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

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

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

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

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

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

The **Other and eliminations** segment consists of shared services and corporate functions including the Parent Company and Group adjustments. Group adjustments consist of IFRS measurement for pensions under IAS 19 Employee Benefits and IAS 16 Leases. An operational division between Other and eliminations and PostNord Sweden is made so that each segment carries its share of income. Eliminations consists of the elimination of internal transactions.

Notes to the financial statements

Net sales per segment

| SEKm | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 |
|---------------------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|
| PostNord Sweden | 5,425 | 6,315 | 5,783 | 5,757 | 5,433 | 6,281 | 5,824 | 5,708 |
| - of which internal | 255 | 306 | 290 | 329 | 355 | 441 | 458 | 418 |
| PostNord Denmark | 1,994 | 2,355 | 2,147 | 2,228 | 2,075 | 2,389 | 2,187 | 2,265 |
| - of which internal | 110 | 130 | 130 | 155 | 118 | 174 | 161 | 171 |
| PostNord Norway | 1,019 | 1,143 | 1,099 | 1,116 | 1,105 | 1,206 | 1,100 | 1,066 |
| - of which internal | 175 | 214 | 171 | 192 | 182 | 231 | 174 | 196 |
| PostNord Finland | 291 | 323 | 309 | 324 | 334 | 333 | 314 | 349 |
| - of which internal | 102 | 119 | 107 | 123 | 128 | 126 | 101 | 116 |
| PostNord Strålfors | 474 | 528 | 520 | 511 | 445 | 508 | 512 | 475 |
| - of which internal | 34 | 39 | 34 | 39 | 37 | 39 | 34 | 44 |
| Other business activities | 317 | 365 | 348 | 417 | 455 | 561 | 499 | 414 |
| - of which internal | 1 | 2 | 2 | 2 | 1 | 0 | 1 | 0 |
| Other and eliminations | -680 | -805 | -735 | -839 | -822 | -1,011 | -932 | -949 |
| Group | 8,840 | 10,225 | 9,471 | 9,514 | 9,026 | 10,267 | 9,504 | 9,328 |

Operating income per segment

| SEKm, unless otherwise indicated | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| PostNord Sweden | 105 | 342 | 283 | 245 | 223 | 341 | 338 | 446 |
| - <i>Operating margin, %</i> | 1.9 | 5.4 | 4.9 | 4.3 | 4.1 | 5.4 | 6.0 | 7.8 |
| PostNord Denmark | -152 | 50 | -54 | -10 | -51 | -39 | 2 | 53 |
| - <i>Operating margin, %</i> | -7.6 | 2.1 | -2.5 | -0.4 | -2.5 | -1.6 | 0.0 | 2.3 |
| PostNord Norway | -18 | 41 | 22 | 15 | -10 | 35 | 24 | 30 |
| - <i>Operating margin, %</i> | -1.8 | 3.6 | 2.0 | 1.3 | -0.9 | 2.9 | 2.0 | 2.8 |
| PostNord Finland | 6 | 8 | 2 | 3 | 6 | -9 | -5 | 6 |
| - <i>Operating margin, %</i> | 2.1 | 2.5 | 0.5 | 0.9 | 1.8 | -2.7 | -1.6 | 1.7 |
| PostNord Strålfors | 42 | 34 | 31 | 34 | 33 | 39 | 35 | 30 |
| - <i>Operating margin, %</i> | 8.9 | 6.4 | 6.0 | 6.6 | 7.4 | 7.7 | 6.8 | 6.3 |
| Other business activities | 8 | 6 | 0 | -20 | -28 | 30 | 19 | 24 |
| - <i>Operating margin, %</i> | 2.5 | 1.6 | 0.0 | -4.8 | -6.2 | 5.3 | 3.8 | 5.8 |
| Other and eliminations | -64 | -288 | -122 | -337 | -116 | -362 | -99 | -72 |
| Operating income | -73 | 193 | 162 | -70 | 57 | 35 | 314 | 517 |
| - <i>Operating margin, %</i> | -0.8 | 1.9 | 1.7 | -0.7 | 0.6 | 0.3 | 3.3 | 5.5 |

Notes to the financial statements

Adjusted operating income per segment

| SEKm, unless otherwise indicated | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 |
|-------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| PostNord Sweden SEKm | 105 | 380 | 283 | 245 | 223 | 361 | 338 | 446 |
| <i>Adjusted operating margin, %</i> | 1.9 | 6.0 | 4.9 | 4.3 | 4.1 | 5.7 | 6.0 | 7.8 |
| PostNord Denmark SEKm | -143 | 19 | -54 | -10 | -51 | 25 | 2 | -59 |
| <i>Adjusted operating margin, %</i> | -7.2 | 0.8 | -2.5 | 0.0 | -2.5 | 1.0 | 0.0 | -2.6 |
| PostNord Norway SEKm | -18 | 41 | 22 | 15 | -10 | 47 | 24 | 30 |
| <i>Adjusted operating margin, %</i> | -1.8 | 3.6 | 2.0 | 1.3 | -0.9 | 3.9 | 2.0 | 2.8 |
| PostNord Finland SEKm | 6 | 8 | 2 | 3 | 6 | -7 | -5 | 6 |
| <i>Adjusted operating margin, %</i> | 2.1 | 2.5 | 0.6 | 0.9 | 1.8 | -2.1 | -1.6 | 1.7 |
| PostNord Strålfors SEKm | 42 | 34 | 31 | 34 | 33 | 39 | 35 | 30 |
| <i>Adjusted operating margin, %</i> | 8.9 | 6.4 | 6.0 | 6.6 | 7.4 | 7.7 | 6.8 | 6.3 |
| Other business activities SEKm | 8 | 5 | 0 | -20 | -28 | 30 | 19 | 24 |
| <i>Adjusted operating margin, %</i> | 2.5 | 1.4 | 0.0 | -4.8 | -6.2 | 5.3 | 3.8 | 5.8 |
| Other and eliminations SEKm | -64 | -287 | -122 | -172 | -70 | -314 | -99 | -72 |
| Adjusted operating income SEKm | -64 | 200 | 162 | 95 | 103 | 181 | 314 | 404 |
| <i>Adjusted operating margin, %</i> | -0.7 | 2.0 | 1.7 | 1.0 | 1.1 | 1.8 | 3.3 | 4.3 |

Net sales per operating segment and service category

| Operating segments SEKm | Service category | | | |
|----------------------------|--|--|---|---|
| | Communication Services April–June 2020 | Communication Services April–June 2019 | eCommerce & Logistics April–June 2020 | eCommerce & Logistics April–June 2019 |
| PostNord Sweden | 2,335 | 2,484 | 2,955 | 2,944 |
| PostNord Denmark | 657 | 877 | 1,437 | 1,196 |
| PostNord Norway | 20 | 15 | 851 | 909 |
| PostNord Finland | - | 2 | 233 | 199 |
| PostNord Strålfors | 431 | 472 | - | - |
| Other business activities | 63 | 62 | 344 | 353 |
| Total | 3,506 | 3,912 | 5,820 | 5,602 |

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

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

Notes to the financial statements

Note 4 - Disposals

| Effects of disposals on assets and liabilities, SEKm | Jan.-June 2020 | Jan.-June 2019 |
|--|----------------|----------------|
| Property, plant and equipment | 132 | - |
| Current assets | 98 | - |
| Total assets | 230 | - |
| Other current liabilities | -95 | - |
| Total liabilities | -95 | - |
| Net asset | 135 | - |
| Purchase consideration received | 175 | - |
| Less deposit | -9 | - |
| Net effect on cash and cash equivalents | 166 | - |

Sales of subsidiaries

In the first quarter of 2020, PostNord Group AB sold all shares in the companies Hillerød HUB ApS and Horsens HUB ApS, Denmark.

In the second quarter of 2020, PostNord Group AB sold all shares in PostNord Termo AB. The company has operations in grocery logistics and transports goods within, to and from northern Sweden. The business is based in Umeå. The company has sales of approximately SEK 650m and about 200 employees.

Note 5 - Other provisions

| Jan-Jun 2020 SEKm | Opening balance | Provisions | Reversals | Utilization | Other ¹ | Closing balance |
|--------------------------------|-----------------|------------|-----------|-------------|--------------------|-----------------|
| Transformation measures | 2,371 | 7 | - | -598 | 31 | 1,811 |
| Non-vested pension commitments | 1,191 | 19 | - | -130 | 145 | 1,225 |
| Other comments | 69 | 6 | - | - | -1 | 75 |
| Total | 3,631 | 32 | - | -728 | 176 | 3,111 |
| <i>Of which, current</i> | 1,083 | | | | | 812 |
| <i>Of which, non-current</i> | 2,548 | | | | | 2,299 |

| Jan-Jun 2019 SEKm | Opening balance | Provisions | Reversals | Utilization | Other ¹ | Closing balance |
|--------------------------------|-----------------|------------|-----------|-------------|--------------------|-----------------|
| Transformation measures | 3,147 | 124 | - | -560 | 117 | 2,828 |
| Non-vested pension commitments | 1,156 | 24 | - | -135 | 126 | 1,169 |
| Other comments | 70 | 0 | - | - | 6 | 76 |
| Total | 4,372 | 148 | - | -695 | 249 | 4,073 |
| <i>Of which, current</i> | 980 | | | | | 1,027 |
| <i>Of which, Non-current</i> | 3,392 | | | | | 3,046 |

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

Notes to the financial statements

Not 6 – Financial instruments

| Carrying amount and fair value of financial assets and liabilities, SEKm | June 30, 2020 | | | | | | Carrying amount | Fair value |
|--|--|---|---|---------------------------|-------------|--|-----------------|---------------|
| | Financial assets recognized at fair value via income | Financial assets measured at amortized cost | Financial liabilities measured at fair value via income | used for hedging purposes | Derivatives | Financial liabilities measured at amortized cost | | |
| Assets | 650 | 9,378 | - | - | - | - | 10,028 | 10,028 |
| of which, derivatives | 7 | - | - | - | - | - | 7 | 7 |
| Liabilities | - | - | -5 | -1 | - | -7,333 | -7,339 | -7,342 |
| of which, loan liabilities | - | - | - | - | - | -3,784 | -3,784 | -3,787 |
| of which, derivatives | - | - | -5 | -1 | - | - | -6 | -6 |
| Total financial assets and liabilities, by category | 650 | 9,378 | -5 | -1 | - | -7,333 | 2,689 | 2,686 |

| Carrying amount and fair value of financial assets and liabilities, SEKm | June 30, 2019 | | | | | | Carrying amount | Fair value |
|--|--|---|---|---------------------------|-------------|--|-----------------|--------------|
| | Financial assets recognized at fair value via income | Financial assets measured at amortized cost | Financial liabilities measured at fair value via income | used for hedging purposes | Derivatives | Financial liabilities measured at amortized cost | | |
| Assets | 1 | 8,875 | - | - | - | - | 8,876 | 8,876 |
| of which, derivatives | 1 | - | - | - | - | - | 1 | 1 |
| Liabilities | - | - | -36 | -3 | - | -7,982 | -8,021 | -8,039 |
| of which, loan liabilities | - | - | - | - | - | -3,870 | -3,870 | -3,888 |
| of which, derivatives | - | - | -36 | -3 | - | - | -39 | -39 |
| Total financial assets and liabilities, by category | 1 | 8,875 | -36 | -3 | - | -7,982 | 855 | 837 |

The Group's assets in financial instruments are mainly valued at amortized cost and consist mainly of accounts receivable, cash and cash equivalents and terminal dues. The Group's assets in currency derivatives are measured at fair value via income. During the second quarter 2020 the surplus in the PostNord Försäkringsförening was reclassified as financial assets recognized at fair value via income. For more information see sections Net Debt and Key events in April -June 2020.

The Group's interest-bearing liabilities largely consist of long- and short-term loan liabilities, trade payables and terminal fees, which are recognized at amortized cost. See section Net sales and Key events April - June. Liabilities for currency derivatives are recognized at fair value via income. The Group's interest rate derivatives are recognized at fair value via comprehensive income.

Notes to the financial statements

Note 7 - Related parties

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

Note 8 - Definitions and alternative key performance indicators

Alternative key performance indicators

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

Return on operating capital (ROCE)

Operating profit for the 12 months to the end of the period, divided by average capital employed for the 12 months to the end of the period.

Adjusted return on operating capital

Adjusted operating profit for the 12 months to the end of the period, divided by average capital employed for the 12 months to the end of the period.

Financial preparedness

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

EBITDAI

Operating income excluding depreciation and impairments.

Adjusted operating income

Operating income excluding items affecting comparability.

Adjusted operating margin

Adjusted operating income in relation to net sales.

Items affecting comparability

Items affecting comparability are substantial, nonrecurring or not directly attributable to operating activities. Examples of items affecting comparability include capital gains on the sale of assets, impairment of assets and provision for personnel redundancies employed under special employment conditions in Denmark. Ongoing restructuring costs are not regarded as items affecting comparability.

Net debt

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

Net debt ratio

Net liabilities in relation to equity.

Net debt ratio (IFRS 16 not applied)

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

Operating capital

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

Operating margin

Operating income in relation to net sales.

Other key performance indicators:

Core staff

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

Average number of employees (FTE)

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

Earnings per share

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

Notes to the financial statements

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

Reconciliation with financial statements

| SEKm | Jun. 30 2020 | Mar. 31 2020 | Dec. 31 2019 | Sep. 30 2019 | Jun. 30 2019 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current interest-bearing liabilities | 5 | - | - | - | - |
| Current lease liabilities | 1,265 | 1,246 | 1,202 | 1,210 | 1,210 |
| Non-current interest-bearing liabilities | 3,784 | 3,804 | 3,872 | 3,876 | 3,870 |
| Long-term lease liabilities | 4,470 | 4,780 | 4,476 | 4,427 | 4,418 |
| Pensions ¹ | 5,601 | 4,111 | 4,211 | 5,556 | 4,363 |
| Non-current interest-bearing receivables | -190 | -199 | -198 | -197 | -195 |
| Non-current interest-bearing receivables, leases | -95 | -98 | - | - | - |
| Other non-current receivables ² | -69 | -765 | -711 | -846 | -878 |
| Current interest-bearing receivables | - | - | 0 | 0 | 0 |
| Current interest-bearing receivables, leases | -11 | -11 | - | - | - |
| Cash and cash equivalents | -4,377 | -3,764 | -3,398 | -2,914 | -3,374 |
| Net debt | 10,382 | 9,103 | 9,454 | 11,112 | 9,414 |

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

²This 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.

Quarterly data

| SEKm, if not otherwise stated | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
|---|---------|--------|---------|--------|-------------------|-------------------|-------------------|--------|--------|
| | 2018 | 2018 | 2018 | 2019 | 2019 | 2019 | 2019 | 2020 | 2020 |
| Group | | | | | | | | | |
| Net sales | 9,503 | 8,840 | 10,225 | 9,471 | 9,514 | 9,026 | 10,267 | 9,504 | 9,328 |
| Other operating income | 1,693 | 112 | 104 | 56 | 84 | 132 | 79 | 311 | 418 |
| Operating expenses | -12,096 | -9,025 | -10,136 | -9,365 | -9,668 | -9,099 | -10,313 | -9,501 | -9,230 |
| <i>of which, personnel expenses</i> | -6,693 | -3,730 | -4,280 | -4,040 | -4,153 | -3,649 | -4,176 | -3,953 | -3,976 |
| <i>of which, transport expenses</i> | -2,815 | -2,783 | -2,938 | -2,785 | -2,773 | -2,818 | -2,924 | -2,713 | -2,514 |
| <i>of which, other expenses</i> | -2,267 | -2,204 | -2,602 | -1,956 | -2,108 | -1,978 | -2,495 | -2,202 | -2,090 |
| <i>of which, depreciation and impairments</i> | -321 | -309 | -315 | -584 | -635 | -654 | -718 | -632 | -651 |
| Operating income (EBITDAI) | -580 | 236 | 508 | 746 | 565 | 711 | 753 | 947 | 1,168 |
| Operating margin (EBITDAI) | -6% | 3% | 5% | 8% | 6% | 8% | 7% | 10% | 12.5 |
| Operating income (EBIT) | -901 | -73 | 193 | 162 | -70 | 57 | 35 | 314 | 517 |
| Operating margin (EBIT) | -9.5% | -0.8% | 1.9% | 1.7% | -0.7% | 0.6% | 0.3% | 3.3% | 5.5 |
| Adjusted operating income (Adjusted EBIT) | 68 | -65 | 200 | 162 | 95 | 103 | 181 | 314 | 404 |
| Cash flow from operating activities | 1,862 | -371 | 617 | 435 | 492 | 0 | 1,205 | 757 | 1,175 |
| Net debt | -225 | -164 | 1,614 | 7,545 | 9,414 | 11,112 | 9,454 | 9,103 | 10,382 |
| Return on operating capital (ROCE) | -12.4% | -10.9% | -12.4% | -7.9% | 2.4% ¹ | 3.3% ¹ | 1.6% ¹ | 2.6% | 7.0% |
| Adjusted return on operating capital | 2.0% | 2.8% | 1.9% | 4.6% | 4.4% | 5.3% | 4.6% ¹ | 5.3% | 7.6% |
| Average number of employees (FTE) | 29,998 | 30,790 | 29,596 | 28,461 | 28,117 | 29,774 | 28,156 | 27,077 | 27,695 |
| Staffing numbers (basic) at end of period | 30,500 | 29,623 | 29,886 | 29,959 | 28,324 | 27,871 | 27,679 | 27,228 | 26,882 |
| Volumes, millions of mails produced: | | | | | | | | | |
| Sweden, priority mail | 168 | 150 | 171 | 163 | 149 | 140 | 156 | 149 | 139 |
| Sweden, non-priority mail | 199 | 173 | 203 | 205 | 179 | 156 | 198 | 178 | 138 |
| Denmark, priority mail/Quickbrev | 9 | 8 | 9 | 7 | 6 | 6 | 6 | 6 | 5 |
| Denmark, non-priority and business mail | 60 | 50 | 58 | 58 | 58 | 45 | 52 | 48 | 37 |
| Volumes, millions of parcels produced (net): | | | | | | | | | |
| <i>(volumes between countries eliminated)</i> | | | | | | | | | |
| Business-to-business | 16 | 15 | 17 | 15 | 14 | 14 | 16 | 14 | 12 |
| Business-to-consumer | 26 | 25 | 33 | 27 | 29 | 29 | 35 | 29 | 37 |
| <i>Of which, collect</i> | 23 | 21 | 28 | 22 | 23 | 23 | 28 | 22 | 27 |
| <i>Of which, home deliveries</i> | 3 | 4 | 5 | 5 | 6 | 6 | 7 | 7 | 10 |
| Parcels, Group total | 43 | 40 | 49 | 43 | 43 | 43 | 50 | 43 | 49 |

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

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

Financial calendar

- Interim report January September 2020 October 23, 2020
- Interim report January-December 2020 February 2, 2021
- Annual and Sustainability Report 2020 March 2021
- Annual General Meeting April 27, 2021
- Interim report January- March 2021 April 27, 2021
- Interim report January-June 2021 July 16, 2021
- Interim report January-September 2021 October 28, 2021

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This report has not been reviewed by the auditors.

This information is such that PostNord AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 10:00 a.m. CET on July 16, 2020.

postnord