

postnord

An important pillar of society

Annual and Sustainability Report 2020





About the Annual and Sustainability Report

The Board of Directors and the President & Group CEO of PostNord AB (publ.), corporate identity number 556771-2640, hereby present their Annual and Sustainability Report for the 2020 financial year. The Annual and Sustainability Report encompasses the whole PostNord Group unless otherwise specified.

The Board of Directors' report, which has been audited as described in pages 79–82 of the Auditor's Report, comprises pages 6–37.

The statutory Sustainability Report comprises descriptions of PostNord's external environment, business model, strategy and

employees on pages 6–17, risk management on pages 26–27, and in-depth information on sustainability on pages 86–97. PostNord's Sustainability Report has been produced in accordance with the GRI Standards (Core level). Information on sustainability is provided mainly on pages 6–17, 26–27 and 86–97. Detailed information regarding the scope of the Sustainability Report is provided in the GRI Index on pages 96–97. The auditor's statement on the statutory Sustainability Report is on page 98.

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

Contents

Company presentation

PostNord in brief	2
The year in brief	3
CEO comments	4
The external environment and the market	6
Strategy	12
Business models	16
The Group	18
PostNord Sweden	20
PostNord Denmark	21
PostNord Norway	22
PostNord Finland	23
PostNord Strålfors	24
Other business activities	25
Risk and risk management	26
Corporate Governance Report	28
– Board of Directors	34
– Group Leadership Team	36

Financial statements

Consolidated financial statements	38
Notes to the consolidated financial statements	45
Parent Company financial statements	71
Notes to Parent Company financial statements	73
Board of Directors' and President & Group CEO's certification	78
Auditor's Report	79

Sustainability information

Strategic sustainability goals	86
Material sustainability issues	88
Stakeholders and dialog	88
Governance and organization for sustainability	89
Dependable deliveries	89
Sustainable partnerships	90
Committed employees	91
Results	92
GRI Index	96
Assurance Report	98

Multi-year review	99
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This Annual and Sustainability Report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish interim report and the English translation, the former shall take precedence.

PostNord in brief

PostNord connects companies, authorities, and private individuals. We make business, trading, and communication possible throughout the Nordic region, in towns, cities and more sparsely populated areas. In 2020, PostNord delivered nearly 200 million parcels and 2.6 billion letters and other mail items to the population of 28 million inhabitants and 2 million companies in the Nordic region.

38.7
Net sales, SEK billion

2,421
Operating income (EBIT), SEK million

4,151
Cash flow from operating activities, SEKm

-40%
Carbon dioxide emissions since 2009

>8,000
Distribution points/partner outlets,
and Collect-in-store outlets
in the Nordic region

95%
Weighted parcel delivery quality

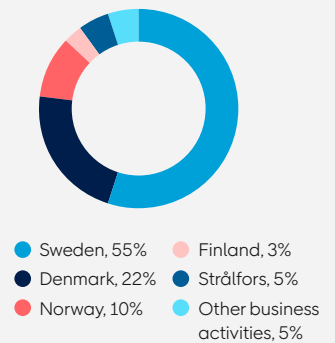
28,000
Employees, FTE

198
Parcels, millions

2.6
Letters and other mail items, billions

PostNord was formed as a result of the merger of Post Danmark A/S and Posten AB in 2009. It is 40 percent owned by the Danish state and 60 percent owned by the Swedish state. The voting rights are split 50/50. The Parent Company is a Swedish public limited company with its Group headquarters in Solna, Sweden.

Net sales by segment 2020, percent



Group

	2020	2019
Net sales, SEKm	38,729	38,278
Operating income (EBIT), SEKm	2,421	184
Adjusted operating income, SEKm	2,071	541
Net income for the period, SEKm	1,711	-239
Cash flow from operating activities, SEKm	4,151	2,132
Return on capital employed (ROCE), %	18.6	1.6
Net debt (incl. pensions and lease liabilities), SEKm	8,064	9,454
Net debt ratio (incl. pensions and lease liabilities), %	164	259
Net debt (incl. pensions but excl. lease liabilities), SEKm	2,001	3,776
Net debt ratio (incl. pensions but excl. lease liabilities), %	38	102
Financial preparedness, SEKm	8,229	5,398
Employees (FTE)	28,006	28,627



The year in brief

Good progress in the improvement programs, robust demand in the parcels business and high productivity combined to produce improved results and cash flow.



The Corona pandemic dominated for long periods in 2020. PostNord experienced very high demand for home deliveries and contact-free deliveries of parcels.

During 2020's Black Week, PostNord handled 9.1 million parcels in the Nordic region, an increase of 31 percent compared with the corresponding period in 2019. In partnership with Stockholm International Fairs at Älvsjö and the Swedish Exhibition & Congress Centre at Gothia Towers, Gothenburg, PostNord created the largest drive-thru parcel collection centers in the world. A digital queuing system and drive-thru concept helped to relieve crowding and the risk of infection during the Christmas shopping period in December.

Before the end of 2020, PostNord achieved its goal of reducing its carbon footprint by 40 percent from the level in 2009. A new ambition of becoming fossil-fuel free by 2030 was adopted during the year.

In December, the agreement with the Danish government regarding additional cost of universal service obligation was extended.



During the year the strategic partnership with DPD-group, Europe's biggest international network for parcel deliveries, was strengthened.

PostNord is investing in infrastructure in order to have the terminal and delivery capacity needed to be able to grow with the market in line with the growth in e-commerce. During the year, new and expanded terminals in several countries entered into service.

In October, a new brand strategy was launched. The aim is to strengthen brand awareness and reflect the progress achieved in our service offerings in order to become the favorite carrier of the Nordics. As part of this work PostNord's visual identity was developed.



Best results ever

A very different year is now behind us, a year that was largely dominated by the outbreak of the coronavirus and the ensuing pandemic. At the same time, we as a company succeeded in managing this difficult situation well. We demonstrated our ability to handle major fluctuations in volume with high delivery quality, while driving forward our improvement programs at no less of a high pace. All in all, this led to sharply improved results.

2020 was largely dominated by the Corona pandemic that affected the world and that at the time of writing continues to affect people's lives. Nothing has been like it was before. As with many other sectors and businesses, the pandemic affected PostNord. Despite the extreme changes in conditions, we continued to perform our assignment successfully and maintained the tempo in our improvement programs. We delivered a very strong financial result, achieved our ambitious target of a 40-percent reduction in carbon dioxide emission from the base year of 2009 and improved both our brand image and customer satisfaction.

At a time of uncertainty and anxiety, PostNord's services have played an important role in the society, while at the same time our business is even better equipped to meet the future.

A very strong result

Overall, sales for the year rose by 4 percent compared with the preceding year, to SEK 38,729 million. At the same time, the relative shares of our various businesses changed substantially. Parcel volumes increased by 14 percent, while mail volumes decreased by 13 percent. Operating income improved tangibly through several interacting factors. Our improvement programs continued successfully and we demonstrated that we were well able to handle sharply increased parcel volumes. We implemented price increases and received compensation from the Danish state for additional costs we incur for provision of the universal postal service in Denmark. Operating income totaled SEK 2,421 million. Return on capital employed also improved sharply to 18.6 percent, well above the target level.

Our strategic direction remains. The Corona pandemic has, if anything, underscored the importance of our focus on the parcels business, continued realignment of the mail business and the need to further investments in services, capacity and IT support.

A sustainable business

In the autumn, we achieved our goal to reduce our climate footprint by 40 percent from the levels in 2009, before the end of 2020.

The goal – an absolute one – was ambitious for its time when set in 2010. Reducing our climate footprint while at the same time parcel volumes have been increasing, with more transport-intensive parcels, has been a challenge. This goal has been achieved through both general efficiency measures and targeted actions such as transitioning to green electricity, efficient use of rail transport, investment in vehicles powered by alternative fuels and a gradual transition to biofuels for road transport. Another contributory factor is a change in postal regulation that has reduced the need for air transportation.

We have now adopted a new, and highly ambitious, goal of going fossil-fuel free by 2030. We do not have a finalized plan for how to get there, and so what will be needed is a systematic approach, innovation and cooperation with suppliers, customers and consumers.

Sharply increased e-commerce

E-commerce has been showing robust growth for several years. The Corona pandemic created an even higher rate of growth, as a result of changes in consumer behavior through the impact of restrictions that limited their ability to leave the home. Demand for home deliveries and other modes of parcel delivery without human contact multiplied by several factors. At the same time demand in physical stores was negatively affected.

The size of our parcels business has now reached a level that we had not anticipated to be seeing for a couple of years. At times, this extreme shift in the market has been very challenging for us. Delivery quality fell to 95 percent in 2020, compared with 96 percent in 2019. Although the outcome was below our level of ambition, I am satisfied that the decline was relatively slight in view of the exceptional conditions. I am proud of how quickly our employees adapted our company to the changes in conditions required for infection-free home deliveries.



“At a time of uncertainty and anxiety, PostNord’s services have played an important role in the society, while at the same time our business is even better equipped to meet the future.”

Important to maintain a long-term sustainable mail business

Fewer and fewer letters are being sent. The reason lies in the ongoing process of digitalization and it is reasonable to suppose that this decline will continue in the years ahead.

Delivery quality was generally very high, and far above the statutory requirements in Sweden and Denmark. We are proud of the universal service obligation that we have for the nationwide letter services in Sweden and Denmark. At the same time, the rapidly declining volumes presented a challenge in view of the high fixed costs characterizing the business. To address the issue, we have change our ways of working, reduced the workforce, raised postage rates and trialed every second day-deliveries. Over and above what we can do ourselves, regulatory changes are necessary if we are to secure a long-term financially sustainable mail business.

Against that background, it is very pleasing that important progress was made during the year. In Denmark, we received SEK 314 million as compensation for the additional costs we incurred in 2020 for mail deliveries. In Sweden, the government appointed a commission of inquiry with a mandate that included reviewing which services should be part of a universal postal service and how they should be financed.

Strong growth in our other businesses

Digitalization is also affecting the market for printed material, which represents a structural challenge for PostNord Strålfors. The initiative of streamlining physical distribution, securing consistently low administration costs and increasing the share of digital services is therefore critical. This work proved successful during the year and the business again delivered good results.

Direct Link, our wholly owned international distribution company for letters and lightweight parcels, successfully restructured and its results improved considerably.

We ensure provision on the universal postal service

Many citizens and businesses in the Nordics are dependent on our deliveries, and on us living up to the demands of the universal postal service in Sweden and Denmark. This stood out in sharper relief in 2020. I am very proud of what our organization achieved and the high quality that we succeeded in maintaining, despite challenging circumstances. I would like to say a big Thank You to all our wonderful employees who are standing firm in delivering our customer promise and making everyday life easier for all people in the Nordics.

Annemarie Gardshol
President & Group CEO

The external environment and the market

We have been delivering messages and goods from and to businesses, institutions and people for nearly 400 years. We make everyday life easier by providing parcel and logistics services, and by delivering mail items as part of our universal service obligation in Sweden and Denmark.

At the same time as a fast-growing parcels market driven by e-commerce has emerged, digitalization has challenged PostNord's business model in mail. During 2020, three factors had a particularly major impact on our external environment: the Corona pandemic, digitalization and sustainability.

The Corona pandemic fueling existing trends

The Corona pandemic fueled existing trends – growing e-commerce and consumer demands for convenience and simplicity. In the parcels business, increased online buying by consumers led to a sharply growing market. The market has shown strong growth for several years, but growth in 2020 was unparalleled. As part of an effort to reduce the spread of the virus, consumers largely avoided traditional shopping. The result was demand for goods and parcel

deliveries to physical stores declined sharply. The changes in preferences were also manifested in consumers' choice of points of delivery – home deliveries without physical contact became the new standard. Many last-mile operators, including PostNord, quickly implemented infection-proof processes for delivering parcels. Right from early in the pandemic, many businesses cut their marketing budget as part of cost savings in order to manage an anticipated economic decline. Our advertising offer was negatively impacted by cutbacks in customer communications by the businesses.

Digitalization

Digitalization presents us with two directly opposing market trends: while parcel volumes are rising, fewer and fewer physical letters are being sent. Between 2010 and 2020, mail volumes fell by 49 percent

Impact of the Corona pandemic

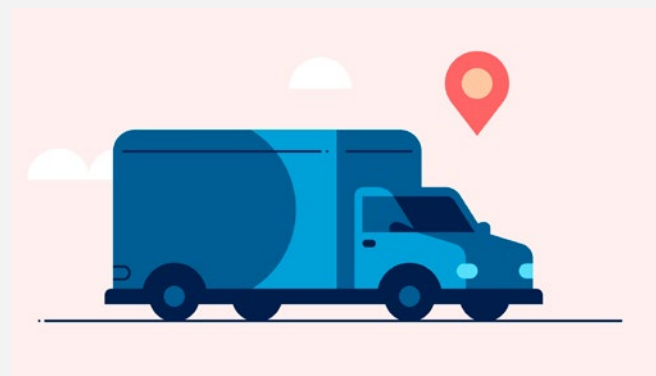
The very fast spread of the Corona pandemic changed people's existence from mid-March and came to dominate large periods of the rest of the 2020 financial year. Just like our customers and the rest of the industry, we were challenged by closed borders, shortages of transport capacity, increased sick leave and major changes in customer behavior.

Neither customer losses nor bad debts changed significantly since the pandemic broke out in March, but we remain of the view that this may become a risk when the aid measures are scaled down. PostNord's own delivery capacity was also put to the test when the prevailing uncertainty made it forecasting and capacity planning very difficult. In addition, demand for parcel deliveries to consumers rose very sharply. It was therefore particularly important:

- **To take responsibility.** The universal service obligations was safeguarded. 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 was important to maintain good delivery capacity and quality, even under changed conditions. We are working hard to ensure secure deliveries for 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 caused.
- **To see beyond the pandemic.** Sound judgement is 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 parts of the business increased as a result of the pandemic, to 8.7 percent (5.8). Sick leave gradually returned to more normal levels in the summer and autumn. PostNord received SEK 142 million in state compensation, SEK 127 million in Sweden, SEK 12.5 million in Denmark and SEK 2.5 million in Finland. The amounts were paid to compensate for increased sick leave directly related to the Corona pandemic.

A review of upcoming investment needs was performed and several investments were put back to future dates. On June 1, the Group's confirmed revolving credit facilities were increased from SEK 2,000 million to SEK 3,000 million in order to strengthen financial preparedness. In view of the Group's robust cash flow over the summer and autumn, it was decided in November that the facilities should be reduced to the original SEK 2,000 million. At year-end, the Group had not drawn on the confirmed credit facilities. A majority of our administrative personnel worked from home and physical meetings were replaced by online meetings.

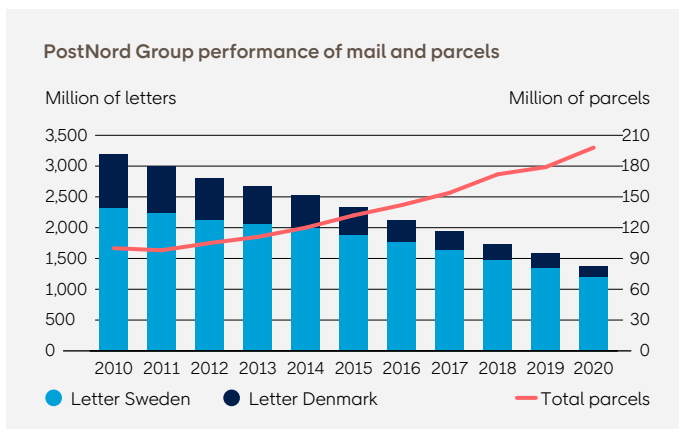


in Sweden and by all of 78 percent in Denmark. Over the same period, parcel volume nearly double in the Nordic region. Since different types of mail items in part require different sorting technologies and handling, our production has to be adapted if PostNord is to be able to grow with the market. Against this background, we are restructuring and optimizing our operations. The aim is to get more out of our existing terminals and networks. At the same time, we are investing in new infrastructure.

Sustainability

PostNord has high ambitions in sustainability. With increased pressure from legislation and external expectations a clear focus on sustainability is required. For our part, the changes stand out above all in the climate sector through demand from both consumers and business customers, who are increasingly calling for better environmental performance and fossil-free or emission-free deliveries. Climate adaptation is also high on the agenda for PostNord and its government owners, not least in view of the scope of our operations (annual emissions from PostNord's own and procured transportation services total around 300,000 tons of carbon dioxide). For more information, see page 92. In late 2020, we achieved our set goal of reducing carbon dioxide emissions by 40 percent, in absolute figures, from the base year of 2009. With that goal achieved, we have adopted a new ambition: to lead the sector's transformation to a low carbon dioxide economy with the aim of making the business fossil-free by 2030.

The transport and logistics industry is highly competitive, with strong pressure on prices from both customers and consumers. At the same time, growth in e-commerce means that the volume of goods and parcels to be transported is rising. The risk is that working conditions will be adversely affected. To us, good working conditions are a given. Our size means we can to a certain extent influence the rest of the value chain. In order to face the challenges we meet, to strengthen our company and play a part in an efficient logistics market, it is vital that the people at PostNord and our value chain feel secure and safe at work. This includes working with suppliers and other partners and being an inclusive employer who welcomes every one wishing to play a part in PostNord's transformation. For more information, see pages 86–95.

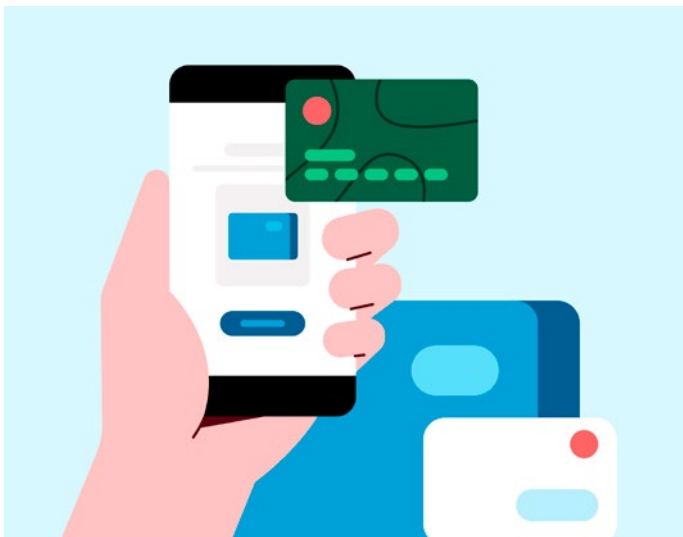


Logistics markets

Our core market in logistics is e-commerce parcels and business-to-business deliveries. We also offer transportation of bulky or fragile goods and pallet consignments to business and private individual recipients. During the year, PostNord strengthened its strategic partnership with DPDgroup, Europe's biggest international network for parcel deliveries. PostNord is the Nordic market leader in third-party logistics, with an offering that includes outsourcing of warehousing and associated services for optimization of the customer's warehousing and delivery chain.

The market

Global growth and growing international trade is driving up the need for logistics services. Europe is the Nordic region's most important trading partner, while trade between the Nordic countries represents a significant proportion of all trade in the region. This means that the demand for total, cross-border solutions for the Nordic region is growing. E-commerce continues to grow, as consumers are increasingly buying goods online rather than in physical stores. As a result of the Corona pandemic, the number of e-commerce consumers increased in all Nordic markets, including older people who had never bought online before. The number of product categories bought online also increased. A proportion of the shipments that previously went to physical stores now go direct to collection points or to the customer's home. The e-commerce driven markets are expected to continue to grow at the expense of buying in physical stores. Other business segments are expected to grow at a more modest pace than e-commerce. Demand for third-party logistics services is also expected to increase in pace with the continuing growth of e-commerce.



The competition

The logistics market is characterized by tough competition and downward pressure on prices. Previously, competition in the Nordic market was mainly limited to traditional global and national logistics players, such as DHL, DB Schenker, Bring, GLS and Posti, as well as smaller, local providers in various logistics segments. The competitive landscape is now being reshaped with the emergence of new alliances and partnerships. New players are getting established and expanding in consumer-related areas such as market places, payment solutions, niche logistics and courier services. The business models of the new players are based on offerings for parts or the whole of the delivery chain and on selling and using information shared between senders, carriers and recipients.

Consumers themselves can now choose from several delivery options and distributors when shopping online. The fact that the consumer, and not as before the e-commerce seller, makes the choice has created competition in a new area. The options presented are decided by algorithm based on geography and the prices that various operators have offered to the e-commerce seller. The carrier delivering the best consumer experience, highest level of convenience and strongest brand position is favored and in the long term gains market shares.

Customers and consumers

PostNord is market leader and offers a broad range of services. Experience tells us that major customers value a broad offering of both business-to-business and business-to-consumer services. E-commerce customers seek partners to handle their warehousing and delivery chains and to get closer to their consumers. Climate-efficient solutions are increasingly in demand. Many e-retailers have not yet taken on board the fact that some consumers are prepared to pay more for climate-smart deliveries. However, the willingness to pay varies; in Sweden and Finland consumers are more inclined to pay for climate-smart deliveries than in Denmark and Norway.

To consumers, convenience is becoming more and more important and to some it is even more important than price. At the same time, many expect free deliveries and returns. Demand for home deliveries has risen dramatically with many people wishing to avoid public places during the Corona pandemic. In addition, many consumers want deliveries within physical contact with whoever is delivering. Daytime delivery has also become more common as many people are at home more than before the coronavirus outbreak. A general trend is that consumers are increasingly wanting information about when exactly their delivery will arrive.

“Demand for home deliveries has risen dramatically with many people wishing to avoid public places during the Corona pandemic.”

Position

With a comprehensive distribution network, our own and our partners' vehicle fleets in the Nordic region and international collaboration, PostNord has leading position in the Nordic logistics market. We benefit from economies of scale, as we are able to handle different types of mail items together. PostNord's position is being further underpinned by investments – we are investing in developing our consumer offering, in our core network and our digital assets.

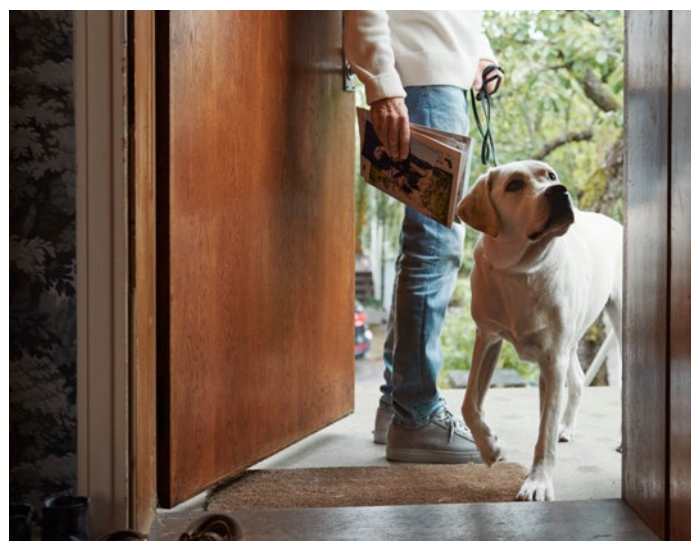
In all, PostNord has more than 8,000 distribution point in the Nordic region. We are fast expanding the number of parcel boxes located near people's homes in the Nordic region. Our extended presence and our unrivalled know-how make PostNord the partner of choice to many leading e-retailers in the Nordic region. This paves the way to excellent opportunities for future growth.

Digital and physical communications market

As the designated operator for the universal postal service and Denmark and Sweden, we offer communication services to consumers and businesses. Our communication services consist mainly of administrative communications including invoicing, newspaper and periodical distribution and marketing material such as brochures and promotional offerings. PostNord Strålfors operates in the digital communication market, enabling businesses to automate handling of information and communications via digital platforms. Strålfors also offers printing and enveloping solutions for physical communication.

The market

The way we communicate is continuing to change – digitalization is increasing and we are sending fewer and fewer physical letters. The Corona pandemic has to a certain extent added fuel to this trend. In Sweden, communication has become highly digitalized. In Denmark, the trend is even more accentuated, mainly as a result of digital communication to and from the public sector being legally required.



Overall, advertising has not become as digitalized as administrative communication. Many studies indicate that physical advertising material is standing up firmly to the competition from digital communication, which is constantly demanding consumer attention. However, this is expected to change as digitalization breaks through in more areas.

Postal regulation

We regard it as an honor to perform the important task of providing the universal postal service to all individuals and businesses in Sweden and Denmark. The postal markets in Sweden and Denmark are to a high degree regulated by laws and other regulations to ensure that a certain level of communication services to the public is maintained. The level of service required by this regulation forms the framework on which a fixed infrastructure of employees, vehicles and transport networks is dimensioned, irrespective of the volume of items to be distributed. Fewer items sent via a fixed infrastructure leads to higher costs per item. The considerable decline in the number of letters since the turn of the millennium therefore places strong pressure on the economic sustainability of the universal service obligations. For the business to be financially sustainable, the conditions must be adapted to the pace at which mail volumes decline. Current laws and regulations trace their origin to the first EU Directive in 1997, that is, before the breakthrough of digitalization.

Regulation of the postal markets has changed in recent years, but not to the extent needed for economic sustainability to be achieved. Against that background, PostNord has restructured and rationalized operations to reduce costs as revenue has decreased. We have emphasized the seriousness of the situation in our continuing dialog with elected representatives, owners, regulatory authorities and society at large. This has brought about several regulatory changes. In Denmark, PostNord has received financial compensation for the additional costs arising from the universal service obligation and political negotiations are in progress to determine the future scope and financing of the universal service obligations. Pending the outcome of that process, the current temporary agreement with the Danish government on financial compensation was extended to September 2021.

In Sweden, PostNord plans to introduce alternate-day mail deliveries in order to cut costs and to work towards a financially sustainable mail business. However, changes to Sweden's system of postal regulation will be needed in the near future to limit the risk of losses in postal operations. One desirable change would be a lighter service requirement under the Postal Ordinance. In autumn 2020, the government appointed a commission of inquiry to establish the extent of the future universal service obligation and the need and mechanism for financing. We look forward to sharing the findings of the inquiry, which should be completed in early 2023. Several issues are important in any review of the system, above all regarding the frequency of letter deliveries, how long it may take for a letter to arrive, what the postage rates should be and how universal postal services should be financed.

Change in mail volumes Sweden

All mail in 2020, since 2019	-12%
All mail since 2010	-49%

Denmark

All mail in 2020, since 2019	-19%
All mail since 2010	-78%

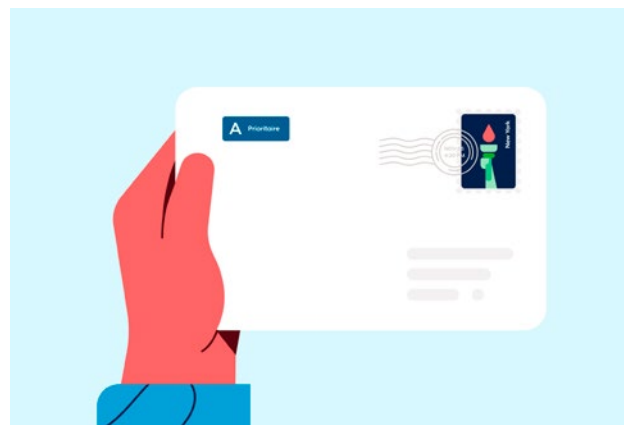
Change in parcel volumes Group

Parcels in 2020, since 2019	14%
Parcels since 2010	98%

E-commerce during the Corona pandemic* Proportion stating that they buy online more often because of the Corona pandemic

Sweden	26%
Denmark	19%
Norway	22%
Finland	25%

*Source: E-commerce in Europa 2020.



Delivery frequency: Sweden is the only Nordic country where post is delivered to every mailbox every working day. Adjustments to delivery frequency should in general not affect businesses and individuals to a material extent. On the other hand, a lower delivery frequency should considerably reduce the risk of a financially unsustainable postal service in the short term. Analysis by Sweden's Post and Telecom Agency (PTS), and ourselves, consistently shows that there is relatively little need for private individuals to send and receive physical letters every day. On that basis, very frequent letter deliveries are not prioritized by senders and recipients.

Given Sweden's target of being the world's best in using the opportunities of digitalization and people's increased use of e-mail and secure digital mailboxes, the importance of physical letters is steadily declining. Predictability is more important than having letters delivered every working day.

In autumn 2020, we trialed alternate-day postal deliveries in Kävlinge and parts of Lund. At the same time, we conducted a survey to establish how the change was received. Just over 90 percent of respondents were aware of the change, nearly 90 percent understood why it was being made and 70 percent had no objection to every second day-deliveries. Beginning in 2021, PostNord will gradually roll out every second day-deliveries of mail in Sweden.

Delivery times and quality requirements: As mail volumes and postal income continue to fall, it is important that postal regulation should continuously adapt to the needs of society. According to the Postal Ordinance, 95 percent of mail sent within the country must be delivered to the recipient within two days. A quality requirement that 85 percent of mail must be delivered within two days would reduce both costs and carbon dioxide emissions, and still be largely in line with society's expectations. At the same time, such a change would be important in terms of the ability to perform the universal postal service in the short term. In Denmark, the requirement is that 93 percent of mail sent within the country must arrive at the recipient



within five working days. This is a reasonable quality requirement against the background of the distribution model with postal deliveries once a week to individual households.

Pricing: As mail volumes decline, the cost per letter handled increases. In 2019, the Swedish government modified the formula for calculating the price ceiling to the effect that the price could be adjusted in pace with falling volumes. This was a reasonable change, given that the cost of postage for most households is negligible. Up to three quarters of the population spend less than SEK 200 per person per year on postage. On January 1, 2021, the rate for single letters in Sweden was raised from SEK 11 to 12. In Denmark, the letter rate was increased to DKK 11 on January 1, 2021, from DKK 10 during 2020. The increases were balanced to address falling income in the wake of the declining volume of mail, without further accentuating the decline.

Financing of universal postal services: Steadily declining mail volumes are reducing revenue and put pressure on profitability. This brings difficult, but inevitable choices in balancing service level, cost to users and cost to the state. Developments are moving fast, and financial support will be necessary to assure continuation of the universal postal service in Sweden. Further loosening of regulatory requirements will be important in terms of limiting the need for financing support going forward. In Denmark, PostNord has received compensation from the state, and we will again need this support going forward. However, the judgement remains that the compensation in 2020 did not offset the total cost we incurred in Denmark for the postal service.

The competition

PostNord is the sole provider of universal postal services in Denmark and Sweden. At the same time, there is tough competition in parts of the market, in particular in densely populated areas. The main competitors are CityMail and Svensk Direktreklam in Sweden and Bladekompaniet in Denmark. Certain competitors have reduced their delivery areas and their service levels in view of the difficulty of generating profit in current market conditions. In many sparsely-populated areas, PostNord is the only postal operator available – a clear sign of how difficult it is to achieve profitability outside the urban areas.

Customers and consumers

Our most important customers are still major public institutions, energy companies and financial institutions. Private individuals sending letters, Christmas cards and postcards represent a minor share of the volumes. With the fast pace of digitalization, letter volumes from major customers are continuing to fall.

Position

PostNord is the main supplier of physical communication services in Sweden and Denmark. Operations continue to be adapted to falling letter volumes. Alongside this, new services – based on both combinations of physical and digital communication and purely digital services – are being developed.



Strategy for becoming best at parcels and ensuring a sustainable mail business

The e-commerce, parcels and communication markets are changing dramatically. That presents both opportunities and challenges. During the year, implementation of our more focused strategic direction continued. Work on the improvement program progressed well.

Our strategic direction requires a clear focus on the core business: parcels and letters. As our customers' needs change and competition gets tougher, higher productivity, better cost-efficiency and a stronger brand will be needed to assure success.

At PostNord, a journey of change to adapt the Company to decreasing mail volumes and changes in customer needs in e-commerce and parcel distribution has been under way for several years. The entire Company is affected: infrastructure, capacity, customer offering and employees.

At the same time as continuously improving our e-commerce and logistics offering through digital initiatives, we are adjusting the mail business on the basis of the need for postal services and the level of service that is reasonable given the costs.

PostNord's vision, purpose and strategic goals define what we do and how we do it.

Our vision

PostNord shall be the favorite carrier of the Nordics. We should be well-liked as a company and we would like consumers and customers to choose PostNord because we offer the best solution to them.

Our purpose

PostNord's purpose is to make everyday life easier – for consumers, customers and colleagues. This includes for example enabling private individuals to have online bought goods delivered to the home in a fast, seamless process, to keep track of deliveries via the PostNord app and to quickly and simply send greeting via the Riktiga Vykort app. Simplicity is the key in developing new interfaces with our customers and consumers. With eBarometer and other publications, PostNord also helps out with insights into and facts about e-commerce.

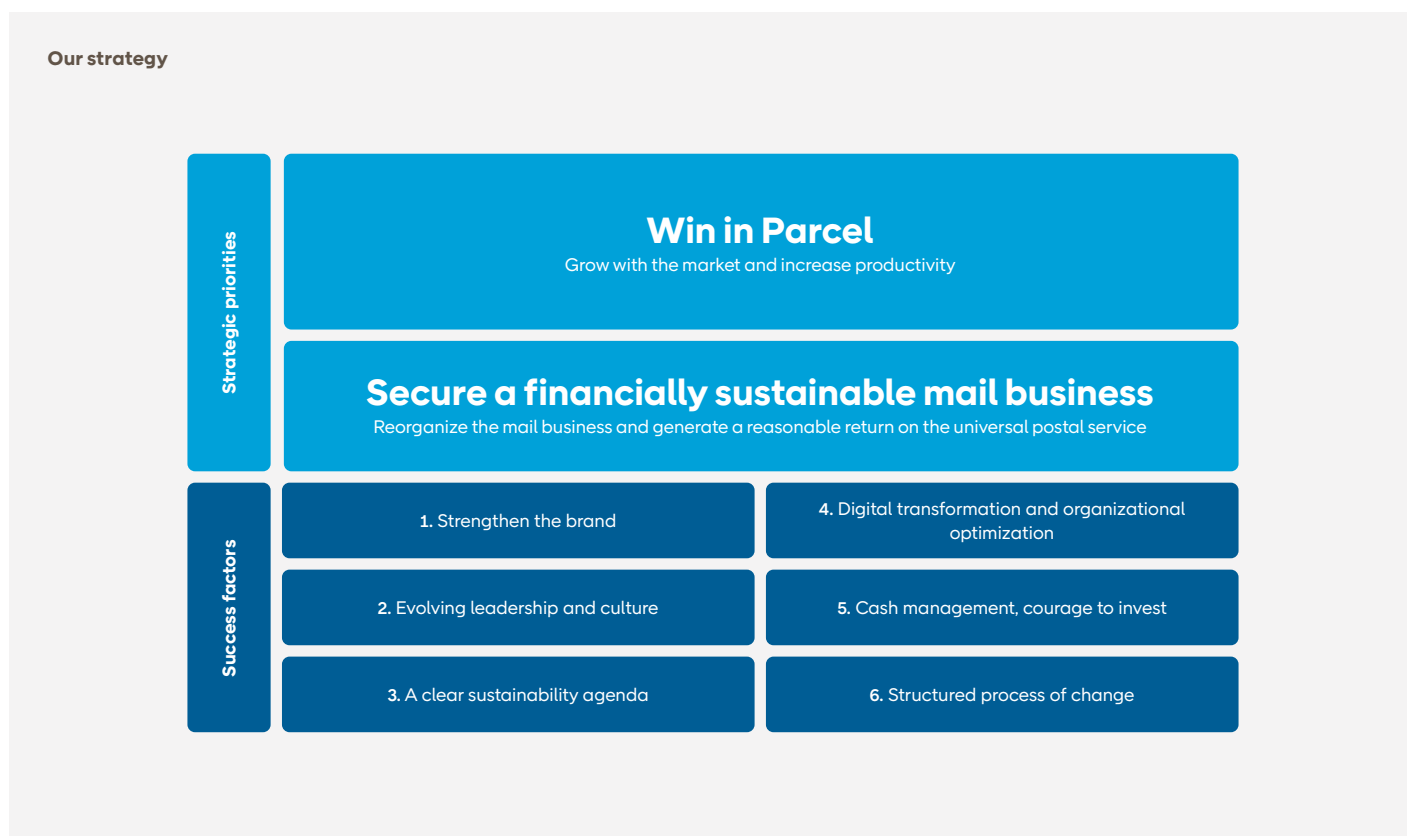
Making everyday life easier also means making internal processes more efficient and thereby reducing costs.

Our strategy

Our strategy is built on two strategic priorities and six success factors that from the framework for the work of our transformation programs. The goals in each area determines how the Company operates.

Win in parcel

Customers and consumers are constantly making ever greater demands regarding flexibility, sustainability, choice and price. They want to make their life easier, for example by shipping when and



where they want, from a wide range of choices and at good prices. They also want to be able to choose where and how quickly their products are to be delivered, without delivery times and such disturbing their day.

PostNord leads the market in e-commerce and parcels. Our aim is to remain the market-leading player and to secure a market-leading position in parcel distribution. We aim to achieve this by exploiting the potential of the Company's Nordic network, further developing our offering and strengthening relationships with consumers.

We aim to grow profitably and create value for both customers and consumers. By continuing to develop production, offering and customer and consumer interfaces, and by use of innovation and technology, we are striving to make everyday life easier.

To remain competitive, our operations must also be leading in terms of cost. We have defined a number of areas in order to maintain our market-leading position:

- Increased harmonization of processes between the Nordic countries.
- Increased optimization of both our own and our partners' capacity in the "last mile" of the delivery chain.
- Improved convenience and simplicity in deliveries by increasing the proportion of deliveries to the home and nearby parcel boxes so that recipients have no need to adjust to any specific delivery time.
- Increased optimization of the handling capacity at the terminals and investments in new facilities in order to meet growing demand.
- Improved key skills in the Company in order to boost PostNord's competitiveness.

A sustainable and demand-led mail business

PostNord is optimizing and constantly adapting the physical letter business. Along with this, we also offer certain digital services and services that combine physical and digital communication.

Physical postal services are facing the challenge of falling mail volumes in the wake of digitalization. Nevertheless, physical letters continue to be an efficient and valued distribution channel for administrative and market communications. In order to maintain the national networks for mail distribution, reinvestments will be necessary. As letter volumes – and therefore revenue – decline, price increases, changes in service levels and/or national support will be needed long term. The Danish state has compensated PostNord for the additional costs arising in the universal postal service as a result of digitalization. However, the remaining assessment is that the compensation in 2020 did not offset the costs we incurred in Denmark for the postal service.

The strategic goal for the mail business is to operate a financially sustainable business that is adapted to customer needs, regardless of whether the delivery frequency is every day or once a week. We carry out our assignment with pride in order to create value for our customers and recipients of letters.



Success factors for our strategy

We have defined six factors as critical to successful implementation of our strategy:

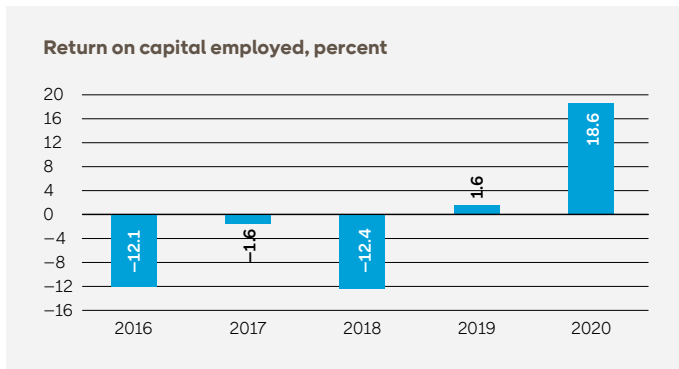
1. The PostNord brand. We are working hard to improve the experience with and image of PostNord. The core of this work is to act such that consumers and customers experience a convenience and simplicity in using PostNord on their own terms, feel that PostNord cares about customers and consumers and feel that PostNord can be trusted, whether it's about letters arriving or parcels being delivered on time and to the right place. If for any reason a delivery is not performed as agreed, we must do our best to resolve the situation that has arisen.
2. A high tempo of change demands competence in change management and a culture that supports efficient implementation of the strategy. With that in view, we will continue to invest in leadership at all levels of the organization.
3. Realignment of the organization in a clearly sustainable direction is a requirement for strengthening our position in the market. Our ambition is by no later than 2030 to be performing all our activities fossil-free, with a secure and safe work environment in all parts of the value chain.
4. Digitalization of the mail business, increased competition and changing customer needs in e-commerce and parcel distribution place demands on the Company in terms of increased productivity and a strong focus on cost efficiency. Cost-efficient administration and efficient IT solutions will help to further improve competitiveness.
5. A clearer focus on cash flow and sustained investment in growth activities.
6. A structured process and organization for achieving progress, as well as for reporting and monitoring of the transformation program.

Financial targets

Through the strategic goals we have set, we can consolidate PostNord's financial position and outcomes. The goals are long-term and will be assessed over a period of 3–5 years. The financial goals were set by PostNord's owners in 2014.

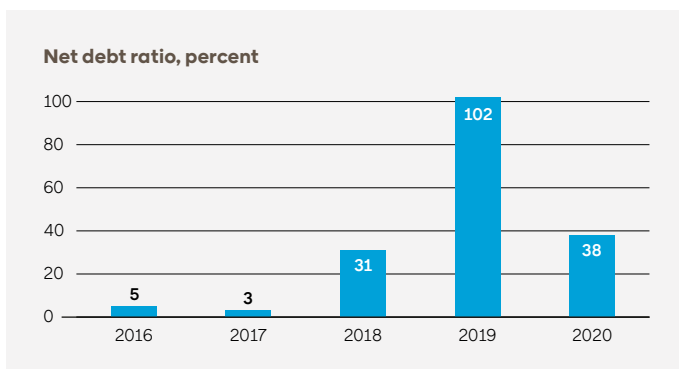
Profitability

Goal: The goal for return on capital employed is 10.5 percent.
Outcome: 18.6 percent (1.6) (including items affecting comparability).



Capital structure

Goal: The goal for net debt ratio (including pensions but excluding lease liabilities) is 10–50 percent.
Outcome: 38 percent (102).



Dividend policy

Goal: The goal for dividend is 40–60 percent of net income for the year.
Outcome: No dividends (proposed).

Sustainability goals

A clear sustainability agenda as an integral part of the Group strategy's is essential in order to be best in e-commerce and parcel distribution, as well as in operating a sustainable, demand-led mail business. The goals for the Group applied until the end of 2020.

Climate

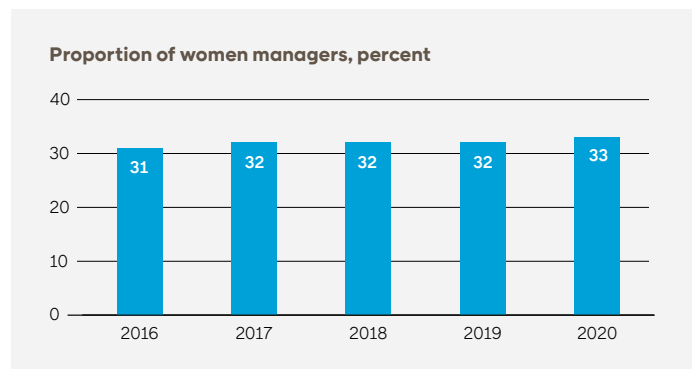
PostNord's main environmental impact is on the climate level. We will adapt our business so as to maintain our competitiveness in a low carbon economy. Our climate goal, which is an absolute one, has been approved in accordance with the Science Based Targets initiative. This approval confirms that our climate goal is in line with the UN goal of ensuring that the rise in global warming is kept well below two degrees.

Goal: Until 2020, our goal was to reduce our emissions by 40 percent in absolute terms from the 2009 level.
Outcome: 40 percent (36).

Gender equality

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

Goal: At least 40 percent of PostNord's managers and leaders shall be of the under-represented gender.
Outcome: 33 percent (32).



Suppliers

The goods and services that we purchase fall mainly into the categories of transport, fuel, staffing and IT. Our success is due to long-term, sustainable collaboration with our suppliers and to the fact that we offer support on how to meet our requirements and monitor compliance with our requirements. Monitoring processes involve self-assessment and local audits of selected suppliers.

Target: 80 percent of significant suppliers accept and adhere to PostNord's Code of Conduct for Suppliers.

Outcome: 80 percent (74).

More information on our work is provided on pages 86 and 87, with outcomes regarding climate, equal opportunity and suppliers on pages 92 and 93.

Sustainability agenda from 2021

As a state-owned company and with an important role in the society, we have a particular responsibility to play our part in sustainable development. As of 2021, we will further step up the pace of our work, in part by addressing more clearly PostNord's responsibility for promoting secure and safe working conditions in all parts of the value chain. Our ambition to be fossil-free by 2030 does not apply only to PostNord's own vehicles but also to all transportation performed by sub-contractors on our behalf. By setting a clear ambition to be fossil-free, we are continuing to shoulder our responsibility for national and global climate goals. We know that this will demand systematic work, new ways of thinking and innovation if we are to go all the way. To succeed, we will also need to raise the level of collaboration with suppliers, customers and consumers.



Business models

PostNord's offering and business are based on a unique distribution network, as well as solid experience and expertise in communication, e-commerce and logistics. With high ambitions in climate issues, we are playing our part in making our industry fossil-free.

Value to society

PostNord connects companies, authorities, and private individuals. We make business, commerce and communication possible throughout the Nordic region, in towns, cities and more sparsely populated areas. In 2020, we delivered nearly 200 million parcels and nearly 1.5 billion letters and other mail items to the population of 28 million inhabitants and 2 million businesses in the Nordic region. The outcomes and values that PostNord creates benefit far more than owners, customers and recipients. We play our part in enabling several of the UN's global goals for sustainable development to be achieved, in particular those relating to sustainable cities and communities, sustainable industry, innovation and infrastructure and decent work and economic growth.

PostNord's gradual transition to fossil-free transport is also of major significance. In 2020, we achieved our goal of 40 percent lower emissions than in 2009, and we have adopted the ambition of becoming totally fossil-free by 2030.

Business model and operations

PostNord has many operations with different offerings to, from and within the Nordic region. These include:

- logistics operations including the distribution of parcels, pallets and groupage cargo, as well as bulk goods
- ensuring the universal service obligation in Sweden and Denmark
- third-party logistics, TPL, to optimize the warehousing and logistics chain on behalf of third parties
- omnichannel solutions for physical and digital communications on behalf of businesses, via PostNord Strålfors.



Customers consist of consumers, businesses and public authorities primarily in the Nordic region. PostNord is market leader in its core sectors, parcels and letters. Our large-scale operations, with a highly developed distribution network, make a business model possible that offers benefits of scale and synergies. Our international relationships of many years enable efficient distribution to and from the Nordic region.

The organization is divided into the segments of Sweden, Denmark, Norway, Finland and Strålfors, each of which is divided into two main business areas: Communication Services and eCommerce & Logistics. Third-party logistics are placed organizationally under eCommerce & Logistics.

The aim is to maintain market leadership in parcels, with solutions that are sustainable and cost-efficient, and to address the demands of customers and consumers for convenience. In the mail business, we strive for a sustainable, demand-led business that creates value for citizens, businesses and the public sector.

The logistics business

The core of PostNord's logistics business is parcels that can be sorted automatically at our terminals. These operations are supported by other logistics services that are requested by our customers and that are profitable. Our primary customers are e-retailers wishing to transport goods, directly or via resellers, to consumers.

With our offering, we strive to make life easier for customers and consumers. Convenience for the consumer is paramount. We have a unique distribution network in the Nordic region, both in urban and sparsely-populated areas. Our network is made up of terminals, vehicles, partners with transport capacity and more than 8,000 distribution points/partner outlets.

Our operational model consists of a combination of our own and contracted drivers and vehicles, together with parcel sorting at our own terminals. We add flexibility and degree of utilization via optimal use of our own, partners' and sub-contractors' personnel and vehicles.

Heavy goods are generally transported from a collection point to a delivery point, that is, without passing through a terminal. PostNord's operational model is more highly based on sub-contracted transport capacity, unlike our other operations.

IT and other support systems that, for reasons of strategy or in terms of competitive advantage, are important for PostNord to have full control over are specially designed for PostNord. On the other hand, business support and technology not regarded as offering competitive advantage are to the greatest extent possible procured externally.

The parcels business is coordinated and controlled to a certain extent at Nordic level, although with certain adjustments for specific needs in the particular geographical market. This aids internal cost-efficiency and simplifies matters for customers with operations in several Nordic countries.

The mail business

The core of PostNord's mail business is the universal service obligation (USO) that we have been assigned in Sweden and Denmark. PostNord's offering and actions in the Swedish and Danish postal markets is to a major extent governed by legislation and other regulation.



Our customers are private individuals, businesses and public authorities. Our offering consists in part of administrative communications, such as invoices, agreements and letters of medical appointments, and in part of market communications such as advertising flyers (unaddressed direct mail), free newspapers and targeted advertising (addressed direct mail). We also distribute daily newspapers. Parts of our offering is regulated by the Postal Ordinance, including how long it may take for a letter to reach the recipient. We also offer services with faster delivery that the requirements that we are bound by as providers of the universal service obligation.

Our operational model is based on an wide-ranging, comprehensive network in Sweden and Denmark. This provides good access to our postal services and makes it possible to reach every citizen and organization. Vehicles, drives, sorting terminals and nodes for collection and distribution are for the most part our own. Because the markets and legislation for our businesses differ considerably between Denmark and Sweden, the mail businesses are operated locally in each country.

Third-party logistics

The operations of third-party logistics consists primarily of warehousing, transport to and from the warehouse, customs clearance, picking of orders and distribution. Customers are Nordic businesses with warehousing and transport needs. Our offering includes optimization of the customer's transport and logistics costs and the provision of other added value services.

The operating model is based on our own and leased warehouse facilities. Transport is procured on the basis of the customer's specific needs. In such procurement, both our own logistics operations and external transport resources are taken into account.



PostNord Strålfors

At PostNord Strålfors, we base our operations on printing and enveloping of physical mail items such as invoices. We also have a digital infrastructure for scanning, handling and distribution of digital items via different channels, that is, input and output management in omnichannels comprising for example bank invoices, e-mail and digital mailboxes. PostNord Strålfors' customers are Nordic businesses.

The segment's operating model is based on its own machinery for printing and enveloping, together with an in-house developed IT infrastructure for input and output management.

PostNord Strålfors functions as an independent segment within PostNord's operational management and largely operates as a separate administrative unit.

The Group

Income improved despite dramatically changed conditions as a result of the Corona pandemic. The improvement program delivered well and price increases were implemented. The pandemic led to substantially higher volumes in e-commerce, which in turn led to record-high parcel volumes. However, letter volumes continued to decline as a result of digitalization.

Income, SEKm ¹⁾	2020	2019
Net sales	38,729	38,278
of which, Communication Services	14,673	15,680
of which, eCommerce & Logistics	24,073	22,597
Operating income (EBIT)	2,421	184
Operating margin (%)	6.3	0.5
Items affecting comparability, net	351	-357
Adjusted operating income (adjusted EBIT)	2,071	541
Adjusted operating margin (%)	5.3	1.4
Income before tax	2,153	-111
Net income for the year	1,711	-239
Earnings per share (SEK)	0.85	-0.12
Cash flow from operating activities	4,151	2,132

¹⁾ For definitions, see Note 32, page 64.

Net debt (SEKm)	Dec. 31	
	2020	2019
Interest-bearing liabilities	10,267	9,550
Pensions and disability pension plans	4,318	3,500
Long and short-term investments	-292	-198
Cash and cash equivalents	-6,229	-3,398
Net debt incl. pensions and lease liabilities	8,064	9,454
Net debt ratio incl. pensions and lease liabilities	164%	259%
Net debt incl. pensions but excl. lease liabilities	2,001	3,776
Net debt ratio incl. pensions but excl. lease liabilities	38%	102%

Net sales and income

Net sales increased by 3.7 percent, excluding acquisitions, disposals and exchange rate effects. In the wake of digitalization of message flows, mail volumes declined by 13 percent overall, 19 percent in Denmark and 12 percent in Sweden. The Group's parcel volumes increased by 14 percent. Growth in e-commerce continues, with e-commerce-related business-to-consumer volumes rising 23 percent. Sales of the Group's other logistics services (third-party logistics, groupage cargo and pallets) increased by six percent.

Group operating income totaled SEK 2,421 million (184). The improvement is explained by higher internal efficiency, price increases and sharp growth in the parcels business. Income included items affecting comparability of SEK 351 million (-357), consisting primarily of capital gains on the sale of properties. In the preceding year, items affecting comparability consisted mainly of impairment losses relating to intangible assets and provisions for terminating staff contracts. The Group's adjusted operating income was SEK 2,071 million (541). Other operating income totaled SEK 1,427 million (351), above all through property sales and compensation of SEK 314 million (-) for providing the universal postal service in Denmark. Government compensation in connection with the Corona pandemic amounted to SEK 142 million (-).

Net financial items totaled SEK -268 million (-295). Net financial items consist of financial income of SEK 48 million (23), interest expense of SEK 128 million (123) relating to leases, interest expense of SEK 53 million (52) relating to pensions and other financial expenses of SEK 136 million (142) relating to loans and exchange rate fluctuations. Income taxes for the period totaled SEK -442 million (-128). Net income for the period totaled SEK 1,711 million (-239).

Financial position and results

Equity totaled SEK 4,906 million, compared with SEK 3,654 million on December 31, 2019. The change reflects above all the improvement in net income for the year and a negative translation difference as a result of the Swedish krona strengthening against other currencies. The Group's net debt totaled SEK 8,064 million (9,454) including the Group's pension liability and lease liabilities in accordance with IFRS 16. Interest-bearing liabilities consist of non-current liabilities of SEK 8,092 million (8,348) and current liabilities of SEK 2,175 million (1,202). The net debt ratio including pensions and lease liabilities (net debt/equity) was 164 percent (259). At the end of the year, the Group's financial preparedness totaled SEK 8,229 million (5,398), represented by cash and cash equivalents of SEK 6,229 million (3,398) and unutilized confirmed credit facilities of SEK 2,000m (2,000).

Cash flow from operating activities totaled SEK 4,151 million (2,132). Cash flow was boosted above all by the sharply higher income, but also by the sale of properties. This was partly offset by the Group's provision for restructuring in Denmark. The change in working capital totaled SEK 1,457 million (473). The change from the preceding year arose mainly through part-settlement from PostNord Försäkringsförening in the amount of SEK 400 million (-), which was

added to interim liabilities. Sales of subsidiaries, primarily property companies, contributed SEK 1,148 million (–). The year's investments totaled SEK 1,074 million (1,356), and were made above all in vehicles, sorting machinery, building up distribution facilities and IT development. Financial investments totaled SEK 10 million (24). Changes in acquisition of financial assets related above all to participations in associated companies.

Parent Company

The Parent Company engaged in very limited activity, in terms of intra-Group services. On December 31, 2020, it had one employee. Other operating income totaled SEK 16 million (27). Operating costs totaled SEK 35 million (119). Financial items totaled SEK –50 million (–39). Net income for the period totaled SEK 62 million (77).

Proposed appropriation of the Company's net income

The Board of Directors proposes that unappropriated earnings of SEK 3,611,747,656 be distributed as follows:

To be carried forward	SEK 3,611,747,656
Total	SEK 3,611,747,656

Important events

- The Corona pandemic developed into a global pandemic that affected our markets from March to the end of the year. The business was severely affected by changes in customer behavior and higher levels of short-term sick leave.
- In the second quarter, PostNord Termo AB was divested. The company operates in the grocery logistics sector in northern Sweden. The decision to divest the company is in line with our strategic direction to focus more closely on our core business, that is, mail, parcels and associated logistics services. PostNord Termo AB, based in Umeå, had sales of SEK 656 million in 2019 and 163 employees. The company handled and transported goods in, to and from northern Sweden.
- In the third quarter, properties that had been used for third-party logistics operations in Norrköping were sold. The agreement was a sale and leaseback transaction and provided positive recognized income, in accordance with IFRS 16 for sale and leaseback, of SEK 202 million and a cash injection of just over SEK 922 million.
- 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. In 2020, SEK 400 million of the surplus of SEK 600 million was paid in part-settlement to PostNord.
- At the end of June, the universal service obligation agreement between Post Danmark A/S and the Danish government was extended. The agreement requires approval from the European Commission, and the compensation for the second half of 2020

had not been received at year-end. However, the judgement remains that the compensation does not offset our costs in Denmark.

- In December, the agreement on the universal service obligation between Post Danmark A/S and the Danish government was extended. Our dialog with the Danish state concerning a long-term sustainable mail business in Denmark continues, and there remains a pressing need to bring about a long-term agreement, as the current agreement between PostNord Denmark and the Danish government expires at the end of August 2021.

Major events after the reporting period

On February 1, 2021, every second day delivery of letters, newspapers and advertising was introduced in the South region in Sweden. Introduction of every second day delivery is planned for the West region and the Stockholm regions in 2021, and for the rest of the country in 2022.

Operations subject to licensing and notification

PostNord runs operations that are subject to licensing and notification under national legislation in Sweden and Denmark. Strålfors' graphic production facilities are subject to licensing, PostNord TPL has logistics facilities that are subject to licensing or notification and PostNord Sweden has a number of vehicle washing facilities that are subject to notification.

Statutory sustainability report

PostNord has prepared a statutory sustainability report that is separate from the Board of Directors' Report. The scope of the sustainability report is described on the inside cover of this report.

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 their operations. The operating segments reflect the Group's operational structure.

Operating income (SEKm) and operating margin (%) by segment	2020		2019	
	SEKm	%	SEKm	%
PostNord Sweden	2,240	9.5	1,092	4.7
PostNord Denmark	120	1.3	–154	–1.8
PostNord Norway	127	2.8	62	1.4
PostNord Finland	10	0.7	2	0.2
PostNord Strålfors	141	7.2	137	6.9
Other business activities	110	5.3	–18	–1.0
Other and eliminations	–326	–	–937	–
Group	2,421	6.3	184	0.5

PostNord Sweden

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

Market

The ongoing pandemic led to sharp growth in e-commerce and, as market-leader in the Swedish parcels market, PostNord handled sharp growth in parcel volumes.

As a result of digitalization, mail volumes continue to decline, and to address this trend, PostNord Sweden plans a transition to every second day-deliveries.

The business during the year

During the year, we continued to transform PostNord Sweden to adapt the business to the demands of the growing parcel market and declining mail volumes, while maintaining high levels of quality and service.

When the Corona pandemic struck, e-commerce increased more or less overnight. Parcel volumes reached a level we had not anticipated for a couple of years. Also as a result of the pandemic, demand for daytime home deliveries rose, necessitating immediate adaptation in the parcels business. The sharply higher parcel volumes presented challenges, but through cooperation with our customers we succeeded in maintaining our important assignment (the universal service obligation, USO) to deliver parcels and letters throughout the country.

As mail volumes fall, we face an increasing need to adapt the mail business. At the end of September, PostNord Sweden launched trials of every second day-deliveries of mail. The trial was successful: we upheld a good quality of service and at the same time maintained a good work environment for our employees. Against this background, we took the decision to introduce every second day delivery across the country over the next few years.

The Swedish government set out the terms of reference for an inquiry into how the universal postal service is to be financed. We welcome the inquiry, since we would much like to see a clearer political direction for what the universal service obligation should entail, in terms of both what services we should provide and how they should be financed.

Finance

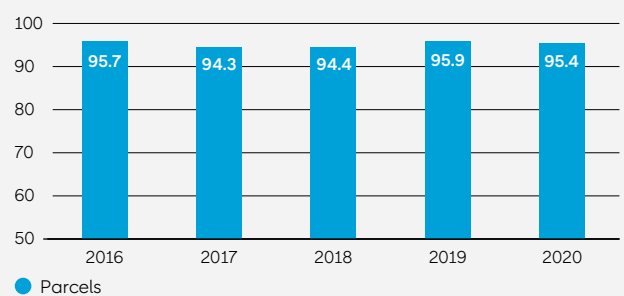
Net sales totaled SEK 23,694 million (23,253). Like-for-like sales for eCommerce & Logistics increased by 6 percent, mainly as a result of continued major growth in e-commerce that we recorded during the year. In Communication Services, sales fell by 4 percent due to reduced letter volumes, in which a decline in unaddressed direct mail was particularly notable. Operating income totaled SEK 2,240 million (1,092). The sharp increase in revenue arose through increased demand for parcel deliveries and good progress in the efficiency program.

Outlook

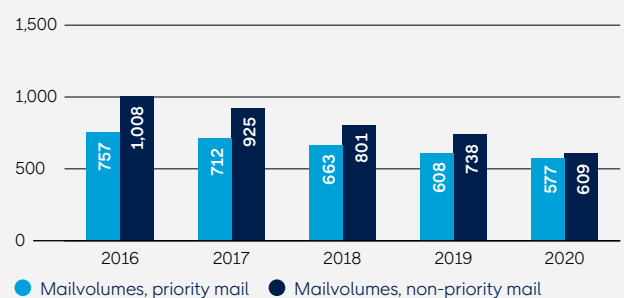
PostNord Sweden continues on its journey of change towards offering e-commerce services with seamless delivery experiences to recipients and customers. At the same time, we are adjusting the mail business in order to better manage the declining demand.

SEKm, unless otherwise indicated	2020	2019
Net sales	23,694	23,253
of which, Communication Services (external)	9,734	10,116
of which, eCommerce & Logistics (external)	11,968	11,723
of which internal	1,992	1,414
Operating income (EBIT)	2,240	1,092
Operating margin (%)	9.5	4.7
Items affecting comparability, net	202	-20
Adjusted operating income (adjusted EBIT)	2,038	1,112
Adjusted operating margin (%)	8.6	4.8
Priority mail, millions	577	608
Non-priority mail, millions	609	738

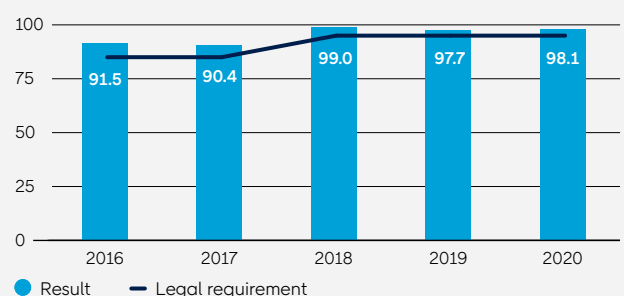
Delivery quality, parcels, percent



Mail volumes, millions of letters



Delivery quality, mail, percent



PostNord Denmark

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

Market

The trend of declining mail volumes accelerated in Denmark during the year as a result of digitalization. We recorded high growth in e-commerce, with demand for home deliveries and deliveries without physical contact rising very sharply through the impact of the Corona pandemic.

The business during the year

The proportion of sales represented by the mail business continued to fall, to a third of PostNord Denmark's total sales.

We continued our dialog with the Danish government regarding the universal service obligation (USO) for PostNord Denmark. The compensation approved by the Danish government to offset our extra costs for USO in 2021 requires approval by the European Commission. In December, the temporary agreement with the Danish state was extended and now runs until September 2021. The need for a long-term agreement is urgent if we are to be able to take the right long term decisions.

As a consequence of the strategic policy of focusing on the core business, a number of properties were sold during the year.

During the autumn, we started testing the HVO100 biofuel in two thirds of our vehicle fleet. Use of this fuel instead of fossil-based alternatives can reduce PostNord Denmark's carbon dioxide emissions by up to 90 percent. Between 2009 and 2020, PostNord Denmark cut its carbon dioxide emissions by two thirds.

PostNord's business in Germany, which handles import and export flows between Europe and the Nordic region, recorded lower demand from the retail sector in the wake of the Corona pandemic.

Delivery quality in parcels declined as a result of the challenges posed by the pandemic, but nevertheless averaged 94.7 percent (96.6) for the full year. Delivery quality for the Brevet service again exceeded the legal requirement of 93 percent in 2020, averaging 95.4 percent (95.4).

Finance

Net sales totaled SEK 9,305 million (8,839), an increase of 6 percent in fixed currency for like-for-like units. In Communication Services, net sales fell by 16 percent (8). In eCommerce & Logistics, net sales grew by 21 percent (5).

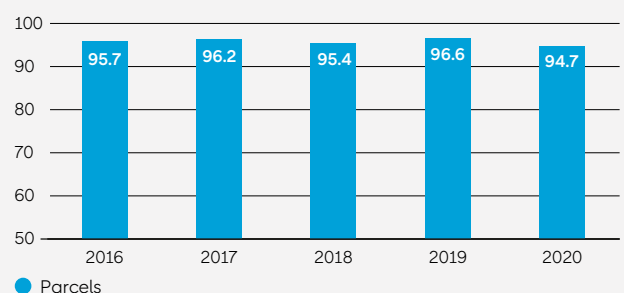
Operating income totaled SEK 120m (-155). Income was positively impacted by compensation of SEK 314 million from the Danish government for the cost of mail deliveries. Nevertheless, in our view the compensation did not balance out PostNord Denmark's costs for mail deliveries during the year. Income includes items affecting comparability totaling SEK 149 million (-64) pertaining to capital gains on sales of properties. Adjusted operating income therefore totaled SEK -29m (-91).

Outlook

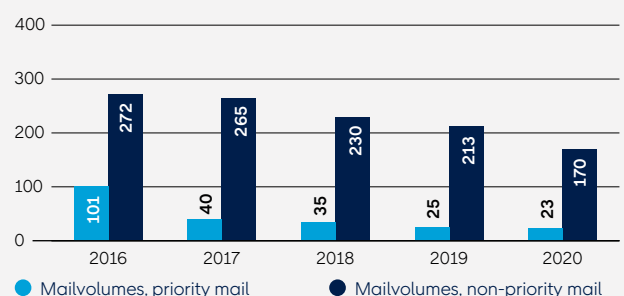
Consumer patterns changed as a result of the Corona pandemic, with a major proportion of sales migrating from physical stores to e-commerce. Modes of delivery were also affected, with a considerably higher proportion of home deliveries. These changes are expected to become permanent.

SEKm, unless otherwise indicated	2020	2019
Net sales	9,305	8,839
of which, Communication Services (external)	2,841	3,439
of which, eCommunication & Logistics (external)	5,757	4,823
of which internal	707	577
Operating income (EBIT)	120	-155
Operating margin (%)	1.3	-1.8
Items affecting comparability, net	149	-64
Adjusted operating income (adjusted EBIT)	-29	-91
Adjusted operating margin (%)	-0.3	-1.0
Priority mail, millions	23	25
Non-priority mail, millions	170	213

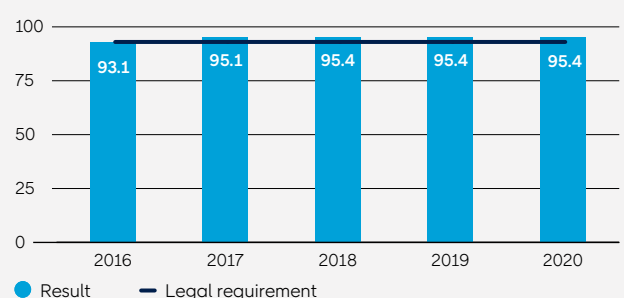
Delivery quality, parcels, percent



Mail volumes, millions of letters



Delivery quality, mail, "Brevet" service, percent



PostNord Norway

PostNord Norway operates in logistics and e-commerce in the Norwegian market.

Market

Norway's economy was hard hit by the Corona pandemic and the ensuing restrictions. When restrictions in society limited physical contact, demand from the retail sector and other business customers declined considerably. The decline was to a certain extent offset by sharply higher volumes in e-commerce. A natural consequence was that customers increasingly sought out suppliers capable of delivering to both business-to-business customers and business-to-consumer customers. PostNord Norway benefited and its customer base expanded.

The business during the year

During the autumn, the expanded goods terminal in Langhus, south of Oslo, entered into service. With an additional 10,000 square meters and automated sorting facilities, capacity has doubled, and we can handle more than 200,000 parcels a day.

In addition, a decision was taken during the year to invest in a new 5,000 square meter goods terminal in Bergen. The new terminal, with a capacity to handle 60,000 parcels a day, forms one aspect of the preparations to meet the anticipated increase in e-commerce in western Norway over the years ahead.

The Corona pandemic led to a major change in the mix of the vehicle fleet, from trucks to smaller vehicles, since we have fewer pallets to handle and more parcels. Despite the changes in the wake of the pandemic, delivery quality in parcels fell marginally to 95.3 percent (95.9) for the full year.

Finance

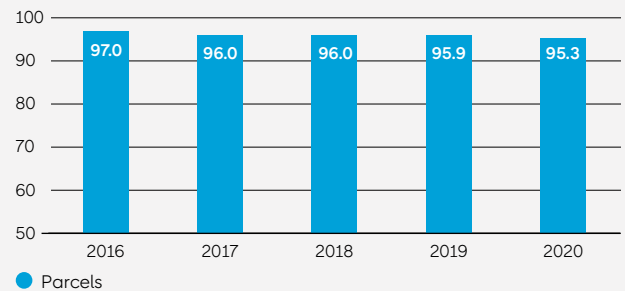
Net sales totaled SEK 4,481 million (4,526), an increase of 9 percent in fixed currency for like-for-like units. Operating income totaled SEK 128m (62), representing an operating margin of 2.8 percent (1.4). The rapid change in mix from business-to-business customers to business-to-consumer customers resulted in additional costs. These were offset by price increases.

Outlook

The strong growth in e-commerce created something of a change in the competitive situation; we acquired a larger number of small, technology-based operators who address niche segments. Growth in e-commerce is expected to continue for a long time to come.

SEKm, unless otherwise indicated	2020	2019
Net sales	4,481	4,526
of which, Communication Services (external)	83	66
of which, eCommunication & Logistics (external)	3,592	3,683
of which internal	807	777
Operating income (EBIT)	128	62
Operating margin (%)	2.8	1.4
Items affecting comparability, net	–	–12
Adjusted operating income (adjusted EBIT)	128	74
Adjusted operating margin (%)	2.8	1.6

Delivery quality, parcels, percent



PostNord Finland

PostNord Finland operates in logistics and e-commerce in the Finnish market.

Market

E-commerce in Finland and home deliveries of parcels showed very robust growth, largely as a result of the Corona pandemic, while demand from physical stores decreased. Demand from the healthcare sector rose substantially to around one fourth of net sales, a major increase from 2019.

Competition remained severe, above all for deliveries to the retail sector.

The business during the year

At PostNord Finland, our ambition is to develop a strong domestic distribution network and an infrastructure to support growth. The program includes a new terminal at Åbo, which became operational at the beginning of the year. We are also building a terminal in the Tampere area. In addition to the terminal building, an office building and a warehouse facility on a 4.2 hectare site will be built. The plan is for the facility to be put into use in mid-2021. Once operational, the terminals in Tampere, Åbo and Vanda will form the framework of a geographical triangle in southern Finland, in which a major share of Finland's logistics transportation takes place.

Our focus on the healthcare sector continued to bear fruit. Several contracts were secured during the year, and we are now the leading player in healthcare logistics.

Despite challenges issuing from the Corona pandemic, we succeeded in maintaining a high level of quality in parcels. Over the full year, delivery quality came out at 95.6 percent (95.7).

Finance

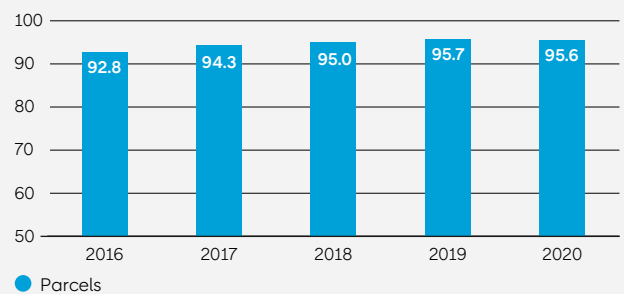
Net sales totaled SEK 1,371m (1,301), an increase of 6 percent in fixed currency for like-for-like units. Operating income totaled SEK 10m (2), representing an operating margin of 0.7 percent (0.2). The improvement was due to high efficiency towards year-end and a relatively weak outcome in the preceding year.

Outlook

In Finland, PostNord is still to be regarded as a challenger in the logistics market. E-commerce is expected to continue to grow, with a rising demand for efficient transport and logistics solutions. To address this trend and gain market shares, we are focusing on developing our infrastructure.

SEKm, unless otherwise indicated	2020	2019
Net sales	1,371	1,301
of which, Communication Services (external)	0	8
of which, eCommunication & Logistics (external)	922	808
of which internal	449	484
Operating income (EBIT)	10	2
Operating margin (%)	0.7	0.2
Items affecting comparability, net	-	-2
Adjusted operating income (adjusted EBIT)	10	4
Adjusted operating margin (%)	0.7	0.3

Delivery quality, parcels, percent



PostNord Strålfors

PostNord Strålfors develops and provides communications solutions that give companies with a large base of customers and suppliers entirely new opportunities to create stronger, and more personal, customer relationships. PostNord Strålfors operates in Sweden, Denmark, Norway, and Finland.

Market

The market for printed matter was relatively unaffected by the Corona pandemic. On the other hand, the long-term trend of a structurally declining market for printed matter in the wake of digitalization, remained. At the same time, the market for digital services is expanding.

As before, the market is characterized by increased consolidation. We have a strong position in customer communications in the Nordic region, but competition is fierce in all areas and countries of operation.

The business during the year

Against the background of the structural declining market, the transformation program currently under way will be crucial to PostNord Strålfors. The initiative aimed at streamlining physical distribution, securing low ongoing administration costs and increasing the share of digital services progressed well during the year. The strategy is to become the digitalization partner for customers developing digital customer communications systems.

During the year, the operation at Tandsbyn, Sweden, was wound up. To enable cost savings to be made, the scanning business was also relocated from its own premises in Västberga, Stockholm, to PostNord's premises in Rosersberg.

When the Corona pandemic broke out in the spring, we quickly reconfigured parts of our 3D-printing production and delivered 35,000 protective visors to aid the healthcare service.

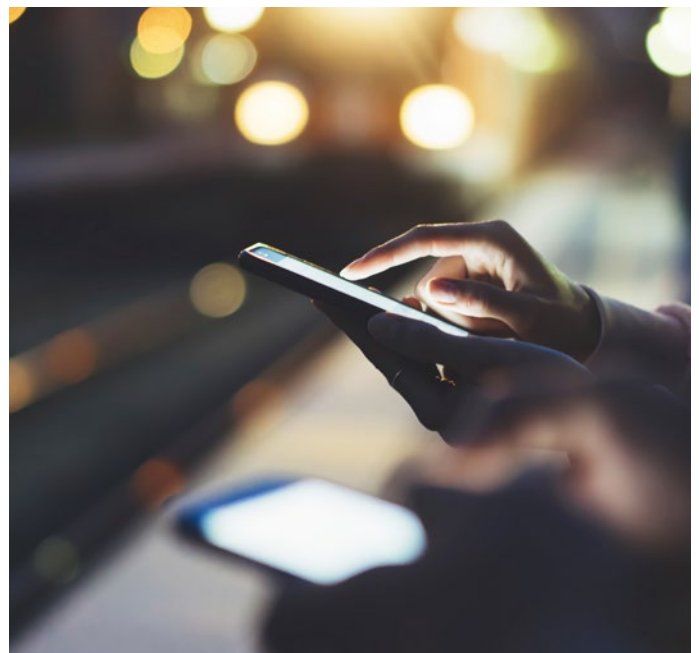
Finance

Net sales totaled SEK 1,981m (1,984), an increase of 2 percent in fixed currency for like-for-like units. Operating income totaled SEK 142m (137), representing an operating margin of 7.2 percent (6.9). Income was adversely affected by falling demand for printed material. This was balanced out by high productivity in the printing and enveloping business, lower administrative costs and higher demand for digital services.

Outlook

The trend of a structurally declining market for printed matter in the wake of digitalization is expected to continue. Against this background, the adjustment to meet the challenge of digitalization, declining physical volumes and new customer behaviors will remain of critical importance to PostNord Strålfors going forward. We intend to strengthen our position as our customers' digitalization partner by offering the market the leading channel-independent platform for customer communications. Competition in the market is expected to remain intense.

SEKm, unless otherwise indicated	2020	2019
Net sales	1,981	1,984
of which, Communication Services (external)	1,795	1,835
of which internal	186	149
Operating income (EBIT)	142	137
Operating margin (%)	7.2	6.9



Other business activities

The segment is made up of Direct Link, which focuses primarily on the Nordic region but offers distribution solutions worldwide, as well as Svensk Adressändring and AddressPoint.

Other business activities

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

Direct Link

Outside the Nordic region, PostNord is established via the subsidiary group Direct Link, whose primary target groups are e-commerce companies and marketplaces in need of cross-border and global delivery of goods to consumers. Direct Link is established through local companies in Australia, Hong Kong, China, Singapore, the UK, Germany, Poland, 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 offer consists above all of global goods deliveries primarily via postal services, together with all PostNord's business-to-consumer delivery services to the Nordic region, that is, parcels to consumers (MyPack), market analysis, direct mail and returns handling. Direct Link also offers fulfilment – logistics solutions for warehousing – in Poland, Hong Kong and the United States.

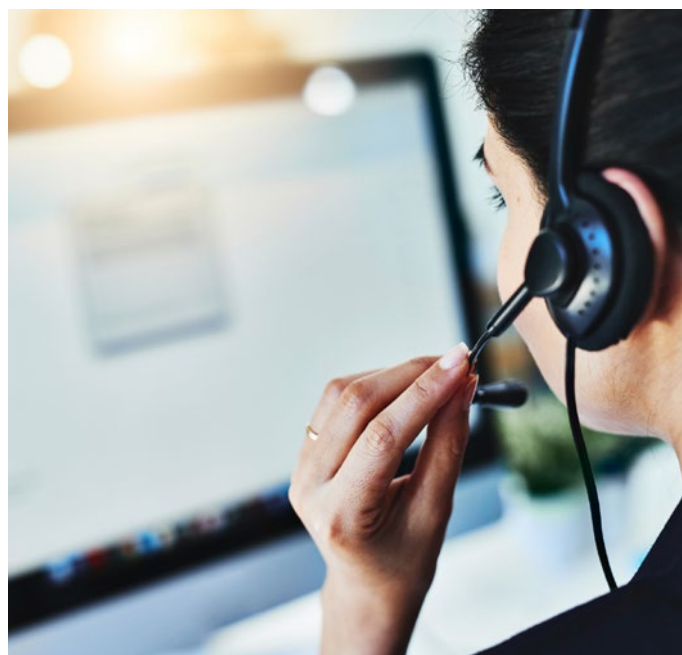
Svensk Adressändring and AddressPoint

Svensk Adressändring provides opportunities to notify a move or transfer, and to organize a change of address, forwarding and mail holding. We collaborate with other postal operators, the Swedish Tax Agency and Statistics Sweden. AddressPoint sells address services. It is a sister company of Svensk Adressändring and is jointly owned by PostNord and CityMail. The source of the address is always Svensk Adressändring.

Finance

Net sales totaled SEK 2,057m (1,781). Operating income totaled SEK 110m (18). The improvement in income was attributable to Direct Link, which completed a successful transformation.

SEKm, unless otherwise indicated	2020	2019
Net sales	2,057	1,781
of which, Communication Services (external)	219	216
of which, eCommunication & Logistics (external)	1,836	1,560
of which internal	2	5
Operating income (EBIT)	110	-18
Operating margin (%)	5.3	-1.0



Risk and risk management

Proactive, structured risk management will enable PostNord to achieve its goals. 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 and systematic way that creates value.

Risk management at PostNord is based on the group's Enterprise Risk Management Policy, which has been established by the Board of Directors. The Group works continuously to identify, evaluate, manage, and monitor risks in the world around us and within the business. Risk management is an integral part of strategy work and business planning. Operational risk and related risk control activities are followed up continuously and reported back to the Group Leadership Team and Board of Directors. PostNord's Board of Directors and Group Leadership Team bear overall responsibility for ensuring that the Group's risks are managed appropriately and appoint functions with responsibility for Group-wide risk control activities.

Responsibility within the country organizations, Group functions and subsidiaries lies with respective manager. The group's risk management function is responsible for developing and establishing group-wide procedures and methods for effective risk management, and provides support to the organization.

Changed market conditions

PostNord is affected by changes in customer behavior, changes in market demand, competitors and the growth in digitalization that is leading to increased e-commerce and lower mail volumes. Coordinated public initiatives to increase the level of digitalization have already greatly impacted the Danish business, and a similar trend is also apparent in the Swedish market. E-commerce brings significant opportunities but also risks related capacity limitations and changes in the offerings and positioning of competitors. PostNord

manages the consequences of changes in market conditions through innovative business development and by harmonizing and developing new services and solutions, transforming and integrating production, ensuring the necessary capacity, and introducing measures for the necessary rationalization and streamlining of the business.

Regulatory risks

PostNord is tasked with providing the universal postal service in Sweden and Denmark. The terms of postal regulation affect the Group's competitiveness and ability to carry out the universal postal service under reasonable financial conditions. Digitalization and the declining letter market are leading to increased risk, given the excessively slowness of postal legislation to adapt, and the lack of opportunity for services and pricing to be adjusted flexibly. PostNord manages regulatory risks through thorough monitoring and analysis of the external environment and through dialog with the relevant government agencies. The decline requires continuous adaptation of the business and ultimately a modified business model. PostNord adapts continuously to developments in legislation on information security and data storage. For more information, see section External environment and market on pages 6–11.

Crime and theft

As e-commerce expands and increasingly theft-prone property is sent in the flow of parcels, so too does the risk and theft and fraud.



As a result, PostNord's activities are attracting the interest of organized crime, which in turn is driving the need for constant development and adaptation of security measures and investigative processes. Security measures are designed in accordance with PostNord's Minimum Security Requirement (MSR), which incorporates the global security standards TAPA-FSR and TSR.

Continuity planning

To be able to collect, transport and distribute goods, letters and parcels, an efficient infrastructure of terminals, sorting machinery, vehicles, IT systems and last but not least a large number of employees are required. If any of the critical components of this process are unavailable or unusable, the result may be disruptions in deliveries, leading in turn to delays and loss of quality. PostNord operates a Group-wide continuity program to ensure its ability and preparedness to be able to deal with any events causing disruptions in critical deliveries. All critical deliveries are analyzed annually and plans for restoring and maintaining resources and deliveries are established and tested.

Information security

PostNord bears an important responsibility for guaranteeing the security of personal data and for mitigating threats and operational risks associated with the processing of personal data within the scope of the services provided by the Group. The work on information security has focused on enhancing and assuring the knowledge of employees and on introducing automated security checks in services and systems.

Crisis management

Crises may be caused by a range of undesired events – known and unknown. To be able to manage such events effectively, PostNord has a crisis management organization consisting of a number of crisis committees spanning the Group's entire operations and that is activated on a regular basis.

The Corona pandemic

During the year, the crisis committees actively engaged in managing the Corona pandemic and the knock-on effects of the crisis. For more information, see section External environment and market on page 6.

Sustainability risks

An insufficient pace of transition of the area of sustainability may lead to difficulties in PostNord's ability to attract customers, employees and suppliers, breaching of current legislation and difficulty in obtaining continued financing. Sustainability risks include risks regarding climate issues, the supply chain, social conditions including employer's liability, human rights, business ethics and anti-corruption.

Three areas are considered to require addressing via Group-wide, strategic sustainability goals, with associated activities, goals and monitoring:



An insufficient ability to adapt and effect transition on climate issues may lead to PostNord being affected by both direct and indirect consequences of the climate changes. Increased numbers of extreme weather events raises the possibility of disruptions owing to damage to infrastructure and shortage of electricity or fuel supplies. The insurance and capital markets can quickly alter the conditions for insurance premiums or financing for sectors and companies with a higher risk profile. Quickly changing regulatory conditions and market conditions in the climate field demand rapid adaptation in order to minimize the risk of losing business.

Lack of follow-up on sustainability issues at the supply stage increases the risk of breaches of stated contractual conditions regarding agreed principles for sustainable development, which in turn creates a higher risk of quality shortcomings or disruptions in product, thus representing a business risk and a brand risk. Lack of a diversity perspective within the organization increases the risk of non-compliance with current anti-discrimination legislation, as well as a risk that the recruitment base becomes too narrow. This in turn may lead to problems with identifying the competence necessary to expand business opportunities and drive change, innovation and development.

Read about PostNord's governance and monitoring of risks in sustainability on pages 86–91.

Financial risks

PostNord needs a stable cash flow and access to external financing for investments in improvement programs and for refinancing of loans. Prioritized activities include business planning, monitoring of cash flow from operating activities and prioritization of investments that strengthen cash flows. The Group's financial risks are managed via financial instruments in accordance with the Group's Finance Policy. For more information, see Notes 22, 25, 27 and 28.

Corporate Governance Report

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 relevant sections of the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The Corporate Governance Report has been audited by the Company's external auditor.

1. Shareholder structure

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

2. Control and organizational structure

The main decision-making bodies at PostNord are the Annual General Meeting (AGM), the Board of Directors and the President and Group CEO, assisted by the Group Leadership Team. The Board has also appointed a Vice President with particular responsibility for issues relating to Nordic Strategy & Solutions and IT. The owners nominate the Chair of the Board, the Vice Chair and other Board members, propose directors' fees and nominate the AGM chair and an external auditor. The AGM is PostNord's highest decision-making body. The Board of Directors has overall responsibility for the organization and administration of the company through continuous monitoring and control of the business. 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 in accordance with the Board's guidelines and instructions. The President and Group CEO appoints the Group Leadership Team, which, in addition to the President/Group CEO, comprises the Vice President and the Heads of Group Finance & Sourcing/CFO, Legal and Staff Functions, IT/CIO, Nordic Strategy & Solutions,

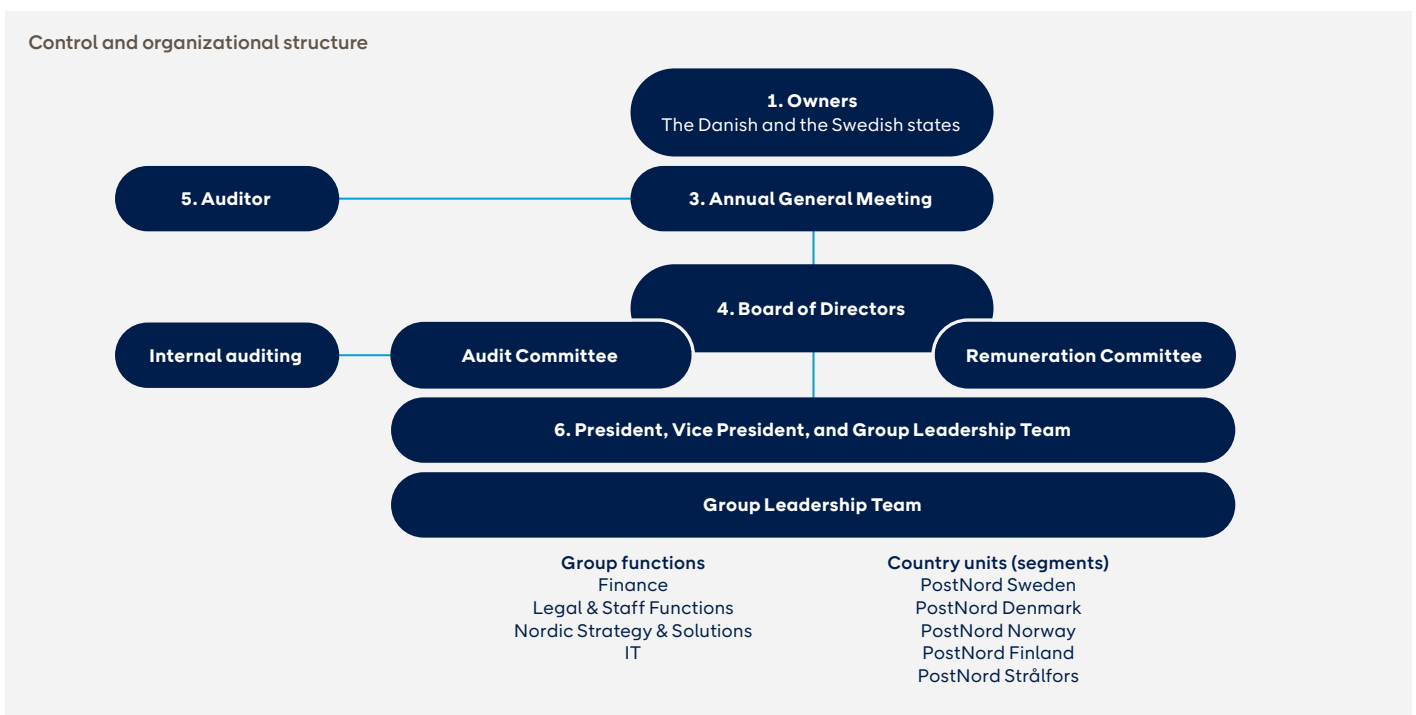
PostNord Sweden (incl. PostNord Finland), PostNord Denmark (incl. PostNord Tyskland and Direct Link), PostNord Norway and PostNord Strålfors. The Company's external auditor is elected by the AGM and examines the Annual Report and Consolidated Financial Statements and management by the Board and the CEO, producing an auditor's report. The Company's external auditors review the Sustainability Report, comment on the Statutory Sustainability Report and present the auditor's report.

PostNord's internal audit function evaluates the Company's internal governance and control. The Group's operational structure follows the legal structure. As a key principle, the organizational structure and governance are based on the operational structure.

The postal permits are linked country-wise to the legal entities in Denmark and Sweden (PostNord Danmark A/S, PostNord Group AB), which means that formal responsibility for the postal permits follows the legal structure. The relevant managers in country and group functions must ensure that the Group fully meets all the legislative and regulatory requirements placed upon it.

3. Annual General Meeting

Under the provisions of the Swedish Companies Act, the AGM is the Company's ultimate decision-making body. At the AGM, the Swedish Ministry of Enterprise and Innovation and the Danish Ministry of Transport vote on behalf of the Swedish and Danish states respectively. Each State nominates four Board members for the Company. The AGM appoints the Board and auditor, resolves how to distribute the Company's earnings, discharges the Board and CEO from



liability and makes decisions on other matters as set out in legislation and the Company's Articles Of Association. The AGM must be held no later than April 30 in accordance with the Swedish State's ownership policy. Notice of the Annual General Meeting is sent by mail to shareholders and is advertised in the daily press, through the Annual and Sustainability 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 2020

The AGM for 2020 was held on April 22, 2020. The owners, the Swedish state and the Danish state, participated through their representatives. In view of the prevailing situation regarding spread of the Corona pandemic, it was decided that the AGM should not be open to the public, that the President should not hold a speech and that a pre-recorded speech should instead be posted on the Company's website on the occasion of the meeting. The AGM adopted the Group's and the Parent Company's income statement and balance sheet and voted to discharge the Board of Directors and the CEO from liability for the 2020 financial year. The AGM also adopted guidelines for remuneration to senior executives and remuneration to Board members and the auditor. Sonat Burman Olsson, Måns Carlson, Christian Frigast, Christian Jansson, Peder Lundquist, Ulrica Messing and Charlotte Strand were re-elected. As Christian Ellegaard had declined to stand for re-election, Susanne Hundsbæk-Pedersen was elected as a new Board member. Christian Jansson was re-elected Chair of the Board and Christian Frigast was re-elected Vice Chair.

KPMG AB was re-elected auditor through the close of next year's AGM, with authorized public accountant Tomas Gerhardsson as senior auditor. The complete minutes of the Annual General Meeting are posted on www.postnord.com.

Annual General Meeting 2021

PostNord's 2021 AGM will be held on April 27, 2021. The ongoing Corona pandemic brings challenges in terms of holding the AGM in physical form in a secure way from the viewpoint of spreading the infection. Against that background, the plan is to hold the meeting via digital means.

Board's proposed guidelines for remuneration to senior executives

For the 2021 AGM, no changes are proposed in the remuneration principles and other terms and conditions of employment for the Group Leadership Team, thus the proposal remains unchanged in that respect from the guidelines agreed by the meeting in 2020 and summarized in Note 5.

4. Board of directors

The Board of Directors exercises overall responsibility for the organization and management of the company by regularly monitoring the business and ensuring that the organizational structure, management, guidelines and internal controls are adequate. The Board adopts strategies and targets and takes decisions on major investments, acquisitions and divestments of operations.

Composition of the Board

In line with PostNord's Articles of Association, the Board shall consist of eight members. The Board of Directors is appointed by the AGM, which has determined that the Board shall be composed of eight AGM-elected Board members and no deputies. The Board also includes three members elected by employee organizations and their three deputies. The Swedish state's ownership policy states that no less than three persons of each gender shall serve on the Board if the Board consists of six to eight ordinary members. The female/male distribution of PostNord's Board of Directors was 4/8 in 2020 (elected 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 be provided to the Board of Directors and the respective 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 dialog with the CEO and ensuring that other Board members receive the information and documentation necessary to ensure that the Board's discussions and decisions are of high quality. The Chair oversees evaluation of the Board's and the CEO's work. The Chair also represents the Company in issues of ownership. For example, the Chair must perform his/her duties in partnership with the Vice Chair and must discuss management and agenda matters with the Vice Chair prior to Board meetings. The Chair and Vice Chair must also act together to achieve a constructive dialog with the company's shareholders. The Vice Chair shall replace the Chair in the event of the Chair's absence.

Board meetings and issues in 2020

In 2020, the Board met on 13 occasions, including one statutory meeting and three per capsulam meetings. The CEO described the state of the business and the market situation at each meeting. The CFO reported on the Group's economic and financial position and performance. The Board also approved the Group's strategy and business plan and considered regular reports from the Audit and Remuneration Committees and the special committee, as well as reports on internal control and financial activities. The work of the Board during the year focused for the most part of the strategy and transformation programs, the Group's handling of the Corona pandemic, production of a new sustainability agenda and ongoing issues relating to the national delivery obligation for the Swedish and Danish organizations. The Board also focused on quality and

image issues and on the PostNord brand. The Company's auditor delivered an account of the year's auditing activities and these issues were discussed.

Board committees

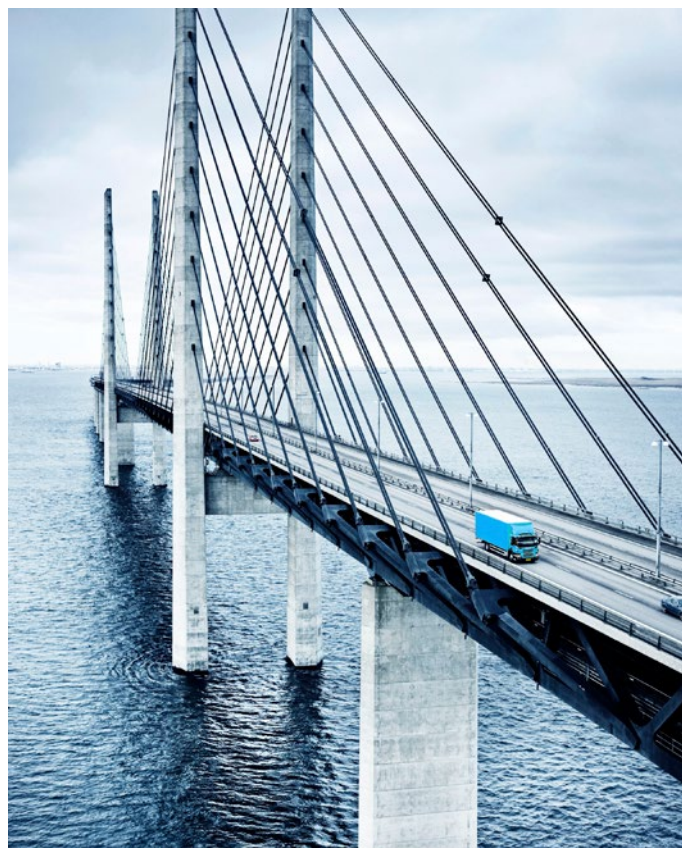
Audit Committee

The Audit Committee is tasked with preparing the Board for performing its duties of supervising and assuring the quality of the Group's financial reporting. The Committee monitors the effectiveness of the Company's internal governance and control, and also systems and processes for the risk management of financial reporting. The Committee's rules of procedure are established by the Board. The Audit Committee has no decision-making power except for establishing the budget for internal auditing. The Committee also assists the owners in selecting an external auditor. The Committee shall regularly review the external auditor's reports and determine whether the auditors are performing their duties independently, objectively and in a cost-efficient way. The Audit Committee, in consultation with the Group Leadership 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 consists of at least three Board members and meets at least four times per year. The Company's external auditor must attend any meetings at which the annual accounts, annual report and auditor's report are discussed and also when required to give an assessment of the Group's financial position. The Chair of the Committee is responsible for regularly apprising the Board of the Committee's activities. In 2020, the Committee's members were Charlotte Strand (Chair), Sonat Burman Olsson, Måns Carlson and Peder Lundquist. The Committee met a total of six times. The topics discussed included the following:

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

Remuneration Committee

The Remuneration Committee is tasked with preparing and presenting proposals to the Board regarding remuneration and other terms of employment for the Group Leadership Team. The Remuneration Committee has no decision-making powers. The Remuneration Committee consists of no less than three members. The Committee



is chaired by the Chair or Vice Chair of the Board of Directors. The Committee shall meet no less than twice a year. The Chair of the Committee is responsible for regularly apprising the Board of the Committee's activities. In 2020, the Committee, comprising Christian Frigast (Chair), Christian Jansson, Ulrica Messing and Susanne Hundsbæk-Pedersen, met on a total of two occasions. The topics discussed included the following:

- Remuneration and other provisions for senior executives.
- Production of proposals for updated Guidelines on Remuneration to Senior Executives.
- Pension provisions for senior executives.
- Remuneration for members of the Group Leadership Team.
- Evaluation of goal attainment and potential, together with succession planning for senior managers.
- Involvement in the production of proposals for new CFO and CIO.

Review of the work of the Board of Directors

In accordance with the Board's Rules of Procedure, the Board of Directors is required to ensure that its work is reviewed annually in a systematic and structured process in order to develop the working methods and efficiency of both the Board and its members. Other areas to be reviewed include whether the Board is addressing the right issues, the integrity of supporting documentation and how accurately decisions and discussions are recorded in the minutes. In 2020, the company engaged an external consultant to undertake the review. The review took place in the form of surveys addressed to the Board and the President and Group CEO. The consultant will present the findings of the review at the Board meeting in January 2021 and these will then be discussed by the Board. The Chair of the Board will also communicate the findings to the Company's owners at a meeting.

Remuneration for the members of the Board of Directors

Remuneration for Board members was determined by the 2020 AGM. Remuneration agreed for the period through the next AGM is payable as follows: Elected Board members: SEK 295,000; Vice Chair of the Board: SEK 500,000; Chair of the Board: SEK 670,000. Remuneration for work on the Audit Committee is payable at SEK 55,000 to members and SEK 70,000 to the Chair. Remuneration for work on the Remuneration Committee is payable at SEK 25,000 to

members and SEK 37,500 to the Chair. Board and Committee member remuneration is not paid to members employed by the Government Offices of Sweden. Remuneration comprising the equivalent of a Swedish base amount is payable to Swedish employee representatives who take part in Board meetings and their deputies (SEK 47,300).

5. Auditor

PostNord's 2020 AGM appointed KPMG AB as the Company's auditors, with authorized public accountant Tomas Gerhardsson as senior auditor. The auditors meet with the Board no less than once per year and also take part in all Audit Committee meetings. In 2020, the Board met with the auditor at one Board meeting. No member of the Group Leadership Team attended the meeting. The Board members have thus had the opportunity to ask the auditor questions. See also Note 7 on remuneration and reimbursement of expenses to auditors.

6. President, Vice President, and Group Leadership Team

The Board of Directors is responsible for appointing and dismissing the President and Group CEO. The President appoints, and is assisted by, the Group Leadership Team. The President is responsible for day-to-day management of the Company in accordance with the Board's guidelines and directions. The relationship between the Board of Directors and the President is governed by the Board's rules of procedure and the Instructions to the President. 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 Leadership Team is the Group's decision-making body and is jointly responsible for ensuring that the Group's business develops in line with the strategy established by the Board of Directors. The President oversees the work of the Group Leadership Team. The Board evaluates the President's work on an ongoing basis by monitoring the business's progress toward set targets. A formal evaluation is undertaken once per year and is discussed with the CEO.

Remuneration at PostNord

The Board of Directors determines terms and conditions of employment and remuneration for the President and Group CEO. The Board addresses remuneration issues through the Remuneration Committee. Salaries and wages for PostNord employees shall be in line with the market. For further details on remuneration for senior executives, see Note 5 on employees, personnel expenses, and remuneration for senior executives, as well as the Remuneration Report that will be presented at the 2021 AGM. Guidelines on remuneration for senior executives adopted by the 2020 AGM are reproduced in their entirety at www.postnord.com under Corporate Governance.

Board of Directors, attendance 2020

Director	Board meetings	Audit Committee	Remuneration Committee
Christian W Jansson	13/13		3/3
Christian Frigast	13/13		3/3
Christian Ellegaard ^{2) 4)}	6/6	2/3	
Charlotte Strand ³⁾	13/13	3/3	
Sonat Burman Olsson	13/13	6/6	
Ulrica Messing	13/13		3/3
Måns Carlsson	13/13	6/6	
Peder Lundquist	13/13	6/6	
Susanne Hundsbæk-Pedersen ^{1) 5)}	7/7		1/1
Bo Fröström (A)	12/13		
Johan Lindholm (A)	13/13		
Sandra Svensk (A)	13/13		
Per-Arne Lundberg (dep. A)	12/13		
Dzevad Ramic (dep. A)	12/13		
Jess Sloth Hansen (dep. A)	13/13		

¹⁾ Elected at the AGM in April 2020

²⁾ Resigned at the AGM in April 2020

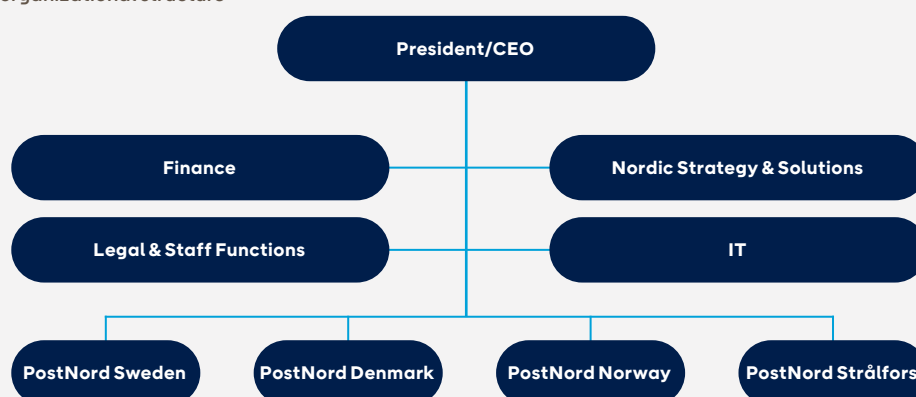
³⁾ Elected to the Audit Committee at the AGM in April 2020

⁴⁾ Resigned from the Audit Committee at the AGM in April 2020

⁵⁾ Resigned from the Remuneration Committee at the AGM in April 2020

⁶⁾ Resigned from the Remuneration Committee at the AGM in April 2020

PostNord's control and organizational structure



Internal and external regulations

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

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 ("Statens Ejerskabspolitik").
- NASDAQ Stockholm's regulations for issuers (PostNord observes the market rules for companies with interest-bearing instruments registered with Nasdaq Stockholm).
- International Financial Reporting Standards (IFRS).
- Global Reporting Initiatives (GRI) Standards and the UN Global Compact.



Postal regulations

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

Internal rules and regulations

- The Articles of Association, the Board's rules of procedure (including Instruction to the President and Group CEO) and the Audit and Remuneration Committees' rules of procedure.
- Document hierarchy for the Group's governing documents, Code of Conduct, and Group policies (see also pages 89 to 91).
- Delegated authority procedure for the Group.
- Operational governance PostNord.
- Framework for internal governance and control of financial reporting.
- Guidelines for determining terms of employment for senior executives.

Articles of Association

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

Deviations from the Swedish Code of Corporate Governance

- PostNord applies the Swedish Code of Corporate Governance, with the exception of the following Code provisions:
- 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 as a result of consultation between the owners. As a result, references to the nominating committee in points 1.2, 1.3, 4.6, 8.1 and 10.2 do not apply.
 - Deviation from section 4.5 regarding the requirement for Board members to be independent of the 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 has only two owners and it is therefore not relevant to account for the independence of the Board members.

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 employees ensure beyond reasonable doubt that the financial reporting is reliable. The Audit Committee is tasked with preparing the Board for its duty of assuring the quality of the Company's financial reporting. The Committee monitors the effectiveness of the Company's internal governance and control, as well as systems and processes for the risk management of financial reporting. The work is undertaken via regular meetings with PostNord's management and external auditors and examination of accounting principles applied, and also on adopting new accounting standards or valuation matters. The Group's operational structure differs from its legal structure. As a key principle, the organizational structure and governance are based on the operational structure. The organizational structure of the PostNord Group consists of the segments represented by the country organizations and a number of Group functions.

Governing documents

PostNord's operational governance is based on the Group's set financial and non-financial goals. Details are available in a summary document, Operational Governance for the PostNord Group. This contains a description of the business and sets out the internal allocation of responsibilities. The primary governing principles are management by objectives and decentralized profit center responsibility. All units in the Group comply with uniform accounting and reporting instructions. The Group's delegated authority procedure and other governing documents are intended to facilitate and ensure compliance with regulations. The delegated authority procedure is mandatory and governs the decision-making authority within the Group. The delegated authority procedure is based on the division of responsibilities, adopted by the Group Board of Directors in its rules of procedure, between the Board of Directors and President/Group CEO. Its aim is, through delegation of authority, to ensure effective internal governance and control. The Group Board of Directors' rules of procedure define the matters that require decision by the Board of Directors. The President's areas of authority comprise everything not subject to decision by the Board, under the law or the Board's rules of procedure (or specific Board decisions). For more information, see page 24. 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.

Risk assessment

Management and managers in Group functions are responsible for identifying and managing risks within their respective areas of responsibility. This is done as part of the Group's organization-wide risk management process and via regular business reviews in the Group's units. Risks associated with financial reporting are identified and evaluated along with other types of risks. Financial reporting risks are also addressed by the Audit Committee and the Board, which evaluate and monitor the management of these risks on a regular basis. See also the section on Risk and Risk Management on pages 26–27.

Control activities

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

Information

The Swedish state's ownership policy sets out external reporting guidelines applicable to state-owned companies. As PostNord has issued bonds that are listed on Nasdaq Stockholm, the regulations governing listed companies apply. The Group's governing documents for financial reporting are continuously updated and published via the Group intranet and 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 for the Group's external stakeholders is disseminated through press releases and the PostNord website. The Group also provides financial reports direct to the Danish and Swedish owners.

Follow-up

- PostNord's business activities are reported and evaluated monthly, measured against business objectives for the units with profit center responsibility. PostNord's financial situation is discussed at each Board meeting.
- Self-monitoring enables early detection and management of any risks and errors. The Board's independent auditing and control 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 these up to ensure that action is taken in response to the auditors' observations and recommendations.
- The Group's companies and functions carry out an annual self-assessment of internal governance and control of financial reporting. The results are compiled into a report for the Audit Committee by the Group's Accounting and Control function.
- Sections of the reports provided by the Group's companies and units following self-assessment have been subject to verification through a limited review by the Group's external auditors.

Board of Directors



Christian Jansson

Chair of the Board since August 2018.

- Member of the Remuneration Committee since 2018.
- Born in 1949.
- B.Sc. Economics and Honorary Doctorate in economics from Lund University.
- Chair of the Board at Accumbo AB, Excillum AB, Meds Apotek AB, Saga Surgical AB and 1337 Partners AB. Previous positions include CEO of KappAhl, Ellos and Europris. Formerly Chairman of the Board of Apoteket, Min Doktor and Svensk Handel
- Own and closely related parties' holdings of PostNord's bonds: 0.



Christian Frigast

Vice Chair of the Board since August 2018.

- Member of the Remuneration Committee since 2018 and Chair since 2020.
- Born in 1951.
- Master's degree in political science (Cand. Polit.).
- Partner and Chairman of Axcel Management A/S. Previous positions include Managing Partner of Axcel Management A/S. Chairman of the Board of Danmarks Skibskredit Holding A/, EKF – Danmarks Eksporthandel, DVCA (Danish Venture Capital Association), Bestyrelsesforeningen, and the think tank Axcelfuture, and Vice Chairman of the Board of Pandora A/S and the Axcel Advisory Board.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Sonat Burman Olsson

Board member since April 2018.

- Member of the Audit Committee since 2018.
- Born in 1958.
- M.Sc. Economics from Paris and Executive MBA, Uppsala University. Studied strategic management at Oxford and Harvard.
- Board member of NESTE Corporation, Lindab International AB, and Lantmännen. Previous positions: Group CEO and President of COOP Sverige, Vice President and CFO of ICA Gruppen and Vice President, Global Marketing Strategies, Electrolux Group. Other positions have included Chair of the Board of Svensk Dagligvaruhandel and member of the Boards of Svensk Handel, ICC Sweden, Third Swedish National Pension Fund and iZettle AB.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Måns Carlsson

Board member since 2017.

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



Susanne Hundsbaek-Pedersen

Board member since 2020.

- Member of the Remuneration Committee since 2020.
- Born in 1967.
- Dipl. Eng. Technical University of Denmark, Copenhagen; MBA IMD Business School.
- Global Head of Pharma Technical Operations (EVP), Roche AG. Previous positions: various management positions at Novo Nordisk A/S, including responsibilities in Diabetes Finished Products, product supplier and procurements, finance and IT; and head of logistics, Olicom A/S and various technical roles at United Parcel Service.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Peder Lundquist

Board member since 2017.

- Member of the Audit Committee since 2017.
- Born in 1970.
- M.Sc., Political Science.
- Deputy CEO, Chief Operating Officer at EKF Danmarks Eksporthandel. Previously Head of Division at the Ministry of Finance and the Ministry of Climate, Energy and Utilities in Denmark; Head of Department, Corporate and Budget Office, Ministry of Transport, and work on economic issues at Denmark's EU Representative Office in Brussels.
- Own and closely related parties' holdings of PostNord's bonds: 0.

**Ulrica Messing**

Board member since April 2018.

- Member of the Remuneration Committee since 2018.
- Born in 1968.
- Chair of SOS Alarm Sverige AB, Astrid Lindgrens Värld and Business Sweden etc. Board member of Länsförsäkringar Fondförvaltning and Rikshem. Previous positions: Member of the Riksdag and Minister at the Ministry of Industry, Employment and Communications (Minister for Communications and Regional Policy), at the Ministry of Culture (Minister of Integration and Youth) and at the Ministry of Labor (Minister of Labor Law and Equality).
- Own and closely related parties' holdings of PostNord's bonds: 0.

**Charlotte Strand**

Board member since April 2018.

- Chair of Audit Committee since 2020.
- Born in 1961.
- M.Sc. Economics from Aarhus University, management studies at IMD and INSEAD.
- Chair of Evida A/S. Board member of Per Aarsleff A/S, Flügger A/S and Climeon AB. Previous positions: after several positions within DONG Energy, CFO for the business units Oil & Gas and Wind Power at DONG Energy (now Ørsted).
- Own and closely related parties' holdings of PostNord's bonds: 0.

Employee representatives**Bo Fröström**

Employee representative

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

**Johan Lindholm**

Employee representative

- Appointed by SEKO.
- Board member since 2015.
- Deputy employee representative from 2012 – 2015.
- Born in 1979.
- Employed by PostNord since 1999.
- Own and closely related parties' holdings of PostNord's bonds: 0.

**Sandra Svensk**

Employee representative

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

Employee representatives, deputies**Jess Sloth Hansen**

Employee representative

- Appointed by SEKO, represents 3F Post.
- Deputy employee representative since 2020.
- Born in 1963.
- Employed by PostNord since 1988.
- Own and closely related parties' holdings of PostNord's bonds: 0.

Per-Arne Lundberg

Employee representative

- Appointed by ST, represents SACO.
- Deputy employee representative since 2019.
- Born in 1956.
- Employed by PostNord since 2008.
- Own and closely related parties' holdings of PostNord's bonds: 0.

Dzevad Ramic

Employee representative

- Appointed by SEKO, represents 3F Post.
- Deputy employee representative since 2019.
- Born in 1975.
- Employed by PostNord since 2000.
- Own and closely related parties' holdings of PostNord's bonds: 0.

Group Leadership Team



Annemarie Gardshol

Group CEO and President CEO since November 1, 2019 and Head of PostNord Sweden since February 2018.

- Member of the Group Executive Team since 2012 and of the Group Leadership Team since July 1, 2019.
- Born in 1967.
- Master of Science Industrial Engineering.
- Previous positions: Head of e-Commerce & Corporate Clients in PostNord, Chief Strategy Officer (CSO); executive positions at Gambro, management consultant at McKinsey & Company.
- Board member of SCA AB and Essity AB.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Peter Kjaer Jensen

Vice President of PostNord since November 1, 2019 and Head of PostNord Denmark since 2016.

- Member of the Group Executive Team since 2014 and of the Group Leadership Team since July 1, 2019.
- Born in 1969.
- MBA.
- Previous positions: Head of Business area eCommerce & Logistics at PostNord. Managerial positions at Maersk Line, Maersk Logistics and Damco International A/S. Most recently as COO/CTO of Damco International.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Viktor Davidsson

Chief Financial Officer (CFO) since September 1, 2020.

- Member of Group Leadership Team since September 1, 2020.
- Born in 1977.
- M.Eng. and BSc Economics.
- Previous positions: CFO at MediaMarkt Iberia and CFO MediaMarkt Sweden; senior positions at Scandinavian Airlines and management consultant at BearingPoint.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Ylva Ekborn

CEO of PostNord Strålfors Group since February 1, 2018.

- Member of the Group Executive Team since February 2018 and of the Group Leadership Team since July 1, 2019.
- Born in 1975.
- B.Sc. Economics.
- Previous positions: CEO of PostNord Strålfors Sweden; leading positions at Eniro and Tradera Ebay and management consultant at McKinsey & Company.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Jörgen Hellberg

Chief Information Officer (CIO) since December 1, 2020.

- Member of Group Leadership Team since December 1, 2020.
- Born in 1969.
- Economics and Leadership.
- Previous positions: CIO and PMO Director Ellos Group, Solution Area Manager IKEA; several senior positions at Getinge, CIO NetOnNet, CIO Finnveden AB.



Kristina Lilja

*General Counsel since 2015 and
Head of Staff Functions since July 1, 2019.*

- Member of the Group Executive Team since 2015 and of the Group Leadership Team since July 1, 2019.
- Born in 1967.
- Master of Laws.
- Previous positions: VP and legal counsel at Husqvarna, positions as corporate lawyer or general counsel at Hi3G Access (3), IFS and Cybercom.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Robin Olsen

Head of PostNord Norway since 2014.

- Member of the Group Executive Team since 2014 and of the Group Leadership Team since July 1, 2019.
- Born in 1970.
- Master of Engineering; Master of Management.
- Previous positions: Head of PostNord Logistics in Norway and CEO of Tollpost Globe AS.
- Own and closely related parties' holdings of PostNord's bonds: 0.



Jan Starrsjö

Head of Nordic Strategy & Solutions since July 1, 2019.

- Member of the Group Executive Team since 2016 and of the Group Leadership Team since July 1, 2019.
- Born in 1960.
- B.Sc. Economics.
- Previous positions: Head of Strategy & Commercial Excellence, Head of Sales at PostNord Meddelande and other executive positions at PostNord. CEO for a venture capital firm and an IT services firm; and management consultant at McKinsey & Co.
- Own and closely related parties' holdings of PostNord's bonds: 0.

Björn Ekstedt, former CIO, and Lena Larsson, former acting CFO, resigned from PostNord's Group Leadership Team in 2020. In December, Mattias Krümmel was announced as new President of PostNord Sweden and member of the Group Leadership Team, effective January 1, 2021.





Financial statements

Contents

Consolidated financial statements

Income statement	41
Statement of comprehensive income	41
Statement of financial position	42
Statement of cash flows	43
Statement of changes in equity	44

Notes to the consolidated financial statements

Note 1	Accounting principles	45
Note 2	Significant assessments and estimates	50
Note 3	Income	50
Note 4	Segment reporting	51
Note 5	Employees, personnel expenses and remuneration to senior executives	53
Note 6	Other expenses	55
Note 7	Fees and reimbursement of expenses to auditors	55
Note 8	Net financial items	55
Note 9	Tax	55
Note 10	Non-current intangible assets	56
Note 11	Property, plant and equipment	57
Note 12	Leases	57
Note 13	Participations in associated companies	58
Note 14	Financial investments	58
Note 15	Non-current receivables	58
Note 16	Deferred tax	59
Note 17	Inventories	59
Note 18	Prepaid expenses and accrued income	59
Note 19	Cash and cash equivalents	59
Note 20	Earnings per share	60
Note 21	Interest-bearing liabilities	60
Note 22	Pensions	60
Note 23	Other provisions	63
Note 24	Accrued expenses and deferred income	64
Note 25	Pledged assets and contingent liabilities	64
Note 26	Investment obligations	64
Note 27	Financial risk management and financial instruments	64
Note 28	Related party transactions	68
Note 29	Supplementary disclosures to Statement of cash flows	68
Note 30	Acquisitions and disposals	69
Note 31	Events after the reporting period	69
Note 32	Definitions and alternative key performance indicators	69

Parent Company financial statements

Income statement	71
Statement of comprehensive income	71
Balance sheet	71
Statement of cash flows	72
Statement of changes in equity	72

Notes to Parent Company financial statements

Note 1	Accounting principles	73
Note 2	Significant assessments and estimates	73
Note 3	Employees and personnel expenses	73
Note 4	Fees and reimbursement of expenses to auditors	73
Note 5	Interest income, income expenses and similar items	73
Note 6	Holdings of shares and participations in Group companies	74
Note 7	Capital stock and appropriation of Company's net income	75
Note 8	Pledged assets and contingent liabilities	75
Note 9	Financial instruments	76
Note 10	Supplementary disclosures to Statement of cash flows	77

Income statement

SEKm	Note	2020	2019
Net sales	1, 2, 4	38,729	38,278
Other operating income		1,427	351
Operating revenue	3	40,156	38,629
Personnel expenses	5	-15,704	-16,018
Transportation expenses		-10,410	-11,300
Other expenses	6, 7	-8,985	-8,537
Depreciation and impairments	10, 11, 12	-2,636	-2,591
Operating expenses		-37,735	-38,446
OPERATING INCOME		2,421	184
Financial income	8	48	23
Financial expenses	8	-317	-318
Net financial items		-268	-295
Income before tax		2,153	-111
Tax	9	-442	-128
NET INCOME FOR THE YEAR		1,711	-239
Attributable to			
Parent Company's shareholders		1,709	-241
Non-controlling interests		2	2
Earnings per share, basic and diluted, SEK	20	0.85	-0.12

Statement of comprehensive income

SEKm	2020	2019
NET INCOME FOR THE YEAR	1,711	-239
OTHER COMPREHENSIVE INCOME		
Items that cannot be transferred to net income		
Revaluation of pension liabilities	-182	-1,716
Change in deferred tax	37	367
Total	-145	-1,349
Items that have been or may be transferred to net income for the year		
Cash flow hedging after tax	-1	0
Translation differences	-311	102
Total	-312	102
TOTAL OTHER COMPREHENSIVE INCOME	-457	-1,247
COMPREHENSIVE INCOME FOR THE YEAR	1,254	-1,486
Comprehensive income for the year attributable to		
Parent Company's shareholders	1,252	-1,488
Non-controlling interests	2	2

Statement of financial position

SEKm	Note	Dec. 31, 2020	Dec. 31, 2019
	1, 2		
ASSETS			
Goodwill	10	2,510	2,619
Other non-current intangible assets	10	439	608
Property, plant and equipment	11	6,992	8,113
Right-of-use assets	12	5,954	5,813
Participations in associated companies	13	134	111
Financial investments	14, 27	280	198
Non-current receivables	15, 22	411	874
Deferred tax assets	16	627	491
Total non-current assets		17,350	18,826
Inventories	17	90	105
Tax assets		299	222
Trade receivables	27	4,967	4,928
Prepaid expenses and accrued income	18	878	823
Other receivables		600	464
Short-term investments	14, 27	11	–
Cash and cash equivalents	19, 27	6,229	3,398
Assets held for sale		65	126
Total current assets		13,139	10,064
TOTAL ASSETS		30,489	28,891
EQUITY AND LIABILITIES			
Equity			
Capital stock		2,000	2,000
Other contributed capital		10,621	10,621
Reserves		–1,821	–1,509
Retained earnings		–5,896	–7,460
Total equity attributable to Parent Company's shareholders		4,904	3,652
Non-controlling interests		2	2
TOTAL EQUITY		4,906	3,654
LIABILITIES			
Non-current interest-bearing liabilities	21, 27, 29	3,243	3,872
Non-current lease liabilities	12	4,849	4,476
Other non-current liabilities		42	180
Pensions	22	4,395	4,211
Other provisions	23	1,685	2,548
Deferred tax liabilities	16	120	142
Total non-current liabilities		14,334	15,428
Current interest-bearing liabilities	21, 27, 29	857	–
Current lease liabilities	12	1,318	1,202
Trade payables		2,877	2,811
Tax liabilities		313	80
Other current liabilities		1,503	1,099
Accrued expenses and deferred income	24	3,643	3,439
Other provisions	23	737	1,083
Liabilities categorized as assets held for sale		–	95
Total current liabilities		11,249	9,809
TOTAL LIABILITIES		25,582	25,237
TOTAL EQUITY AND LIABILITIES		30,489	28,891

Statement of cash flows

SEKm	Note	2020	2019
OPERATING ACTIVITIES			
Income before tax		2,153	-111
Adjustments for non-cash items	29	903	1,958
Income tax paid		-362	-188
Total from operating activities before changes in working capital		2,694	1,659
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		15	-5
Increase (-)/Decrease (+) other current receivables		553	8
Increase (+)/decrease (-) in other current liabilities		889	470
Changes in working capital		1,457	473
Cash flow from operating activities		4,151	2,132
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-999	-1,178
Sale of property, plant and equipment		28	55
Acquisitions of non-current intangible assets		-75	-178
Sale of subsidiary, effect on cash and cash equivalents		1,148	-
Acquisitions of financial non-current assets		-10	-24
Disposals of financial non-current assets		11	101
Cash flows from investing activities		103	-1,224
FINANCING ACTIVITIES			
Amortized loans		-86	-1,615
New loans		-	2,095
Amortized lease liabilities		-1,307	-1,086
Dividend paid		-2	-2
Increase (+)/Decrease(-) in other interest-bearing liabilities		-2	6
Cash flows from financing activities		-1,397	-602
CASH FLOW FOR THE YEAR			
Cash and cash equivalents at start of year		3,398	3,088
Translation difference in cash and cash equivalents		-26	4
Cash and cash equivalents at year-end	19	6,229	3,398

Statement of changes in equity

2019, SEKm	Equity attributable to Parent Company's shareholders						
	Capital stock	Other contributed capital	Reserves			Non-controlling interests	Total equity
			Translation reserve	Hedging reserve	Retained earnings		
Equity, opening balance	2,000	10,621	-1,611	0	-5,870	2	5,142
Comprehensive income for the year							
Net income for the year	-	-	-	-	-241	2	-239
Total other comprehensive income	-	-	102	-	-1,349	-	-1,247
Total comprehensive income for the year	-	-	102	-	-1,590	2	-1,486
Dividend	-	-	-	-	-	-2	-2
Equity, closing balance	2,000	10,621	-1,509	0	-7,460	2	3,654

2020, SEKm	Equity attributable to Parent Company's shareholders						
	Capital stock	Other contributed capital	Reserves			Non-controlling interests	Total equity
			Translation reserve	Hedging reserve	Retained earnings		
Equity, opening balance	2,000	10,621	-1,509	0	-7,460	2	3,654
Comprehensive income for the year							
Net income for the year	-	-	-	-	1,709	2	1,711
Total other comprehensive income	-	-	-311	-1	-145	-	-457
Total comprehensive income for the year	-	-	-311	-1	1,564	2	1,254
Dividend	-	-	-	-	-	-2	-2
Equity, closing balance	2,000	10,621	-1,820	-1	-5,896	2	4,906

Notes to the consolidated financial statements

Note 1 Accounting principles

Table of contents

1.	Introduction
2.	Basis of preparation of the annual accounts
3.	Revised accounting principles
4.	Classification
5.	Operating segment reporting
6.	Principles of consolidation and business combinations
7.	Associated companies
8.	Foreign currency
9.	Income
10.	Operating expenses and financial income and expenses
11.	Financial instruments
12.	Property, plant and equipment
13.	Leased assets
14.	Non-current intangible assets
15.	Inventories
16.	Equity
17.	Employee benefits
18.	Postage stamp liability
19.	Provisions
20.	Taxes
21.	Pledged assets and contingent liabilities
22.	Related party transactions
23.	Statement of cash flows

1. Introduction

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

2. Basis of preparation of the annual accounts

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

The 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 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. A defined-benefit pension liability is recognized net at fair value of assets under management and the present value of the defined-benefit liability, adjusted to reflect the asset value limitation.

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

3. Revised accounting principles

3.1 Changes in accounting principles arising from new or amended IFRS
Revised accounting principles that the Group has applied with effect from January 1, 2020 are described in the following. Neither the amendments described, nor any other, amendments to IFRS applicable from January 1, 2020 have had any material effect on the consolidated financial statements.

Amendments to IFRS 9, IAS 39, and IFRS 7 Financial Instruments: Disclosures. The effect of the reform is that certain interbank interest rates are replaced by interest rates that are practically risk-free. The changes enable companies to continue to use hedge accounting despite any inefficiency that may arise in hedge accounting as a result of the change in the way that Stibor and other reference interest rates are determined. PostNord has limited exposure to IBOR-based instruments that will be reformed in the long term, see also the section on Cash flow hedges and Note 27.

Amended IFRS 3: the amendment clarifies the definition of a business to define whether a transaction is to be recognized as a business combination or an acquisition of assets.

Amended IAS 1 and IAS 8; the amendments clarify the concept of materiality.

3.2 Voluntary change in accounting principle

No voluntary changes in the Group's accounting principles have been made.

3.3 New IFRS not yet implemented

New and amended IFRS for early adoption in 2021 or later are not expected to have any material impact on the Group's accounting.

4. Classification

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

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

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 non-current 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, following a deduction for costs of selling.

5. Operating segment reporting

An operating segment is part of an entity that conducts business activity from which it can generate revenue and incur costs about which independent financial information is available and is subject to regular scrutiny by the Group's senior management.

6. Principles of consolidation and business combinations

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

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

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

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

7. Associated companies

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

8. Foreign currency

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

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

9. Income

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

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

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

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

Main terms and conditions of payment Payment is made in three ways, credit, cash or prepayment (stamps, freight including packaging or pre-loaded amounts in franking machines). Credit and cash are recognized in the period in which the service is performed (item posted/handed in). Prepayments are recognized as income at sale and a prepaid income item (liability) is recognized for as yet unused stamps. See also section 18, Stamp liability. Discounts are provided at invoicing.

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

Revenue in eCommerce & Logistics is generated from logistics services for deliveries to, from and inside the Nordic region, with the focus on distribution of parcels, consignment goods, pallet goods and bulk logistics (mixed-cargo groupage), as well as third-party logistics.

In Strålfors, revenue is generated from communication services for businesses, in the form of digital business and market communications, printing and enveloping.

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

PostNord applies IFRS 15, p. 63 – revenue is not adjusted for the effects arising from significant financing components, since these represent an insignificant element in the Group; p. 94 – additional expenses in order to secure a contract are recognized as expense when incurred (within one year); and p. 121b – work performed and service provided, where the

Group has a right to payment, are recognized as income. External revenue has been adjusted to take account of anticipated payment that refers to customer repayments in connection with freight guarantees and complaints, together with standardized charges for damage/loss.

Revenue from sale of property

Revenue from sale of property is normally recognized on the date of taking possession, unless control has passed to the buyer on an earlier occasion.

State subsidies

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

10. 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.

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, together with actuarial revaluations and experience adjustments for sickness insurance (from April 30, 2020, inclusive) 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. 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.

11. Financial instruments

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

Recognition in and derecognition from statement of financial position

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

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

Classification and measurement of financial assets and liabilities

At initial recognition, a financial asset is classified on the basis of the contractual cash flows of the instruments and the company's business model. It is classified either as being measured at amortized cost, fair value via other comprehensive income – debt instrument investment, fair value via other comprehensive income – equity investment or fair value via income.

Apart from trade receivables without a material financing component, a financial asset is measured at initial recognition measured at fair value plus, in the case of financial instruments not measured at fair value via income, transaction costs that are directly attributable to the acquisition or issue. Trade receivables without a material financing component are measured at the transaction cost.

Subsequent measurement of financial assets:

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

- a) A financial asset is to be measured at amortized cost if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) A financial asset is to be measured at fair value via other comprehensive income if the financial asset is to be held in order to both collect contractual cash flows and to sell financial assets, where the cash flows are solely payments of principal and interest on the principal amount outstanding.
- c) All financial assets that are not classified as being measured at amortized cost or fair value via other comprehensive income are measured at fair value via income.
- d) A financial asset that otherwise satisfies the conditions for being measured at amortized cost or fair value via other comprehensive income may be measured at fair value via income if doing so eliminates or reduces consequences in measurement or recognition. This is done irrevocably at initial recognition.

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

Financial liabilities

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

Non-current liabilities consist essentially of amounts that at the end of the accounting period PostNord has an unconditional right to opt to pay at a point more than twelve months after the end of the accounting period. In the absence of such a right at the end of the accounting period – or should a liability be held for trading, or should a liability be expected to be settled within the normal business cycle – the liability amount is recognized as a current liability.

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

Model for expected credit losses

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

Financial risk management

Cash flow hedging

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

In order to secure interest flows related to certain borrowing at variable interest, interest rate swaps, in which the Company receives variable interest and pays fixed interest, are used. These interest rate 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 rate 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.

Hedges affected by reference interest rate reforms – in the evaluation of the instrument it is assumed that the reference interest rate is not affected by the reference interest rate reforms until the reforms no longer represent uncertainty in the reference interest rate based cash flows.

Cash and cash equivalents

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

Offsetting

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

12. Property, plant and equipment

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

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

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

Amortization principles

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

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

The following rates of amortization are applied:

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

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

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

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

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

Impairments

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

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

13. Leased assets

When a contract is entered into, PostNord assesses whether the agreement consists of or includes a lease. A contract is a lease contract if the contract conveys the right to decide over the use of an identified asset for a specific period of time in exchange for payment. As lessee, the Group recognizes a right-of-use asset that represents a right to use the underlying asset, and a lease liability that represents an obligation to pay lease charges from the date of commencement of the lease. The lease term was determined as the non-cancellable lease term. Taken into account are leases of material importance that include options for extension or cancellation, where it is reasonably certain that the options will be exercised. The right-of-use asset is amortized on a straight-line basis over the term of the lease.

The lease liability is divided into a current and non-current portion and is measured initially at the present value of the remaining lease charges, discounted using the marginal borrowing rate for the Group. A differentiated marginal borrowing interest rate has been calculated, taking into account geographical location, length of lease term, credit volumes and financial environment. The value of the lease liability is increased by the addition of the interest cost for the period concerned and is reduced by the lease payments. The interest cost is calculated as the value of the lease liability, multiplied by the discount rate.

The Group's leases identified in accordance with IFRS 16 relate for the most part to rent of premises. With regard to transportation and IT service leases, such leases are not deemed to fall within the scope of IFRS 16, mainly on the basis that PostNord has no control over which underlying asset is used.

The standard is not applied to leases relating to intangible assets and non-lease components have been recognized separately.

PostNord applies the provisions on transitional rules for short-term leases and low-value assets. As a result, leases with a term of less than 12 months and low-value leases (assets valued at less than around SEK 50 thousand in new condition) are not included in the calculation of right-of-use asset or lease liability, but instead continue to be recognized on a linear cost basis over the lease term. Examples of low-value assets include computers, printers and coffee machines.

Sale and leaseback

To determine whether a sale and leaseback transaction is to be recognized as a sale, the provisions of IFRS 15 are applied in order to decide whether a performance undertaking has been completed. Where the transaction fulfills the requirements for a sale, the right-of-use arising from the leaseback transaction is measured as the proportion of the previously recognized value of the right-of-use that is retained by the Group. Only the result from the proportion arising from the rights transferred to the purchaser is recognized.

Leases where the Group is lessor

When the Group is lessor, it is established at the time the lease is entered into whether it is to be classified as a finance or operating lease. If, in all material respects the lease conveys the financial risks and the benefits, and the lease term represents a major portion of the useful life of the asset, the lease is recognized as a finance lease. A financial asset is recognized and the financial income is recognized in equal amounts over the lease term.

14. Non-current intangible assets

Non-current intangible assets at PostNord consist of goodwill, capitalized development expenditures and other intangible non-current assets. The Group recognizes these at historical cost less deductions for any accumulated depreciation and impairment losses. Intangible assets are recognized in the statement of financial position when:

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

Goodwill

Goodwill represents the difference between the consideration transferred for the business combination and the fair value of identifiable assets acquired, liabilities assumed and contingent liabilities.

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

Capitalized development expenditures

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

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

Other intangible assets

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

Amortization principles

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

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

The estimated useful lives are as follows:

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

Impairments

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

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

The recoverable amount is calculated as either fair value less selling costs or value in use, whichever is the higher. Calculation of the value in use is based on PostNord's estimates of future cash flows. When calculating the value in use, future cash flows are discounted using a discount factor that takes into account 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. An impairment is reversed only to the extent that, following the reversal, the carrying amount for the asset does not exceed the carrying amount that would have been recognized, less any depreciation, if no impairment had been recognized.

15. Inventories

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

16. Equity

The translation reserve includes all exchange rate differences arising in translation of financial statements from foreign businesses that have pre-

pared their financial statements in a currency other than the one in which the Group's financial statements are presented. The Parent Company and the Group present their financial statements in Swedish kronor.

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

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

17. Employee benefits

Short-term benefits

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

Post-termination benefits

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

The Group's net commitment consists of the present value of the estimated pension commitments, less the fair value of the assets under management. Changes in the present value of the net commitments as a result of changes in actuarial assumptions and experience-based adjustments are treated as revaluation effects and recognized in other comprehensive income, other than in the case of sickness insurance, which effective April 30, 2020 is recognized in entirety in net financial items in net income for the period. The carrying amount of pensions and similar commitments corresponds to 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. In the case of family pension and sickness insurance contracted with SPP, recognition of an asset is limited in view of certain restrictions (the "asset ceiling") as to the scope for using the surplus in the form of premium discounts and/or refunds.

The pension expense and pension provision established for Swedish plans deviate from amounts calculated in accordance with IFRS, compared to what is recognized within the legal entity concerned. As regards pensions and similar benefits financed via defined-contribution plans or via insurance, 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 transformation. 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.

18. Postage stamp liability

PostNord's postage stamp liability is calculated for stamps sold but not used. The valuation is based on the liability to businesses and service partners, respectively, on average monthly sales over the January–

November period. In November, sales of Christmas stamps are eliminated and recognized separately on an accruals basis.

19. Provisions

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

A provision for transformation is recognized when there is an agreed detailed and formal transformation plan and the transformation 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.

20. 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.

21. Pledged assets and contingent liabilities

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

Contingent liabilities also exist whenever there is an obligation that is not recognized as a liability or provision because it is not probable that resources will be required to settle the obligation, or it cannot be calculated reliably.

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

22. 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.

23. Statement of cash flows

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

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

Note 2 Significant assessments and estimates

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

State compensation

At the end of June, the agreement between Post Denmark A/S and the Danish government for the universal service obligation was extended. The agreement requires approval from the EU Commission, and the compensation for the second half of 2020 had not yet been received at the end of the year. PostNord's judgement is that the compensation will be received in 2021 and on that basis has recognized the income.

Intangible assets and property, plant and equipment

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

Deferred tax assets

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

Pension obligations

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

Provisions for transition regulations

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

Note 3 Revenue

Income

SEKm	2020	2019
External net sales	38,729	38,278
Other operating income	1,427	351
Total revenue	40,156	38,629

Revenue from contracts with customers

	Communication Services		eCommerce & Logistics	
	2020	2019	2020	2019
External net sales, SEKm				
Operating segments				
PostNord Sweden	9,734	10,116	11,968	11,723
PostNord Denmark	2,842	3,439	5,756	4,823
PostNord Norway	83	66	3,591	3,683
PostNord Finland	–	8	922	808
PostNord Strålfors	1,795	1,835	–	–
Other business activities	219	216	1,836	1,560
Total	14,673	15,680	24 073	22,597
Timing for revenue recognition				
At a point in time	13,995	15,045	23,658	22,203
Over time	678	635	415	394
Total	14,673	15,680	24 073	22,597

The above table shows PostNord's external net sales per service category (business area) and point in time for revenue recognition. PostNord's revenue is mostly recognized at a point in time. The main items in revenue recognition over time are third-party logistics, subscription services and mail services. Revenue recognized over time is attributable to the Sweden and Denmark segments. The services in e-Commerce & Logistics consist of logistics services for deliveries to, from and within the Nordic region. The focus is on distribution of parcels, groupage, pallet goods and bulk logistics (part loads), as well as third-party logistics. The services in Communication Services consist of services in business and market communications, newspaper distribution and postal service for individual customers.

Other operating income, SEKm	2020	2019
Rental income	43	35
Contributions received ¹⁾	456	–
Capital gains, subsidiaries	218	–
Capital gains, buildings	139	17
Capital gains, machinery and equipment	5	12
Exchange rate gains	548	216
Share in earnings by associated companies	18	6
Other	0	65
Total	1,427	351

¹⁾ Contributions received include compensation of SEK 314 million from the Danish state. See Note 28 Related party transactions.

Contract balances

SEKm	Dec. 31, 2020	Dec. 31, 2019
Trade receivables	4,967	4,928
Contract assets	1,156	738
Contract liabilities, reported as Other current liabilities and Accrued expenses and deferred income	682	731

Contract assets consist of partly of terminal fees, reported as accrued income, and contractual future income via contracts with customers. Contract assets on January 1, 2020 were recognized during 2020 as income of SEK 410 million (279). This revenue is reported as revenue received over time. Income related to terminal fees was recognized in the amount of SEK 323 million (489).

Contract liabilities, performance undertakings not yet completed, refer to stamps sold by PostNord but not used, and franking liabilities to customers. Income included in the contract liability balance at the start of the period was recognized at SEK 731 million (710). The item refers to stamps and franking.

Outstanding performance undertakings, contract liabilities consist of stamp and franking liabilities of SEK 682 million (731) and fall due in their entirety in the financial year ahead.

Note 4 Segment reporting

The Group's organization into segments is principally based on the companies' registered geographical domicile. The PostNord Strålfors segment is coordinated on the basis of the nature of the business. Market pricing is applied to legal transactions between PostNord's segments. 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 shift in PostNord's market and product mix in recent years. The operating segments reflect the Group's 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 mail, 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.

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

The Other and eliminations segment consists of shared services and corporate functions including the Parent Company and Group adjustments. Group adjustments consist of IFRS measurement for pensions under IAS 19 Employee Benefits and leasing under IAS 16 Lease Agreements. An operational adjustment between Other and eliminations and PostNord Sweden is made to enable PostNord Sweden to report an accurate cost for pensions, which legally may vary, above all, depending on when credit is received from Postens Pensionsstiftelse.

Eliminations consists of the elimination of internal transactions.

2020 Jan.–Dec., SEKm	PostNord Sweden	PostNord Denmark	PostNord Norway	PostNord Finland	PostNord Strålfors	PostNord Other business activities	Other and elimi- nations	Adjusted total, Group	Items affecting comparability	Group
Net sales, external	21,702	8,598	3,674	922	1,795	2,055	-17	38,729	-	38,729
Net sales, internal	1,993	707	807	449	187	1	-4,144	-	-	-
Total net sales	23,694	9,305	4,481	1,371	1,981	2,057	-4,161	38,729	-	38,729
Other operating income, external	610	415	27	1	5	2	16	1,076	351	1,427
Other operating income, internal	266	10	0	9	16	0	-302	-	-	-
Total operating income	24,570	9,730	4,509	1,380	2,002	2,059	-4,446	39,805	351	40,156
Personnel expenses	-9,300	-4,027	-952	-174	-520	-94	-639	-15,704	-	-15,704
Transportation expenses	-4,420	-2,052	-2,814	-852	-515	-425	670	-10,410	-	-10,410
Other expenses	-8,097	-3,522	-522	-328	-790	-1,427	5,701	-8,985	-	-8,985
Depreciation and impairments ¹⁾	-715	-159	-94	-16	-36	-3	-1,612	-2,636	-	-2,636
Total operating expenses	-22,532	-9,760	-4,382	-1,370	-1,861	-1,949	4,119	-37,735	-	-37,735
Adjusted operating income	2,038	-29	128	10	142	110	-327	2,071	-	-
Items affecting comparability²⁾	202	149	-	-	-	-	-	351	-	-
OPERATING INCOME	2,240	119	128	10	142	110	-327	-	-	2,421
Net financial items	-	-	-	-	-	-	-	-	-	-268
Income before tax	-	-	-	-	-	-	-	-	-	2,153
Tax	-	-	-	-	-	-	-	-	-	-442
Net income for the period	-	-	-	-	-	-	-	-	-	1,711

¹⁾ Includes impairments of SEK 5 million in PostNord Sweden and SEK 4 million in PostNord Denmark, SEK 8 million in PostNord Norway and SEK 29 million in Other and eliminations, and is recognized on the line Depreciation and impairments.

²⁾ Items affecting comparability consist of capital gains/losses on divestment of properties and property subsidiaries.

Note 4 (cont.)

2019 Jan.–Dec., SEKm	PostNord Sweden	PostNord Denmark	PostNord Norway	PostNord Finland	PostNord Strålfors	PostNord Other business activities	Other and elimina- tions	Adjusted total, Group	Items affecting comparability	Group
Net sales, external	21,839	8,262	3,750	816	1,835	1,776	–	38,278	–	38,278
Net sales, internal	1,414	577	777	484	149	5	–3,406	–	–	–
Total net sales	23,253	8,839	4,526	1,301	1,984	1,781	–3,406	38,278	–	38,278
Other operating income, external	222	41	6	1	1	1	42	314	37	351
Other operating income, internal	126	4	0	2	20	0	–152	–	–	–
Total operating income	23,601	8,884	4,533	1,303	2,005	1,782	–3,516	38,592	37	38,629
Personnel expenses	–9,176	–3,851	–972	–150	–540	–104	–1,035	–15,828	–190	–16,018
Transportation expenses	–5,106	–1,918	–2,913	–844	–495	–499	475	–11,300	–	–11,300
Other expenses	–7,492	–3,038	–476	–300	–797	–1,194	4,784	–8,513	–23	–8,537
Depreciation and impairments ¹⁾	–715	–168	–96	–6	–36	–3	–1,386	–2,410	–180	–2,591
Total operating expenses	–22,489	–8,975	–4,457	–1,300	–1,868	–1,800	2,839	–38,051	–393	–38,446
Adjusted operating income	1,112	–91	75	4	137	–18	–678	541	–	–
Items affecting comparability^{1) 2)}	–20	–64	–13	–2	–	–	–258	–357	–	–
OPERATING INCOME	1,092	–155	62	2	137	–18	–936	–	–	184
Net financial items	–	–	–	–	–	–	–	–	–	–295
Income before tax	–	–	–	–	–	–	–	–	–	–111
Tax	–	–	–	–	–	–	–	–	–	–128
Net income for the period	–	–	–	–	–	–	–	–	–	–239

¹⁾ Includes impairments of SEK 65 million in PostNord Sweden and SEK 124 million in Other and eliminations, recognized on the line Depreciation and impairments or on the line Items affecting comparability.

²⁾ Items affecting comparability consist of impairment losses relating to intangible assets and provisions for terminating staff contracts.

Organization into geographical areas based on domicile of companies, SEKm	2020				2019			
	Revenue ¹⁾	Total assets ²⁾	Non-current assets ²⁾	Investments, property, plant and equipment and intangible assets	Revenue ¹⁾	Total assets	Non-current assets ²⁾	Investments, property, plant and equipment and intangible assets
Sweden	23,526	12,493	5,571	712	23,120	11,917	6,736	972
Denmark	7,574	6,387	1,308	98	6,990	6,176	1,765	238
Norway	4,014	3,617	2,378	236	4,169	4,396	2,527	96
Finland	1,293	535	250	13	1,138	247	268	37
Other countries	3,750	1,599	436	14	3,211	505	43	13
Total	40,156	24,631	9,941	1,074	38,629	23,240	11,340	1,356

¹⁾ The classification is based on the company's domicile, i.e. the location from where the invoice is issued.

²⁾ Total assets exclude right-of-use assets as defined in IFRS 16. Non-current assets consist of property, plant and equipment and intangible assets.

Note 5 Employees, personnel expenses and executive remuneration

Average number of employees per country	2020				2019			
	Women	Men	Total	% Men	Women	Men	Total	% Men
Sweden	6,378	12,905	19,283	67	6,746	13,242	19,988	66
Denmark	2,218	4,363	6,581	66	2,243	4,360	6,603	66
Norway	235	1,252	1,487	84	234	1,173	1,407	83
Finland	111	237	348	68	114	197	311	63
Other countries	134	173	307	56	144	174	318	55
Total	9,076	18,930	28,006	68	9,481	19,146	28,627	67

Personnel expenses, SEKm	2020	2019
Salaries and other remuneration	11,773	11,958
Statutory social insurance costs	2,586	2,625
Pension expenses ¹⁾	1,239	1,279
Other personnel expenses	106	156
Total	15,704	16,018

¹⁾ Of the Group's pension expenses, SEK 5 million (9) pertains to current and earlier Presidents and Executive Vice Presidents. Obligations outstanding on behalf of these persons total SEK 145 million (128).

Salaries and other remuneration per country, SEKm ¹⁾	2020				2019			
	President ²⁾	Of which, severance payment	Other employees	Total	President ²⁾	Of which, severance payment	Other employees	Total
Sweden	13	–	6,959	6,972	35	11	7,197	7,232
Denmark	11	–	3,591	3,603	5	–	3,519	3,524
Norway	6	–	858	864	6	–	896	902
Finland	3	–	174	177	3	–	161	164
Other countries	3	–	154	157	3	–	133	136
Total	36	–	11,737	11,773	52	11	11,906	11,958

¹⁾ No bonus was paid.

²⁾ Refers to current and former Presidents.

Salaries and other remuneration to Group Leadership Team, SEKm	2020				2019			
	Salary ¹⁾	Pension expenses	Other benefits	Total	Salary ¹⁾	Pension expenses	Other benefits	Total
Annemarie Gardshol, Acting President (from April, 2019), President (from November, 2019)	8.5	2.5	0	11.0	7.0	2.1	–	9.0
Håkan Ericsson, President (to April, 2019)	–	–	–	–	18.0	2.5	0.1	20.5
Total, Presidents	8.5	2.5	0	11.0	24.9	4.6	0.1	29.6
Viktor Davidsson (from September, 2020)	1.5	0.5	–	2.0	–	–	–	–
Ylva Ekborn	2.6	0.8	0.1	3.5	2.6	0.8	0.1	3.5
Björn Ekstedt (to November, 2020)	6.9	0.9	0.1	7.8	2.8	0.8	0.1	3.7
Annemarie Gardshol	–	–	–	–	1.1	0.3	0.0	1.4
Jörgen Hellberg (from November, 2020)	0.5	0.1	0	0.6	–	–	–	–
Peter Kjaer Jensen	8.7	–	0.2	8.9	5.3	–	0.2	5.5
Lena Larsson (from April, 2019 to August, 2020)	2.9	0.4	0.1	3.4	2.3	0.5	0.0	2.8
Kristina Lilja	3.3	0.9	0.1	4.3	2.9	0.8	0.1	3.8
Robin Olsen	3.4	0.3	0.2	3.9	3.6	0.3	0.3	4.2
Jan Starrsjö	3.3	1.0	0.1	4.3	3.0	1.0	0.1	4.0
Johanna Allert (to February, 2019)	–	–	–	–	0.4	0.1	0.0	0.6
Thomas Backetman (to June, 2019)	–	–	–	–	5.9	0.9	0.0	6.8
Gunilla Berg (to April, 2019)	–	–	–	–	8.7	1.1	0.1	9.9
Anders Holm (to June, 2019)	–	–	–	–	5.9	0.9	0.1	6.8
Tim Jörnsen (to June, 2019)	–	–	–	–	6.3	0.9	0.0	7.2
Charlotte Svensson (to September, 2019)	–	–	–	–	4.5	0.9	0.1	5.6
Mikael Wikner (Consultant, February to August 2019)	–	–	–	–	1.7	–	–	1.7
Total, other Group Leadership Team	33.1	4.8	0.8	38.6	56.9	9.3	1.1	67.3
Total, Group Leadership Team	41.6	7.2	0.8	49.6	81.9	13.9	1.2	96.9

¹⁾ Provision for contractual severance payment covering the following financial year is included for 1 (6) senior executives. Income received in connection with any new employment or own business is deducted.

Benefits to senior executives

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

The pension provision for the President is set at 30 percent of the executive's monthly salary. The period of notice for the President and other senior executives is 6 months in the case of employment being terminated either by the employee or the employer.

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

Summary of guidelines on compensation to senior management in the Group, adopted at the AGM held on April 22, 2020

The total remuneration for executives shall be well-balanced, competitive, capped, reasonable and fit-for-purpose, and shall 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 premium. In the case of senior executives employed in Norway, fully premium-based pensions are applied. The pensionable age shall be in accordance with the guidelines and practices of the countries concerned, Denmark and Norway.

In new employment contracts, the period of notice where the employment is terminated by the employer shall not exceed six months. Where the contract is terminated by the executive, the period of notice shall be no more than six months. Where the employment is terminated by the employer, severance compensation may be paid in an amount corresponding to no more than 12 months' salary. If the employee takes up new employment or receives income from other business activities, the company is entitled to reduce salary paid during the notice period and the severance compensation period. Variable salary is not paid and shall not be included as part of the employment contract of executives. See also Corporate Governance Report, pages 30–31.

Gender representation among senior executives, %	Dec. 31, 2020		Dec. 31, 2019	
	% Women	% Men	% Women	% Men
Group Board of Directors	50	50	38	62
Group Leadership Team	38	62	50	50
Other Boards of Directors	35	65	31	69
Other senior executives	36	64	33	67

Benefits to Board of Directors of Group and PostNord AB, SEK ^{1) 2)}	Audit Committee	Remuneration Committee	2020	2019
Christian Jansson	–	Member	699	708
Charlotte Strand ³⁾	Chair (until end of AGM April 2019 and from start of AGM 2020)	–	342	317
Christian Frigast	–	Chair	533	525
Christian Ellegaard (to end of AGM April 2020)	Member (from start of AGM April 2019 to end of AGM April 2020)	Member (from start of AGM April 2018 end of AGM April 2019)	117	338
Sonat Burman Olsson	Chair from start of AGM April 2019 to end of AGM April 2020; Member from start of AGM April 2020)	–	355	358
Susanne Hundsbaek-Pedersen (from start of AGM April 2020)	–	Member	213	–
Måns Carlson	Member	–	–	–
Peder Lundquist	Member	–	116	–
Ulrica Messing	–	Member	320	318
Total			2,695	2,564

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

²⁾ Amounts recognized consist of fees for Board and committee work approved at the 2019 and 2020 AGMs for the 2020 financial year.

³⁾ In April–October 2019, Charlotte Strand worked at PostNord, on behalf of the Board, on PostNord's strategic and financial plan on a consultancy basis, and received remuneration of SEK 3.3 million in addition to her director's fee.

Remuneration approved by Annual General Meeting held on April 22, 2020, SEK	Board of Directors	Audit Committee	Remuneration Committee
Chair	670	70	38
Deputy Chair of the Board	500	–	–
Member	295	55	25

Note 6 Other expenses

SEKm	2020	2019
Costs of premises	936	1,103
Cost of transformation measures	52	41
Terminal fees	1,557	1,358
Cost of goods and materials	641	606
Procured IT resources	1,555	1,543
Other	4,245	3,887
Total	8,985	8,537

Note 7 Fees and reimbursement of expenses to auditors

SEKm	2020	2019
KPMG		
Auditing assignments	12	12
Other auditing services	2	1
Tax consultancy	0	0
Other services	1	1
Total	15	14

Audit services consist of statutory review of the annual and consolidated accounts and accounting records, as well as the administration by the Board and the President and 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	2020	2019
Financial income		
Interest income	10	10
Other financial income	38	13
Total	48	23
Financial expenses		
Interest expenses, financial liabilities measured at amortized cost	-52	-57
Interest expenses and actuarial impact (sickness insurance) on pensions	-22	-52
Revaluation of sickness insurance on portfolio transfer	-31	-
Interest expenses, leases	-128	-123
Interest expenses, discounting of provisions	-13	-32
Other financial expenses	-28	-7
Net changes in exchange rates	-43	-46
Total	-317	-318
Net financial items	-268	-295

See also Note 27 Financial risk management and financial instruments. For more information on interest expenses, pensions, see also Note 22 Pensions.

Note 9 Tax

SEKm	2020	2019
Current tax	-551	-193
Deferred tax		
Change in deferred tax in temporary differences in statement of financial position	109	62
Change in deferred tax in loss carry-forwards	0	3
Total	109	65
Total tax	-442	-128

Reconciliation of effective tax rate	2020		2019	
	%	SEKm	%	SEKm
Income before tax	21.4	2,153	21.4	-111
Tax at current tax rate for Parent Company		-461		24
Non-deductible expenses		-20		-11
Tax-exempt income		52		4
Impact of unrecognized deferred tax from loss carry-forwards		-197		-265
Impact of unrecognized deferred tax in deductible temporary differences		195		142
Tax attributable to previous year		-2		7
Effect of other tax rates in foreign subsidiaries		-5		-22
Other		-4		-7
Total		-442		-128

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

Note 10 Non-current intangible assets

SEKm	Other non-current intangible assets							
	Goodwill		Licenses and similar assets		Capitalized development expenditures		Total other non-current intangible assets	
	2020	2019	2020	2019	2020	2019	2020	2019
Historical cost, opening balance	3,492	3,454	1,966	1,844	1,897	2,663	3,863	4,507
Investments during the year	–	–	27	15	49	163	75	178
Disposals/scrapping	–	–	–95	–31	–621	–811	–715	–842
Reclassifications	–	–11	27	117	–7	–125	20	–9
Translation differences	–138	49	–60	20	–30	8	–90	28
Accumulated historical costs at year-end	3,354	3,492	1,865	1,966	1,288	1,897	3,153	3,863
Depreciation, opening balance	–	–	–1,593	–1,502	–797	–1,521	–2,390	–3,023
Depreciation for the year	–	–	–95	–82	–110	–112	–205	–194
Disposals/scrapping	–	–	62	35	256	809	318	844
Reclassifications	–	–	–	–26	–41	33	–41	6
Translation differences	–	–	54	–18	12	–5	67	–23
Accumulated depreciation at year-end	–	–	–1,572	–1,593	–680	–797	–2,251	–2,390
Impairments, opening balance	–873	–860	–121	–96	–744	–641	–865	–737
Impairment losses for the year	–	–	–33	–25	–	–100	–33	–125
Disposals/scrapping	–	–	29	–	366	–	395	–
Reclassifications	–	–	–	–	33	–	33	–
Translation differences	29	–13	–	–	8	–3	8	–3
Accumulated impairments at year-end	–844	–873	–125	–121	–338	–744	–463	–865
Closing balance	2,510	2,619	168	252	271	356	439	608

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, 2020 totaled a carrying amount of SEK 271 million (356).

Other non-current intangible assets consisted primarily of licenses and similar assets. Licenses and similar assets on December 31, 2020, totaled a carrying amount of SEK 168 million (252).

Investments during the year were made above all in system development. No changes to amortization periods were made in 2020. For more on amortization/depreciation periods used, see Note 1 Accounting principles.

Other intangible non-current assets were tested for impairment, leading to impairment losses of SEK 33 million (125). Expenditures for research and development were recognized as costs on an ongoing basis during the period.

Goodwill

Goodwill is recognized as a non-current intangible asset with an indeterminate useful life at historical cost less accumulated impairment losses. Goodwill on December 31, 2020 was valued at a carrying amount of SEK 2,510 million (2,619).

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 (%)	
	2020	2019	2020	2019	2020	2019
PostNord Sweden	1,045	1,045	0.7	1	8.8	10.2
PostNord Norway	859	954	1.5	2	8.9	9.2
PostNord Strålfors	441	446	–2	–2	12.5	12
PostNord Finland	157	164	1.5	2	10.8	10
Other cash-generating units	8	10	–2–1.5	–2–1.5	10.6–13.1	10.4–14
Total goodwill	2,510	2,619				

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

Value in use

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

period, is assumed to be –2% to 1.5% (–2% to 2%) and the discount rate before tax to be 8.8 to 13.1% (9.2 to 14%). In determining the discount rate, factors taken into account include type of business, where the business is located and risk and size premium. Value in use was calculated with lease payments included in the cash flow for the cash-generating unit. The discount rate is thus not adjusted to reflect any impact from IFRS 16.

Sensitivity analysis for remaining goodwill

The sensitivity in the calculations by the cash-generating units indicates that the goodwill value could be sustained in the event of reasonably anticipated changes to important assumptions.

Assets held for sale

At reclassification of assets held for sale, as defined in IFRS 5, the calculation of goodwill has been based on the relative proportion of the recoverable value attributable to the cash-generating unit. Goodwill has been reclassified to Assets held for sale in the amount of SEK – million (11).

Note 11 Property, plant and equipment

SEKm	Buildings and land		Machinery and equipment		Construction in progress		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Historical cost, opening balance	6,171	6,028	13,888	13,990	664	246	20,723	20,264
Other acquisitions	3	24	732	677	263	477	999	1,178
Disposals/scraping	–633	–8	–873	–834	–181	23	–1,687	–819
Reclassifications	–212	51	111	–36	–269	–78	–370	–63 ¹⁾
Translation differences	–215	76	–238	90	–17	4	–471	163
Accumulated historical costs at year-end	5,114	6,171	13,620	13,888	460	664	19,194	20,723
Depreciation, opening balance	–2,086	–1,922	–10,013	–9,881	–	–	–12,098	–11,803
Depreciation for the year	–121	–137	–890	–921	–	–	–1,011	–1,058
Disposals/scraping	223	3	768	779	–	–	990	783
Reclassifications	66	–3	87	73	–	–	154	69 ¹⁾
Translation differences	82	–27	180	–63	–	–	262	–90
Accumulated depreciation at year-end	–1,836	–2,086	–9,868	–10,013	–	–	–11,704	–12,098
Impairments, opening balance	–183	–180	–330	–320	–	–	–512	–500
Impairment losses for the year	–	–	–13	–7	–	–	–13	–7
Disposals/scraping	–	–	12	–	–	–	12	–
Reclassification	–	–	–	2	–	–	–	2 ¹⁾
Translation differences	6	–3	10	–4	–	–	16	–7
Accumulated impairments at year-end	–176	–183	–321	–330	–	–	–497	–512
Closing balance	3,102	3,903	3,431	3,546	460	664	6,992	8,113

¹⁾ Reclassification to/from assets held for sale SEK –106 million (8).

Note 12 Leases

The Group as lessee

Right-of-use assets

The Group's property, plant and equipment comprises both owned and leased assets (right-of-use assets).

The Group leases buildings and land above all for terminals and office premises. The leases normally run for a term of five years. The lease term was determined as the non-cancellable lease term. In cases where the leases include options for extension or cancellation, this has been taken into account where it is reasonably certain that the options will be exercised and where leases are of material and strategic importance and to the Group. The Group also leases other types of asset, including various types of vehicle, machinery and equipment.

On December 31, 2020, rights-of-use assets totaled SEK 5,533 million (5,416) for buildings and land and SEK 421 million (397) for machinery and equipment. Depreciation for the year totaled SEK 1,211 million (1,006) for buildings and land and SEK 161 million (142) for machinery and equipment.

SEKm	Dec. 31, 2020	Dec. 31, 2019
Right-of-use assets, January 1	5,813	5,539
Newly acquired right-of-use assets	1,703	1,439
Terminated leases	–130	–30
Depreciation, right-of-use assets	–1,372	–1,148
Translation difference	–60	13
Right-of-use assets, December 31	5,954	5,813

Note 12 (cont.)

Newly acquired right-of-use assets in 2020 totaled SEK 1,703 million (1 439), mainly consisting of leased premises. This amount includes the historical cost of right-of-use assets acquired during the year, as well as additional amounts arising from re-evaluation of lease liabilities based on changes in payments resulting from change in lease term and change of date of end of lease term.

In certain cases, the Group guarantees the residual value of the leased asset at the end of the lease term. This applies mainly to leased vehicles and represents only minor amounts.

Lease liability

SEKm	Dec. 31, 2020	Dec. 31, 2019
Lease liability recognized on January 1	5,678	5,374
Newly incurred lease liabilities	1,952	1,407
Terminated leases	-96	-29
Amortized lease liabilities	-1,435	-1,209
Interest	128	123
Translation difference	-60	12
Lease liability recognized on December 31	6,167	5,678

In properties leased by the Group, some areas are unused. At year-end, provisions of SEK 46 million (23) were made regarding these unused premises.

Maturity analysis (undiscounted flows), lease liabilities

SEKm	Dec. 31, 2020	Dec. 31, 2019
Within 1 year	1,447	1,348
1–2 years	1,215	1,149
2–3 years	977	962
3–4 years	823	755
4–5 years	631	660
More than five but less than ten years	1,170	1,207
More than ten years	413	125
Total	6,676	6,206

Lease liability as per balance sheet

SEKm	Dec. 31, 2020	Dec. 31, 2019
Current portion	1,318	1,202
Long-term portion	4,849	4,476
Total	6,167	5,678

Sale and leaseback

In accordance with IFRS 16, PostNord has recognized income from sale-and-leaseback transactions that corresponds to the rights transferred to the buyer. The income from the portion disposed of in accordance with IFRS 16 is recognized in the amount of SEK 228 million (-). See also Note 3 income. The remaining portion of the capital gain, SEK 276 million (-), is recognized as accrued over the lease term, amounting on December 31 to SEK 262 million (-). See also Note 30 Acquisitions and disposals.

Other disclosures

PostNord has decided to apply the provisions regarding transitional rules for short-term leases and low-value assets. Under these provisions, leases with a term of less than 12 months and low-value leases are recognized on a linear cost basis over the lease term. Examples of low-value assets include computers, printers and coffee machines. In 2020, expenses in connection with low-value leases totaled SEK 21 million (33). In 2020, expenses in connection with short-term leases totaled SEK 222 million (334).

Certain leases require the Group to pay charges arising from property tax. Payment of property tax has been deemed to represent a variable lease charge and consequently is not included in the measurement of the lease liability. In 2020, variable lease charges totaled SEK 5 million (4).

Cash outflows under leases amounted to SEK 1,555 million (1,457). Cash outflows included amounts for amortization of lease liabilities, interest, variable lease charges, short-term leases and low-value leases.

Future cash flows that the Group will be exposed to but that are not reflected in the measurement of the lease liability consist primarily of

contracted but not yet activated leases that the Group is committed to. The value of such leases amounts to approximately SEK 495 million (380). A change is also possible in the future should a review of the lease term be conducted regarding any of the Group's major property leases.

The Group as lessor

Finance leases

Financial income from leases where the Group is lessor is recognized as equal amounts over the lease term and totals SEK 6 million (-). This income reflects a return on the lessor's net investment in the lease.

Regarding the leases where the Group is lessor, a receivable corresponding to the net investment in the lease is recognized. See also Note 14 Financial investments.

Operating leases

The Group recognizes rental income of SEK 43 million (35). See also Note 3 income. The Group classifies these leases as operating leases, as the leases do not transfer material risks and benefits that are associated with ownership of the underlying asset.

Note 13 Participations in associated companies

Associated companies	Registered office	Country	Number of shares	Participation, %	Carrying amount, SEKm
e-Boks A/S	Copenhagen	Denmark	6,000,000	50	116
e-Boks Group ApS	Hellerup	Denmark	20,000	50	0
eHUBnordic ApS	Copenhagen	Denmark	474,999	25.5	0
Nordic Infrastructure A/S	Sønderborg	Denmark	392	49	18
Closing balance					134

Note 14 Financial investments

SEKm	Dec. 31, 2020	Dec. 31, 2019
Financial investments treated as non-current assets		
Endowment insurance	172	176
Non-current lease receivable	92	-
Other non-current investments	16	22
Closing balance	280	198
Short-term investments treated as current assets		
Current lease receivable	11	-
Closing balance	11	-

Note 15 Non-current receivables

SEKm	Dec. 31, 2020	Dec. 31, 2019
Funded family pension and sickness insurance ITP-P sect. 2, measured in accordance with IAS 19 ¹⁾	77	711
Deposits, property leases	40	22
Other	294	141
Total	411	874

¹⁾ See also Note 22.

Note 16 Deferred tax

SEKm	2020					2019				
	Opening balance	Recognized via the income statement	Recognized via other comprehensive income	Other	Closing balance	Opening balance	Recognized via the income statement	Recognized via other comprehensive income	Other	Closing balance
Deferred tax assets										
Provision for pensions	635	81	38	–	754	221	47	367	–	635
Other provisions	64	–	–	–	64	59	5	–	–	64
Lease liabilities	1,053	–236	–2	298 ¹⁾	1,113	959 ²⁾	–199	1	292 ¹⁾	1,053
Loss carry-forwards	3	–3	–	–	0	–	3	–	–	3
Offset against liabilities	–1,264	–	–40	–	–1,304	–202	–	–1,062	–	–1,264
Total	491	–158	–4	298	627	1,037	–144	–694	292	491
<i>Of which, outside Sweden</i>	<i>12</i>				<i>6</i>	<i>6</i>				<i>12</i>
Deferred tax liability										
Non-current intangible assets	–21	–7	–	–	–28	–44	23	–1	1	–21
Property, plant and equipment	–313	4	11	–	–297	–279	–29	–5	–	–313
Right-of-use assets	–1,041	250	–	–298 ¹⁾	–1,089	–959 ²⁾	210	–	–292 ¹⁾	–1,041
Current assets	–31	20	–	–	–10	–36	5	–	–	–31
Offset against receivables	1,264	–	40	–	1,304	202	–	1,062	–	1,264
Total	–142	267	51	–298	–120	–1,116	210	1,056	–291	–142
<i>Of which, outside Sweden</i>	<i>–106</i>				<i>–86</i>	<i>–131</i>				<i>–106</i>

¹⁾ Deferred tax attributable to newly established leases.

²⁾ Adoption of IFRS 16 Leases on January 1, 2019.

Deferred tax is recognized net in the country concerned.

Dates payment due, tax amounts

SEKm	Capitalized loss carry-forwards		Loss carry-forwards where deferred tax assets not recognized	
	2020	2019	2020	2019
More than 3 years	–	3	–	–
Not due	0	–	955	856

Loss carry-forwards where deferred tax assets were not recognized totaled SEK 955 million (856) in Denmark. These deferred tax assets have not been recognized since it was judged that the deductions could not be used in the foreseeable future.

In addition to unrecognized loss carry-forwards, deductible temporary differences arising in Denmark and amounting to SEK 773 million (733) have not been recognized.

Note 17 Inventories

SEKm	Dec. 31, 2020	Dec. 31, 2019
Goods for resale etc.	49	60
Raw materials	41	45
Closing balance	90	105

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

Impairment losses on inventories totaled SEK 4 million (9).

Note 18 Prepaid expenses and accrued income

SEKm	Dec. 31, 2020	Dec. 31, 2019
Prepaid rent	15	24
Prepaid insurance premiums	61	15
Prepaid salaries	64	105
Terminal fees	324	489
Derivatives	3	2
Other items	411	188
Closing balance	878	823

Note 19 Cash and cash equivalents

SEKm	Dec. 31, 2020	Dec. 31, 2019
Cash and bank balances	6,229	2,589
Short-term investments treated as cash and cash equivalents	–	809
Closing balance	6,229	3,398

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

Note 20 Earnings per share

SEK	2020	2019
Earnings per share	0.85	-0.12

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 with entitlement to a retirement pension at a lower age, under special arrangements made at corporatization. Postens Pensionsstiftelse (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 the Swedish Pension Obligations Vesting Act (1967:531). Postens Pensionsstiftelse is supervised by the Stockholm County Administrative Board and Finansinspektionen (the Swedish Financial Supervisory Authority).

PostNords Försäkringsförening (PFF) in liquidation is regulated under Swedish Friendly Societies Act (1972:262) under the supervision of Finansinspektionen. Until April 30, 2020 family pension and sickness insurance under the ITP-P plan, sect. 2, were secured with PFF. On that date, PFF transferred its insurance portfolio to an external insurance company, SPP Pension & Försäkring AB (publ). On completion of the transaction, PFF entered into liquidation and its remaining surpluses were reclassified from assets under management to operating receivables for future distribution. Family pension and sickness insurance under the ITP-P Plan sect. 2 will continue to be administered at SPP. PostNord's recognition of a net asset under this insurance is limited with regard to the scope for utilization of the surplus (under the "asset ceiling") for future discounts on an ongoing basis during the contract term and in the form of refunds on termination of the insurance agreement. The limitation is determined by agreed levels of asset coverage ratio, that is, the ratio of insured capital to insurance commitments measured according to SPP's actuarial principles, which differ from valuation according to IAS 19. The insured capital at SPP is calculated on behalf of PostNord and in the event of an asset coverage ratio below or above agreed levels, a premium adjustment is made in accordance with the insurance agreement.

The Group's pension obligation is 100 percent (100) attributable to pension benefits earned in its Swedish companies.

Asset ceiling, SEKm	Dec. 31, 2020
Sickness insurance and family pension commitment	706
Plan assets, fair value	783
Surplus before asset ceiling	77
Effect of asset ceiling	-
Net asset, sickness insurance and family pension	77

Note 21 Interest-bearing liabilities

SEKm	Dec. 31, 2020	Dec. 31, 2019
Non-current interest-bearing liabilities		
Liabilities to credit institutions	3,072	3,695
Other non-current liabilities	171	176
Closing balance	3,243	3,871
Current interest-bearing liabilities		
Liabilities to credit institutions	536	-
Other current liabilities	321	-
Closing balance	857	-

See also Note 27 Financial risk management and financial instruments.

Provisions for pensions and similar obligations, SEKm	2020	2019
Pension obligations, OB	25,358	22,628
Costs relating to service during current year ¹⁾	323	310
Interest expense ²⁾	343	485
Occupational pensions	26	25
Payments of benefits	-1,168	-1,168
Transfer	-88	-
Actuarial gains (-) and losses (+) - change in financial assumptions ³⁾	947	2,787
Actuarial gains (-) and losses (+) - change in demographic assumptions ³⁾	-91	148
Actuarial gains (-) and losses (+) - experience-based ³⁾	-359	143
Pension obligations, CB	25,292	25,358
Assets under management, fair value OB	21,411	20,271
Interest income	286	434
Contributions from employer	204	181
Payments made to employer	-728	-1,103
Payments of benefits	-40	-70
Reclassification of assets under management ⁴⁾	-689	-
Actual return above (+) and below (-) interest income	398	1,698
Assets under management, fair value CB	20,842	21,411
Change in net asset or net liability		
Present value of defined-benefit obligations	25,292	25,358
Assets under management, fair value	-20,842	-21,411
Effect of asset ceiling	-	-
Net (asset -, liability +) at year-end excluding special payroll tax⁵⁾	4,449	3,947
Work-related injuries	22	26
Special payroll tax	810	739
Net (asset -, liability +) in Statement of changes in financial position including work-related injuries and effect of special payroll tax	5,281	4,712

¹⁾ Costs of earned entitlement consist of SEK 297 million (284) for funded plans and the remainder of unfunded plans.

²⁾ Of the interest expense, SEK 311 million (437) is attributable to funded plans and the remainder to unfunded plans.

³⁾ Of actuarial gains and losses, SEK 401 million (2,686) is attributable to funded plans.

⁴⁾ Reclassification of assets of PostNords Försäkringsförening after transfer of its insurance portfolio and liquidation to Other non-current and current receivables, respectively.

⁵⁾ The Group has no assets under management that consist of the Company's own transferable financial instruments or properties that are used by the Company.

Specification, net, commitment and asset, SEKm	2020				2019			
	Net commitment + and asset –	Special payroll tax	Work-related injuries	Total	Net commitment + and asset –	Special payroll tax	Work-related injuries	Total
Funded defined-benefit disability pension plans	-157	81	-	-77	-711	-	-	-711
Total recognized as Non-current receivables	-157	81	-	-77	-711	-	-	-711
Unfunded non-vested pensions	758	184	-	942	957	233	-	1,191
Work-related injuries	-	-	22	22	-	-	26	26
Total recognized as Other provisions	758	184	22	964	957	233	26	1,216
Funded pensions	2,243	544	-	2,787	2,173	527	-	2,700
Unfunded vested pensions	1,606	1	-	1,607	1,528	-21	-	1,507
Total recognized as Pensions	3,849	545	-	4,394	3,702	506	-	4,208
	4,449	810	22	5,281	3,947	739	26	4,712

In the course of 2021, the Group anticipates paying benefits totaling SEK 1,154 million (1,138) under defined-benefit plans. The weighted duration of the pension commitment is 16 (16) years.

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

Expenses and income for defined-benefit and defined-contribution pension plans, excluding special payroll tax, SEKm

	2020	2019
Costs relating to service during current year	323	310
Interest expense (+) and interest income (-) ¹⁾	58	51
Actuarial losses (plus) and gains (minus) ¹⁾	-36	-
Occupational pensions	26	25
Defined-benefit pension plans	371	386
Defined-contribution pension plans	874	868
Other pension expenses	16	76
Recognized within net financial items	-22	-51
Total pension expenses	1,239	1,279

¹⁾ Interest expenses, interest income and actuarial losses and gains relating to sickness insurance are recognized in net financial items. Other actuarial losses and gains are recognized in other comprehensive income.

Provision for non-vested pensions

PostNord is liable for its Swedish subsidiaries' non-vested pension commitments under the Group's "transition regulations". These regulations apply to certain personnel who, under the terms of their employment, are entitled to retire at 60 or 63 years of age. A condition is that the employee had to have reached the age of 28 years by no later than January 1, 1992 and to have remained in the same function thereafter. The total obligation, calculated in accordance with the Swedish Pension Obligations Vesting Act, for pensions under the transition regulations was SEK 1,219 million (1,522) on December 31, 2020. On the basis of historical outcomes and experience, PostNord estimates that on average 60 percent will exercise their rights under the transition regulations. The provision is set at this proportion of the total obligation. The amount recognized as a liability in the Group totals SEK 875 million (1,103), including special payroll tax. The obligation is included in the balance of Unfunded pension plans, non-vested pensions.

PostNord bears liability for an obligation, an "ultimate liability", that PostNord Group AB assumed at its corporatization. On the basis of available information, this obligation was calculated at SEK 67 million (84) on December 31, 2020, including special payroll tax. 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 January 1, was SEK 46 million (37). PostNord retains a liability for maintaining the value and coordinating the gross value of these pension commitments.

Actuarial calculation assumptions

The actuarial valuation of PostNord's defined-benefit pension commitments and pension expenses is based on the assumptions described below. These assumptions are calculated as weighted mean values for the particular pension plan. Any change, above all in assumptions regarding discount rate, inflation and life expectancy, may have considerable impact on estimated pension commitments, financing requirements and annual pension expenses.

Actuarial assumptions, %	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Discount rate	0.90	1.40	2.20
Future annual pay rises	2.15	2.40	2.40
Change in income base amount	2.75	3.00	3.00
Inflation	1.50	1.75	1.75
Employee turnover	6.00	4.50	4.50
Lifetime obligation	FFFS 2007:31	FFFS 2007:31	FFFS 2007:31

The expenses for 2020 are based on the actuarial assumptions established at the beginning of the year. At the end of 2020, PostNord established assumptions that were applied to the calculation of the outcome as per December 31, 2020. These actuarial assumptions are also used in the forecast for expenses in 2021. It was also taken into account that all assumptions used in the valuation should in the long term be mutually compatible.

The discount rate is determined in accordance with IAS 19, that is, on the basis of high-grade corporate bonds traded on an active market as defined by IFRS, by reference to the Swedish housing bond market. Against this background, management takes the view that the discount rate applied reflects the time value of money and offers a reasonable present value for the Group's pension obligations. Future annual salary increases reflect anticipated percentage pay rises, as a composite product of inflation, period of service and rank. The income base amount is determined annually by the government and is used, for example, to establish the ceiling for pensionable pay in the national pension system. The Group has elected for an assumed inflation rate of 1.50 percent. This reflects the view of the actors in the financial markets regarding inflation in the pricing of securities, that is, implicit inflation. The personnel turnover is the composite expectation for future business growth, real pay rises and the productivity growth required to maintain profitability. It also takes into account the personnel turnover experienced over recent years. The factor of average remaining service life is determined on the basis of the current age breakdown for the Group's employees. The life expectancy assumption is based on the Swedish Financial Supervisory Authority's (Finansinspektionen) directions, published as FFFS 2007:31 (FFFS 2007:31). A later 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.

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 20,842 million (21,411). The major share of the Group's assets under management is administered by Postens Pensionsstiftelse (Posten Pension Fund), SEK 20,013 million (19,967). Other assets under management have since April 30, 2020 consisted of assets in SPP Pension & Försäkring AB (publ) SEK 783m (–), formerly PostNord Försäkringsförening, SEK –million, (1,408) and pension insurance with Skandia SEK 46 million (37). Real return on assets under management totaled SEK 684 million (2,131), including interest income of SEK 286 million (434).

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

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

at a level of risk that is 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 established with ranges providing for flexibility.

41 percent (39) of Pensionsstiftelsen's assets are traded in an active market. The asset allocation at Pensionsstiftelsen on December 31, 2020 was as follows: fixed-income and high-yield SEK 2,885 million (3,087), cash and cash equivalents including forward contracts SEK 2,379 million (1,581), unlisted assets SEK 9,474 million (10,633), shares SEK 5,275 million (3,974) and raw materials SEK –million (692).

Summary and sensitivity analysis

At year-end 2020, PostNord had funded pension commitments of SEK 22,928 million (22,874) and assets under management of SEK 20,842 million (21,411). In addition to funded commitments, a pension liability is recognized on the statement of financial position, divided into vested pension commitments of SEK 1,606 million (1,529) and non-vested pension commitments of SEK 758 million (955). 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. Special payroll tax of SEK 810 million (739) is also taken into account.

See table below for an analysis of the effects of changes in assumptions.

Sensitivity analysis excl. special payroll tax on pensions, SEKm (+) improved income (+) increased liability (–) decreased income (+) decreased liability	Change	Impact on income		Impact on statement of financial position items and other comprehensive income		
		Forecast cost (service cost)	Net financial items	Impact on pension liability	Impact on market value of assets	Impact after tax on other comprehensive income
Actuarial assumptions						
Change in discount rate and anticipated return on assets under management	+0.1% point	6	–1	–387	–	308
	–0.1% point	–6	–	397	–	–316
Change in actual return on assets under management	+0.1% point	–	–	–	–21	–17
	–0.1% point	–	–	–	21	17
Change in pay	+0.5% point	–11	–2	273	–	–217
	–0.5% point	9	2	–238	–	189
Change in income base amount	+0.5% point	3	1	–57	–	–45
	–0.5% point	–4	–	69	–	–55
Change in inflation	+0.5% point	–18	–17	1,857	–	–1,478
	–0.5% point	16	15	–1,673	–	1,332
Life expectancy, years	+1 year	–11	–10	1,145	–	–911
	–1 year	11	10	–1,126	–	896
Take-up rate, rights under interim provisions						
Change in take-up rate, rights under interim provisions	+0.5% point	–1	–	59	–	–47
	–0.5% point	2	1	–59	–	47

Note 23 Other provisions

2020 Jan–Dec, SEKm	Opening balance	Provisions	Reversals	Utilization	Other ¹⁾	Closing balance
Transformation measures						
Provision for personnel redundancies and other cutbacks	2,371	100	–22	–1,008	–30	1,411
Non-vested pension commitments						
Non-vested pension commitments	957	31	–	–219	–9	761
Special payroll tax	233	7	–	–53	–2	185
Other						
Work-related injuries	26	0	–	–4	–1	22
Provision for anniversary bonus	43	1	–	–	–1	43
Total	3,631	139	–22	–1,284	–43	2,422
<i>of which current</i>	<i>1,083</i>					<i>737</i>
<i>of which non-current</i>	<i>2,548</i>					<i>1,685</i>

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

Anticipated payments, SEKm	1 year	2 years	3 years	> 3 years
Transformation measures	732	532	86	61
Non-vested pension commitments ^{1) 2)}	93	117	134	381
Work-related injuries ²⁾	3	3	2	15
Provision for anniversary bonus	5	15	12	11
Total	833	667	234	468

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

Non-vested pension commitments and work-related injuries are recognized in their entirety as non-current provisions.

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

2019 Jan–Dec, SEKm	Opening balance	Provisions	Reversals	Utilization	Other ¹⁾	Closing balance
Transformation measures						
Provision for personnel redundancies and other cutbacks	3,147	252	–5	–1,133	110	2,371
Non-vested pension commitments						
Non-vested pension commitments	929	38	–	–223	213	957
Special payroll tax	227	9	–	–54	51	233
Other						
Work-related injuries	26	1	–	–	1	26
Provision for anniversary bonus	44	–	–	–3	2	43
Total	4,372	300	–5	–1,413	377	3,631
<i>of which current</i>	<i>980</i>					<i>1,083</i>
<i>of which non-current</i>	<i>3,392</i>					<i>2,548</i>

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

Provisions for transformation measures

Recognized provisions consist above all of transformation measures affecting personnel. The amounts are calculated on the basis of management's best estimates.

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

During 2020, provisions and reversals for restructuring with an impact on personnel expenses amounted to SEK 26 million (206). Provisions and reversals for transformation measures with an impact on other expenses amounted to SEK 52 million (41). 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 transformation costs amounted to SEK 1,008 million (1,133). 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 "transition regulations". These regulations 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 future non-vested pensions and Provision for ultimate liability in Note 22 Pensions.

Other provisions

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

Provisions for anniversary bonus consist of anticipated future anniversary bonuses in the form of extra pay 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, 2020	Dec. 31, 2019
Stamps sold but not used	416	454
Accrued payroll expenses	465	365
Holiday pay liability	913	1,048
Social insurance costs	321	269
Terminal fees	678	478
Derivatives	43	71
Other items	807	754
Closing balance	3,643	3,439

Note 25 Pledged assets and contingent liabilities

SEKm	Dec. 31, 2020	Dec. 31, 2019
Pledged assets for own liabilities		
Real estate mortgages ¹⁾	214	303
Pledged assets ²⁾	225	218
Total	439	521
Contingent liabilities		
Guarantees, PRI	88	86
Guarantees, other	4	1
Total	92	87

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, 2020, the Group had contracted to purchase property, plant and equipment. These investments totaled SEK 253 million (272) in value and consisted primarily of transportation and sorting equipment and vehicles. It is expected that most obligations will be settled in the middle of 2021.

Note 27 Financial risk management and financial instruments

The Group's management of financial risks is governed by the treasury 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 support realization of the Group's goals and strategies, by sustainably securing financing, liquidity and a balanced financial position that takes all financial risks into account at all times. The Group's financial risks are divided into the categories of refinancing risk, credit risk, interest rate risk, currency risk, electricity price risk, fuel price risk and market risk in asset management.

Credit and market risks (currency, interest rate, electricity price, fuel price) shall be managed on a commercial basis and proactively in order to limit negative impact on the Group's income and cash flow. Pledged assets and contingent liabilities are to be provided on a restrictive basis, in accordance with the Group's delegated authority procedure.

The Group's financial risks and cash flow risk

The Group's cash flow and financial position are exposed to financial risks, such as refinancing risk, credit risk, interest rate risk and foreign currency transaction exposure. Market risk is mitigated using financial instruments in accordance with the Group's Finance Policy.

During the year, the economic crisis in the wake of the pandemic led the Group to focus more strongly on control of for example cash flow. In addition, financial preparedness and liquidity was strengthened during major periods of the year to counteract an expected decline in the economy and an uncertain outlook as a result of the pandemic. The measures taken consisted partly of increasing confirmed credit facilities and partly of taking up government support with regard to deferral of tax payments. On the back of the Group's relatively successful performance over the year, despite generally difficult conditions, all reinforcement measures were discontinued during the last quarter.

Major exposures to financial risks also exists in the Group's pension liabilities. Provisions for pensions are exposed not only to changes in long-term interest rates and inflation expectations, but also to returns on the major assets under management at Postens Pensionsstiftelse. During the pandemic, turbulence in the financial markets caused significant volatility in the value of the Group's pension liabilities, which in turn affect the Group's equity. However, the cash flow from pensions was not affected. At Postens Pensionsstiftelse, diversification and adaptation of investment portfolios successfully mitigated the impact of the volatile developments in the markets. See also Note 22.

Property, liability, and business interruption insurance policies are maintained to limit the negative effects of low-frequency operational risks that potentially have a major impact on the Group's cash flow, earnings, and asset values. Group-wide insurance policies are used for risks that affect all businesses in the Group. In addition, local insurances are used for specific business risks and compliance with local legislation, for example for adhering to the requirements of laws or collective agreements. In addition to insurance, the Group maintains financial preparedness in order to safeguard continuity for customers, suppliers and employees by ensuring room to maneuver to restore operations while mitigating the financial impact of uninsured risks and subsequent normalization of financing and cash flow. The Group's financial preparedness is made up of cash and cash equivalents, short-term liquid investments, and unutilized committed credit lines.

Liquidity management and financing

The Group's policy is to centralize and coordinate management of the Group's cash and cash equivalents via Group accounts for effective deployment within predefined risk limits. Surplus liquidity is invested in approved instruments. Foreign currency investments are also permitted, provided that currency risk is hedged. The Group coordinates financing through 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 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, financial preparedness of a scope that is designed to handle internal and external risks, and to cope with seasonal variations. The Group's financial preparedness is made up of cash and cash equivalents, short-term liquid investments, and unutilized committed credit facilities. Unutilized confirmed credit facilities on December 31, 2020 totaled SEK 2,000 million (2,000) and mature in 2024.

Financial preparedness

SEKm	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents	6,229	3,398
Unutilized long-term confirmed credit facilities	2,000	2,000
Net financial preparedness	8,229	5,398

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 does not cover the claim. A credit risk arises (i) in sales to customers, in approval of advance payments to suppliers and in acceptance of guarantees, and (ii) within the Group's cash management and the use of derivative contracts.

The Group's policy is that the granting of credit shall be based on commercial considerations and risk assessment in order to ensure that the credit risk is balanced. When cash and cash equivalents are invested,

Note 27 (cont.)

credit risk is managed by investing within the framework of maximum credit risk, and by spreading risk. Credit risk is to be limited via regular credit checks on major credit lines and by monitoring credit and payment information.

Credit risk in trade receivables

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

Age breakdown for trade receivables

SEKm	Dec. 31, 2020	Dec. 31, 2019
Trade receivables not due	4,487	3,900
Due but not impaired:		
1–30 days	379	798
31–90 days	36	108
>90 days	135	154
Total	5,037	4,961
Provision for expected credit loss	–71	–33
Total	4,967	4,928

Provision for expected credit loss

SEKm	Jan–Dec 2020	Jan–Dec 2019
Opening balance	–33	–28
Provisions	–48	–18
Utilizations/Reversals	10	13
Closing balance	–71	–33

Confirmed credit losses totaled SEK 23 million (16).

Credit risk in financial activities

Credit risk in treasury transactions are managed by the central treasury management function, within frameworks based on ratings from Moody's, Standard & Poor's or the equivalent. Trading is governed via decisions on maximum credit risk per borrower. 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 cannot meet his obligations. To limit this exposure, ISDA agreements have been entered into with all three banks. Under the ISDA agreements, receivables and liabilities arising from interest rate and currency derivatives may be offset in the event of suspension of payments by, or insolvency of, the counterparty. Amounts under the ISDA agreements are recognized gross, see Notes 18 and 24.

Interest rate risk

Interest rate risk is defined as the risk of the Group's earnings and cash flow being negatively affected by changes in market interest rates. Interest rate risk is calculated on the basis of the Group's outstanding interest-bearing debt, including derivative instruments. Shorter fixed-interest periods mean higher earnings sensitivity. Longer fixed-interest periods mean higher earnings stability but may also be a disadvantage when market interest rates fall.

The Group's policy is to limit earnings sensitivity to changes in market interest rates and to strive for an attractive cost of cost of capital. Interest rate sensitivity is controlled via a fixed-interest target for the Group's outstanding interest-bearing liabilities including derivative instruments.

The Group has limited exposure to IBOR in its financial instruments that will be replaced or reformed in the short term, as part of these market-wide initiatives. It is uncertain as to the time and the processes for transition between the jurisdictions in which the Group operates. The Group expects to IBOR reform to affect its risk management and hedge accounting in the long term.

The Group uses interest swaps for risk management purposes, which are designated in cash flow hedge relationships. The interest swaps have floating legs that are index-linked to Stibor. The Group's derivatives are governed by the main agreement of the International Swaps and Derivatives Association (ISDA). ISDA is currently examining its standardized contracts against the background of the IBOR reform. When ISDA has completed its examination, the Group expects to negotiate on the introduction of new reserve clauses with its derivatives counterparties. No derivative instruments were modified on December 31, 2020.

Sensitivity analysis interest rate risk

Balance sheet item	Change in market interest rates:	2020 Impact on income, SEKm	2019 Impact on income, SEKm
Cash and cash equivalents	+/-1% point	+/-62	+/-33
Interest-bearing liability	+/-1% point	-/+15	-/+17

Currency risk

Currency risk is defined as the risk of the value of assets and liabilities in foreign currency changing as a result of changes in exchange rates. The Group operates businesses in several countries and conducts transactions in foreign currencies, which creates risk in connection with exchange rate fluctuations that affect both transaction exposure and translation exposure.

Currency risk is calculated on the assumption that no currency risk is present between EUR and DKK as long as Denmark is a member of ERM 2. Currency exposure to any particular currency is measured as the net position. Total currency exposure is calculated as the sum of absolute values for net exposure in particular currencies.

Transaction exposure

The major share of invoicing, purchasing and wages/salaries is managed in the currency of the Group company concerned. Currency hedging is used primarily in the case of cross-border communication and logistics services. Transaction exposure is limited by matching incoming and outgoing payment flows. In addition to contractual currency flows, forecast currency flows for up to 12 months may also be included in the basis for currency hedging.

The Group's policy is to limit transaction exposure in order to mitigate the impact of exchange rate fluctuations on earnings and cash flow. The table summarizes transaction exposure in the statement of financial position and hedged investment flows. No hedging is used for forecast currency flows.

Group's contractual transaction exposure, exclusive of currency swap agreements

Currency, absolute value, SEKm	2020			2019		
	Position	Hedged	Net position	Position	Hedged	Net position
EUR/DKK	191	255	64	55	44	11
NOK	18	0	18	339	323	16
USD	136	141	5	75	84	9
Other currencies	91	59	32	199	150	49
Total			119			85

Translation exposure

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

Group translation exposure

Currency	2020			2019		
	SEKm	%	+/-1%	SEKm	%	+/-1%
DKK	2,061	42	21	2,157	42	22
EUR	704	14	7	748	14	7
NOK	2,052	41	21	2,149	41	21
Other currencies	147	3	1	142	3	1
Total	4,964	100	50	5,196	100	52

Electricity price risk

Electricity price risk consists of the risk that volatility in market prices will increase or decrease the cost of electricity supply. The Group's policy is to strive for an attractive cost of its electricity supply and offers the scope for limiting the electricity price risk through forward contracts.

Fuel price risk

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

Contractual maturities of interest-bearing liabilities, Dec. 31, 2020, 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	2,400	500	500	800	600	–	–
Liabilities to credit institutions	1,208	36	11	11	211	410	529
Other interest-bearing liabilities	321	321	–	–	–	–	–
Total interest-bearing liabilities	3,929	857	511	811	811	410	529
Interest payments		42	36	34	23	12	6
Interest swaps							
– Liabilities		1	0	–	–	–	–
– Receivables		0	0	0	–	–	–
Total forecast interest payments		43	36	34	23	12	6
Total, net		900	547	845	834	422	535

Contractual maturities of interest-bearing liabilities, Dec. 31, 2019, 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	2,400	–	500	500	800	600	–
Liabilities to credit institutions	1,301	–	–	–	–	200	1,101
Total interest-bearing liabilities	3,701	–	500	500	800	800	1,101
Interest payments		47	46	39	36	24	19
Interest swaps							
– Liabilities		1	1	0	–	–	–
– Receivables		0	0	0	–	–	–
Total forecast interest payments		48	47	39	36	24	19
Total, net		48	547	539	836	824	1,120

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

Market risk in assets under management

Assets are managed by the Group's related entities Postens Pensionsstiftelse and PostNords Försäkringsförening in liquidation. 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.

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2020						
	Financial assets measured at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at fair value via other comprehensive income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	–	13	–	–	–	13	13
Currency derivatives	3	–	–	–	–	3	3
Other non-current receivables	150	–	–	–	–	150	150
Trade receivables	–	4,967	–	–	–	4,967	4,967
Other receivables	80	–	–	–	–	80	80
Terminal fees ¹⁾	–	323	–	–	–	323	323
Cash and cash equivalents	–	6,229	–	–	–	6,229	6,229
Non-current interest-bearing liabilities	–	–	–	–	–3,072	–3,072	–3,098
Current interest-bearing liabilities	–	–	–	–	–857	–857	–858
Trade payables	–	–	–	–	–2,877	–2,877	–2,877
Other current liabilities	–	–	–	–	–1,503	–1,503	–1,503
Currency derivatives	–	–	–43	–	–	–43	–43
Interest rate derivatives, hedge accounting	–	–	–	–1	–	–1	–1
Terminal fees	–	–	–	–	–671	–671	–671
Total financial assets and liabilities, by category	233	11,532	–43	–1	–8,980	2,741	2,714

December 31, 2019

Carrying amount and fair value of financial assets and liabilities, SEKm	Financial assets measured at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at fair value via other comprehensive income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Financial investments	–	15	–	–	–	15	15
Currency derivatives	2	–	–	–	–	2	2
Trade receivables	–	4,928	–	–	–	4,928	4,928
Terminal fees ¹⁾	–	489	–	–	–	489	489
Cash and cash equivalents	–	3,398	–	–	–	3,398	3,398
Non-current interest-bearing liabilities	–	–	–	–	–3,872	–3,872	–3,894
Trade payables	–	–	–	–	–2,811	–2,811	–2,811
Other current liabilities	–	–	–	–	–1,099	–1,099	–1,099
Currency derivatives	–	–	–71	–	–	–71	–71
Interest rate derivatives, hedge accounting	–	–	–	0	–	0	0
Terminal fees	–	–	–	–	–478	–478	–478
Total financial assets and liabilities, by category	2	8,830	–71	0	–8,260	501	479

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

Recognition and fair value measurement of financial instruments

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

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

The fair value of interest-bearing 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 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 levels 2 and 3 are used. No transfers between the levels took place in 2020 and 2019.

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.

Level 3

Fair value for financial instruments is measured with a not-inconsiderable element of non-observable data. The asset consists of PostNord's holding in PostNords Försäkringsförening in liquidation. On December 31, 2020 PostNords Försäkringsförening's holding consisted of private equity and cash and cash equivalents. Measurement of the underlying portfolio companies in the private equity funds is based on comparison with equivalent listed companies, market transactions in these companies or measurements used in third-party transactions. This resulted in an unrealized negative change of SEK 12 million (–) in value, which was recognized in net financial items in the income statement.

Financial assets and liabilities by level, SEKm	Level 2, Dec. 31, 2020	Level 2, Dec. 31, 2019	Level 3, Dec. 31, 2020	Level 3, Dec. 31, 2019
Financial assets				
Currency derivatives	3	2	–	–
Other non-current receivables	–	–	150	–
Other receivables	–	–	80	–
Total financial assets	3	2	230	–
Financial liabilities				
Currency derivatives	43	71	–	–
Interest rate derivatives	1	0	–	–
Total financial liabilities	44	71	–	–

The Group has outstanding currency derivatives above all in DKK, NOK and EUR. The nominal amount for interest rate derivatives was SEK 600 million (600).

Note 28 Related party transactions

Group companies

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

For a detailed list of Parent Company and Group participations in Group companies and associated companies, 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 19 million (18) to the Swedish Post and Telecom Authority (PTS). In addition, PostNord paid PTS SEK 9 million (8) for handling of undeliverable mail.

PostNord received SEK 19 million (19) from PTS in remuneration under agreements on the procurement of postal services for the disabled.

The Danish state

Under Denmark's postal legislation, PostNord Danmark A/S is mandated by the Danish state to provide a universal postal service via Post Danmark. Compensation of SEK 314 million (–) was recognized as income during the year. In accordance with the agreement between Post Danmark A/S and the Danish Transport and Construction Agency, fees totaling SEK 2 million (2) were recognized.

During the period, Post Danmark A/S paid pension premiums to the Danish state in the amount of SEK 109 million (140) on behalf of the group of salaried employees who were employed before corporatization.

In 2018, the Danish state paid an amount of SEK 1,533 million to PostNord to cover the costs of terminating the employment of personnel in Denmark with special employment conditions, a process that Post Danmark A/S has carried out in order to transform its operations. The com-

penation was approved by the EU Commission. In the event that it emerges that Post Danmark has been overcompensated with regard to the intended purpose, Post Danmark A/S is required to repay the excess amount to the Danish state. PostNord's view is that no such repayment obligation will arise.

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. On April 30, 2020 the Association entered into liquidation. For further information, see Note 22. The Association insured PostNord's obligations in connection with employee disability and family pension insurance under the ITP-P plan until April 30, 2020. During the period, the Group's Swedish companies received benefits totaling SEK 5 million (12), paid premiums of SEK 0 million (1) and received a refund of SEK 400 million (200).

Postens Pensionsstiftelse (the Posten Pension Fund) manages pension obligations on behalf of PostNord Group AB and PostNord Sverige AB. These companies capitalize new pension obligations at Pensionsstiftelse and are credited with pensions paid out. A total of SEK 162 million (181) was capitalized to the fund and a credit of SEK 728 million (903) was received.

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 Leadership 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 2020 and 2019.

Note 29 Supplementary disclosures, Statement of cash flows

SEKm	2020	2019
Interest paid		
Interest received	33	22
Interest paid	65	45
Adjustments for non-cash items		
Amortization of non-current assets	1,216	1,253
Amortization and impairments, right-of-use assets	1,373	1,148
Impairment losses, property, plant and equipment	13	7
Impairment losses, non-current intangible assets	33	125
Impairment of other assets	–	57
Capital gain/loss on assets and subsidiaries	–381	16
Change in pension liability	–294	462
Other provisions	–879	–1,111
Adjustments for non-cash items	–179	–
Total	903	1,958

Reconciliation of interest-bearing liabilities attributable to financing activities

2020 Jan–Dec, SEKm	Opening balance	Net cash flows	Non-cash items			Closing balance
			Impact of changes in exchange rates	Newly established leases and interest-bearing liabilities	Reclassification	
Non-current interest-bearing liabilities	3,872	–86	–7	–	–536	3,243
Non-current lease liability, as per IFRS 16	4,476	–1,307	–60	1,856	–116	4,849
Current interest-bearing liabilities	–	–	–	321	536	857
Short-term lease liability, as per IFRS 16	1,202	–	–	–	116	1,318
Total change in liabilities arising from financing activities	9,550	–1,393	–67	2,177	–	10,267

2019 Jan–Dec, SEKm	Opening balance	Net cash flows	Non-cash items			Closing balance
			Impact of changes in exchange rates	Newly established leases	Reclassification	
Non-current interest-bearing liabilities	1,769	2,095	8	–	–	3,872
Non-current lease liabilities	1	–	–	–1	–	–
Non-current lease liability, as per IFRS 16 ¹⁾	5,374	–1,086	29	1,378	–1,218	4,476
Current interest-bearing liabilities	1,614	–1,615	1	–	–	–
Current lease liabilities	5	–	–	–5	–	–
Short-term lease liability, as per IFRS 16 ¹⁾	–	–	–	–	1,202	1,202
Total change in liabilities arising from financing activities	8,763	–606	38	1,372	–17	9,550

¹⁾ Adoption of IFRS Leases on January 1, 2019.

Note 30 Acquisitions and disposals

Effect of disposals on assets and liabilities, SEKm	Disposals	
	2020	2019
Property, plant and equipment	655	–
Total non-current assets	655	–
Current assets	108	–
Total assets	763	–
Other current liabilities	105	–
Total liabilities	105	–
Net asset	658	–
Purchase consideration paid/received	1,157	–
Less deposit	9	–
Cash and cash equivalents acquired/disposed of	–	–
Net effect on cash and cash equivalents	1,148	–

Sales of subsidiaries

During 2020, PostNord Group AB sold all shares in PostNord Termo AB and in property companies Lokesvej 18 ApS, Kometvej 15 ApS, Kardinälmärket 1 AB, KB Sveterm and M. P. Allerupsvej 61 ApS.

The consideration received was SEK 1,157 million. Agreements have been entered into to lease back the properties, as a result of which an additional right-of-use asset and lease liability have been recognized. The sale-and-leaseback transactions have provided the Group with increased cash and cash equivalents while enabling the Group to continue using the premises. In accordance with IFRS 16, PostNord has recognized income from the transaction that corresponds to the rights transferred to the buyer. The income from the asset sold is, in accordance with IFRS 16, recognized in the amount of SEK 228 million. The remaining portion of the capital gain, SEK 276 million, is recognized as accrued over the term of the lease.

No material acquisitions took place during 2020 or 2019.

Note 31 Events after the reporting period

No major events have taken place since the reporting period.

Note 32 Definitions and alternative key performance indicators

Alternative key performance indicators

The Group's financial information has been drawn up in accordance with IFRS. Reference is made to a number of financial key performance indicators that are not defined in IFRS. These key performance indicators provide additional information and are used as guidance for the Group Leadership Team, Board of Directors and external stakeholders 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 indicators used by other companies.

The alternative key performance indicators used by PostNord are important in securing focus areas and linking to business model and strategy.

1. Key performance indicator for profitability

Alternative key performance indicators used to measure profitability include EBITDAI, operating margin, adjusted operating income and adjusted operating margin.

EBITDAI is used to illustrate the underlying cash flow of the operating activities, providing an indication of conditions for self-financing of investments and growth.

Adjusted operating income is a useful measure in judging profitability and income of the underlying business.

Operating margin and adjusted operating margin are important key performance indicators for benchmarking.

Definitions:

EBITDAI

Operating income excluding depreciation, amortization and impairments.

Operating margin

Operating income in relation to net sales.

Items affecting comparability

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

Ongoing transformation costs are not regarded as items affecting comparability.

Adjusted operating income

Operating income excluding items affecting comparability.

Adjusted operating margin

Adjusted operating income in relation to net sales.

2. Key performance indicators for capital structure and liquidity

The primary goal of the Group's financial policy is to secure the Group's financial flexibility. Financial flexibility underpins operationalization of strategies and achievement of the Group's goals. The Group must secure access to liquidity in order to cover liquidity requirements, normal seasonal variations in cash flow and refinancing and any negative impact of cash flow resulting from risk outcomes.

Net debt ratio and financial preparedness are indicators of the Group's financial flexibility and are closely monitored by Group Executive Team and Board of Directors. Net debt and the net debt ratio provide important perspectives on the Group's capital structure and leverage. The Group's financial preparedness indicates the Group's resilience to unforeseen negative developments in cash flow.

Definitions:

Net debt

Interest-bearing liabilities, provision for pensions, 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.

Reconciliation with financial statements, December 31, SEKm	2020	2019
Interest-bearing liabilities, current	857	–
Current lease liabilities	1,318	1,202
Interest-bearing liabilities, non-current	3,243	3,872
Non-current lease liabilities	4,849	4,476
Pensions ¹⁾	4,395	4,211
Non-current interest-bearing receivables	–188	–198
Non-current interest-bearing receivables, leases	–93	–
Other non-current receivables ²⁾	–77	–711
Current interest-bearing receivables, leases	–11	–
Cash and cash equivalents	–6,229	–3,398
Net debt	8,064	9,454

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

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

Net debt ratio

Net liability in relation to equity.

Net debt excluding leases in accordance with IFRS 16

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.

Equity excluding leases in accordance with IFRS 16

Equity excluding effect of IFRS 16 in accordance with IFRS 16.

Reconciliation with financial statements, December 31, SEKm	2020	2019
Equity as per Statement of financial position	4,906	3,654
Accumulated effect of leases in accordance with IFRS 16	366	43
Equity excluding leases in accordance with IFRS 16	5,272	3,697

Net debt ratio excluding leases in accordance with IFRS 16

Net debt excluding leases in accordance with IFRS 16 in relation to equity excluding leases in accordance with IFRS 16.

Financial preparedness

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

3. Key performance indicator for return on capital invested

Return on capital employed indicates the ability to generate sufficient returns on capital invested and may be used to compare profitability with other companies.

The Group creates value for its owners by investing with a view to increasing future cash flows. Return on capital employed is an important key performance indicator for benchmarking.

Definitions:

Operating income on a trailing 12-month basis

Total operating income for four quarters.

Capital employed

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

Reconciliation with financial statements, December 31, SEKm	2020	2019
ASSETS		
Goodwill	2,510	2,619
Other non-current intangible assets	439	608
Property, plant and equipment	6,992	8,113
Right-of-use assets	5,954	5,813
Participations in associated companies	134	111
Other non-current receivables excluding disability pensions	334	163
Deferred tax assets	627	491
Inventories	90	105
Tax assets	299	222
Trade receivables	4,967	4,928
Prepaid expenses and accrued income	878	823
Other current receivables	600	464
Assets held for sale	65	126
Other non-current liabilities	–42	–180
Other provisions	–1,685	–2,548
Deferred tax liabilities	–120	–142
Trade payables	–2,877	–2,811
Tax liabilities	–313	–80
Other current liabilities	–1,503	–1,099
Accrued expenses and deferred income	–3,643	–3,439
Other provisions	–737	–1,083
Liabilities categorized as assets held for sale	–	–95
Total capital employed	12,969	13,109

Return on capital employed (ROCE)

Operating income on a trailing 12-month basis, in relation to average operating capital.

Other key 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.

Parent Company

Income statement

SEKm	Note	2020	2019
	1, 2		
Other operating income		16	27
Operating revenue		16	27
Personnel expenses	3	-14	-43
Other expenses	4	-21	-76
Operating expenses		-35	-119
OPERATING INCOME		-20	-92
Interest income and similar items	5	12	0
Interest expenses and similar items	5	-62	-39
Financial items		-50	-39
Income after financial items		-70	-131
Group contributions received		150	230
Appropriations		150	230
Income before tax		80	99
Tax		-18	-22
Net income for the year		62	77

Statement of comprehensive income

SEKm	2020	2019
Net income for the year	62	77
Total other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	62	77

Balance sheet

SEKm	Note	Dec. 31, 2020	Dec. 31, 2019
	1, 2		
ASSETS			
Participations in Group companies	6	10,861	10,861
Interest-bearing receivables		33	32
Total non-current assets		10,893	10,893
Interest-bearing receivables from Group companies	9	8,152	8,040
Other receivables		33	9
Other receivables from Group companies	9	150	239
Prepaid expenses and accrued income		4	0
Total current assets		8,339	8,288
TOTAL ASSETS		19,233	19,181
EQUITY AND LIABILITIES			
Restricted equity			
Capital stock	7	2,000	2,000
Share premium reserve		10,141	10,141
Non-restricted equity			
Retained earnings		3,550	3,473
Net income for the period		62	77
TOTAL EQUITY		15,752	15,690
LIABILITIES			
Interest-bearing liabilities	9	2,929	3,426
Other non-current liabilities		8	8
Total non-current liabilities		2,937	3,434
Current interest-bearing liabilities	9	500	-
Other current liabilities	9	27	43
Accrued expenses and deferred income		16	14
Total current liabilities		543	57
TOTAL LIABILITIES		3,481	3,491
TOTAL EQUITY AND LIABILITIES		19,233	19,181

Statement of cash flows

SEKm	Note	2020	2019
	10		
OPERATING ACTIVITIES			
Income before tax		80	99
Appropriations		-150	-230
Adjustments for non-cash items		-12	22
Income tax paid		-25	-4
Cash flows from operating activities before changes in working capital		-107	-113
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-15	-11
Increase (+)/decrease (-) in operating liabilities		6	14
Changes in working capital		-9	3
Cash flow from operating activities		-116	-110
INVESTING ACTIVITIES			
Changes in Group receivables		-114	-487
Cash flows from investing activities		-114	-487
FINANCING ACTIVITIES			
Amortization of loans		-	-1,550
New loans		-	2,096
Group contributions received		230	51
Cash flows from financing activities		230	597
CASH FLOW FOR THE YEAR		-	-
Cash and cash equivalents at start of year		-	-
Cash and cash equivalents at year-end		-	-

Statement of changes in equity

SEKm	Restricted equity		Non-restricted equity	Total
	Capital stock	Share premium reserve	Retained earnings incl. net income for year	
Opening balance Jan. 1, 2019	2,000	10,141	3,473	15,614
Comprehensive income for the year	-	-	77	77
Shareholders' equity, closing balance Dec. 31, 2019	2,000	10,141	3,550	15,690
Opening balance Jan. 1, 2020	2,000	10,141	3,550	15,690
Comprehensive income for the year	-	-	62	62
Shareholders' equity, closing balance Dec. 31, 2020	2,000	10,141	3,612	15,752

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 possibilities for applying IFRS in the Parent Company IFRS under the Annual Accounts Act, the Act on Safeguarding of Pension Commitments (Tryggandelagen) and, to some extent, for tax reasons. The Parent Company therefore does not apply IFRS 15 and IFRS 16, and a provision for expected customer losses as defined in IFRS 9 has been calculated but judged to be immaterial.

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. If the carrying amount for the Parent Company's holding in the subsidiary, associated company or joint venture company exceeds the carrying amount in the financial statements, this is taken as an indication that an impairment loss has arisen and an impairment test is to be performed.

Group contributions are recognized as appropriations.

Dividends

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

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

Employee benefits

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

Financial guarantees

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

Taxes

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

Segment reporting

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

Note 2 Significant assessments and estimates

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

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

Shares in subsidiaries

Assumptions are made about future circumstances in order to calculate future cash flows that will determine the recoverable amount. The recoverable amount is compared with the carrying amount for these assets and is amount on which possible impairment or reversals are based. 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	2020	2019
Salaries and other remuneration	8	28 ¹⁾
Statutory social insurance costs	3	10
Pension expenses	2	4
Other personnel expenses	–	2
Total	13	43

¹⁾ Provision for agreed severance payment included.

The Parent Company has a1 employee (1). The President/CEO, Annemarie Gardshol, has a monthly salary of SEK 695 thousand (695), a retirement insurance policy with a monthly premium of SEK 39 thousand (39) and an endowment insurance policy with a monthly premium of SEK 166 thousand (166).

The former President/CEO serving until the end April 2019, Håkan Ericsson, had a monthly salary of SEK –thousand (791), a retirement insurance policy with a monthly premium of SEK –thousand (39) and an endowment insurance policy with a monthly premium of SEK –thousand (193) to secure the pension commitment on his behalf.

Note 4 Fees and reimbursement of expenses to auditors

SEKm	2020	2019
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/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	2020	2019
Interest income from Group companies	12	–
Currency earnings	–	0
Total financial income	12	0
Interest expenses	–46	–38
Currency earnings	–1	–
Other financial expenses	–15	–2
Total financial expenses	–62	–39

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	2020	2019
Historical cost, opening balance	11,676	11,676
Accumulated historical costs at year-end	11,676	11,676
Impairments, opening balance	-815	-815
Impairment losses for the year	-	-
Accumulated impairments at year-end	-815	-815
Closing balance	10,861	10,861

Shares held directly and indirectly by Parent Company PostNord AB, SEKm	Corporate registration number	Registered office	Country	Number of shares	Share of equity, %		Carrying amount in Parent Company Dec. 31, 2020
					Direct	Indirect	
PostNord Group AB	556128-6559	Solna	Sweden	600,000	100		10,861
PostNord Sverige AB	556711-5695	Solna	Sweden	1,000		100	
Tidningstjänst AB	556039-7480	Stockholm	Sweden	7,500		100	
Posten Leasing AB	556341-0009	Stockholm	Sweden	5,000		100	
Fastighets AB Penelope	556517-0544	Stockholm	Sweden	100		100	
Nässjöterminalen Kommanditbolag	916629-7458	Solna	Sweden	-		100	
Rosersberg Brevterminal AB	556819-9862	Stockholm	Sweden	1,000		100	
Hallsberg Brevterminal AB	556848-8133	Stockholm	Sweden	500		100	
PostNord Strålfors AB	556102-9843	Ljungby	Sweden	50,000		100	
PostNord Strålfors A/S	10068657	Brøndby	Denmark	200,000		100	
PostNord Strålfors Oy	0115061-7	Vantaa	Finland	2,100		100	
PostNord Strålfors AS	944997431	Oslo	Norway	870		100	
PostNordbolagen AB	556158-7006	Solna	Sweden	1,000		100	
Svensk Adressändring AB	556476-3562	Stockholm	Sweden	850		85	
AddressPoint AB	556587-5597	Stockholm	Sweden	1,700		85	
Direct Link Worldwide Ltd.	2911080	Hayes	UK	110,000		100	
Direct Link Worldwide Distribution Pte Ltd	199700772	Singapore	Singapore	700,000		100	
Direct Link Worldwide Pty Ltd	95493459	Sydney	Australia	1		100	
Direct Link Worldwide Company Ltd	34733122000	Hong Kong	China	1		100	
Direct Link Worldwide Inc.	112-797-736/000	New Jersey	USA	100		100	
Direct Link Worldwide GmbH	217864281	Griesheim	Germany	150		100	
Direct Link WorldWide Sp Zoo	5272719788	Zerniki	Poland	100		100	
PostNord Logistics GmbH	HRB8888HL	Lübeck	Germany	1		100	
PostNord AS	984054564	Oslo	Norway	117,570		100	
PostNord Terminal Trondheim AS	992 079 797	Oslo	Norway	406,220		100	
PostNord Terminal Langhus AS	990427321	Oslo	Norway	200,000		100	
PostNord Oy	1056251-7	Vantaa	Finland	5,817		100	
PostNord OY Eesti filiaal	11472268	Harju	Estonia	-		100	
PostNord Logistics A/S	20148586	Copenhagen	Denmark	500,001		100	
PostNord TPL AB	556161-7191	Solna	Sweden	50,000		100	
PostNord TPL A/S	26115396	Brøndby	Denmark	100		100	
Post Danmark A/S	26663903	Copenhagen	Denmark	25,000,000		100	
Post Fleet Management A/S	79203114	Hvidovre	Denmark	400		100	
Distribution Services A/S	56448810	Copenhagen	Denmark	30		100	
Participations in associated companies							
e-Boks A/S	25674154	Copenhagen	Denmark	6,000,000		50	
e-Boks Group ApS	41015918	Hellerup	Denmark	20,000		50	
eHUBnordic ApS	36959517	Copenhagen	Denmark	474,999		25.5	
Nordic Infrastructure A/S	40059423	Sønderborg	Denmark	392		49	

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

Classes of share, number	Dec. 31, 2020	Dec. 31, 2019
Ordinary shares	1,524,905,971	1,524,905,971
Class B shares	475,094,030	475,094,030
Total	2,000,000,001	2,000,000,001

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

Proposed appropriation of the Company's net income

The Board of Directors proposes that unappropriated earnings of SEK 3,611,747,656 (3,549,544,968) be distributed as follows:

	Dec. 31, 2020	Dec. 31, 2019
To be carried forward, SEK	3,611,747,656	3,549,544,968
Total	3,611,747,656	3,549,544,968

Note 8 Pledged assets and contingent liabilities

SEKm	Dec. 31, 2020	Dec. 31, 2019
Pledged assets for own liabilities		
Pledged assets ¹⁾	33	32
Total	33	32
Contingent liabilities		
Guarantees, PRI	264	254
Guarantees on behalf of subsidiaries	483	568
Total	747	822

¹⁾ Endowment insurance.

Note 9 Financial instruments

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2020						
	Financial assets measured at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at fair value via other comprehensive income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Interest-bearing receivables, Group companies	–	8,152	–	–	–	8,152	8,152
Other receivables, Group companies	–	150	–	–	–	150	150
Non-current interest-bearing liabilities, Credit institutions	–	–	–	–	–2,896	–2,896	–2,920
Current interest-bearing liabilities	–	–	–	–	–500	–500	–500
Trade payables	–	–	–	–	–2	–2	–2
Interest rate derivatives	–	–	–	–1	–	–	–
Total financial assets and liabilities by category	–	8,302	–	–1	–3,398	4,904	4,880

Carrying amount and fair value of financial assets and liabilities, SEKm	December 31, 2019						
	Financial assets measured at fair value via income	Financial assets measured at amortized cost	Financial liabilities measured at fair value via income	Financial liabilities measured at fair value via other comprehensive income	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Interest-bearing receivables, Group companies	–	8,040	–	–	–	8,040	8,040
Other receivables, Group companies	–	239	–	–	–	239	239
Non-current interest-bearing liabilities, Credit institutions	–	–	–	–	–3,394	–3,394	–3,416
Current interest-bearing liabilities	–	–	–	–	–	–	–
Trade payables	–	–	–	–	–3	–3	–3
Interest rate derivatives	–	–	–	0	–	–	–
Total financial assets and liabilities by category	–	8,279	–	0	–3,397	4,882	4,860

Note 10 Supplementary disclosures to Statement of cash flows

SEKm	2020	2019
Interest paid		
Interest received	12	–
Interest paid	60	36

Reconciliation of interest-bearing liabilities attributable to financing activities

2020 Jan–Dec, SEKm	Opening balance	Net cash flows	Non-cash items		Closing balance
			Change in accrual-based costs	Reclassification	
Non-current interest-bearing liabilities	3,426	–	3	–500	2,929
Current interest-bearing liabilities	–	–	–	500	500
Total change in liabilities arising from financing activities	3,426	–	3	–	3,429

2019 Jan–Dec, SEKm	Opening balance	Net cash flows	Non-cash items		Closing balance
			Change in accrual-based costs	Reclassification	
Non-current interest-bearing liabilities	1,323	2,096	7	–	3,426
Current interest-bearing liabilities	1,550	–1,550	–	–	–
Total change in liabilities arising from financing activities	2,873	546	7	–	3,426

The Board of Directors' and President & Group CEO's certification

The Board of Directors and the Chief Executive Officer hereby declare that the annual accounts have been prepared in accordance with generally accepted accounting practice in Sweden and that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards as referred to in Regulation (EC) No. 1606/2002/EC of the European Parliament and of the Council dated 19 July 2002 on the application of international accounting standards. The Annual Report and the annual accounts give a true and fair view of the financial position and results of the Parent Company and the Group. Nothing of material importance has been omitted that might influence the view of the Company provided by the annual report. The Report of the Board of Directors for the Parent Company and Group provides a true and fair overview of the Parent Company's and Group's operations, position and results, as well as describing significant risks and factors of uncertainty to which the Parent Company and the companies included in the Group may be exposed. The annual accounts and sustainability report, together with the consolidated accounts, were as indicated above approved for issue by the Board of Directors and the Chief Executive Officer on February 23, 2021.

Solna, February 23, 2021

Christian Jansson

Chair

Sonat Burman Olsson

Director

Christian Frigast

Deputy Chair of the Board

Susanne Hundsbæk-Pedersen

Director

Måns Carlson

Director

Peder Lundquist

Director

Ulrica Messing

Director

Charlotte Strand

Director

Bo Fröström

Employee representative

Johan Lindholm

Employee representative

Sandra Svensk

Employee representative

Annemarie Gardshol

President and Group CEO

Our Auditor's Report was presented on February 24, 2021

KPMG AB

Tomas Gerhardsson

Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of PostNord AB, corp. id 556771-2640

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of PostNord AB for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 6–78 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 31 December 2020 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 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill and parent company shares in subsidiaries

See note 2 and 10 and accounting principles on page 48 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, 2020 amounted to SEK 2,510 million. The carrying value has been subject to impairment tests, which are complex in nature and are based on significant elements of judgment. Impairment tests have been prepared for all cash generating units, or group of units, that have goodwill associated to them, which for the group consists of six units.

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

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

In the parent company, the carrying value of shares in subsidiaries at December 31, 2020 amounted to SEK 10,861 million. The same type of testing of the carrying value is also performed, using the same technique and judgments, as described above.

Response in the audit

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

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

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

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

Valuation of defined benefit obligations

See note 2 and 22 and accounting principles on page 49 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The group had defined benefit obligations of SEK 25,292 million at December 31, 2020, that primarily are funded but to a lesser extent also unfunded. The fair value of the plan assets amounted to SEK 20,842 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 actuary.

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

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

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

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 1–5 and 83–100. The other information comprises also of the remuneration report which is expected to be made available to us after the date of this auditor's report. 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of PostNord AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, P.O. Box 382, SE-101 27, Stockholm, was appointed auditor of PostNord AB by the general meeting of the shareholders on April 22, 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Stockholm, February 24, 2021

KPMG AB

Tomas Gerhardsson

Authorized Public Accountant





Sustainability information

The left side of the page features a decorative background. It consists of several layers: a top layer of light brown corkboard with a fibrous texture; a middle layer of a smooth, light beige surface; and a bottom layer of a vibrant green paper that is curled up at the bottom left corner, revealing another layer of corkboard underneath. The right side of the page is a solid, light teal color.

Contents

Strategic sustainability goals	86
Material sustainability issues	88
Stakeholders and dialogue	88
Governance and organization	89
Reliable deliveries that contribute to dynamic communities	89
Partnerships for logistics, e-commerce and communication	90
Committed employees who make everyday life easier	91
Results	92
GRI Index	96

Sustainability information

PostNord shall strengthen its market position by demonstrating how its business contributes to sustainable development. Sustainability shall be taken into consideration in all activities. A distinct sustainability agenda is a key element in our strategy. Our Group-wide work has been governed by three strategic sustainability goals achieved by 2020.

Strategic sustainability goals

Climate

-40%

PostNord's total carbon dioxide emissions will reduce by 40 percent compared to 2009.

Gender equality

>40%

No less than 40 percent of PostNord's managers and leaders shall be of the under-represented gender.

Suppliers

80%

80 percent of the purchasing volumes from significant suppliers will come from suppliers who accept and adhere to PostNord's Code of Conduct for Suppliers.

Climate: Goal, actions and outcomes

Climate 2020

Goal: PostNord's total carbon dioxide emissions will be reduced by 40 percent from 2009 levels.

Outcome: At year-end, PostNord's carbon dioxide emissions had been reduced by 40 percent (36) from 2009 levels. In 2020, emissions fell by 5 percent (3).

Comment: PostNord's climate goal, which is expressed in absolute terms, has been very challenging. This is because of a rapidly changing market, in which the number of letters is falling and the number of parcels increasing. A single parcel leads to more carbon dioxide emissions than a single letter. The two major ways of reducing climate impact in our business are efficiencies in all areas and increased use of renewable energy. After a number of years with a shortage of biofuels, availability in the market has increased as a result of rising demand.

Higher resource-efficiency

We are constantly developing solutions for planning, controlling and monitoring production and transportation for greater efficiency in operations.

High capacity utilization, to maximize efficiency and route optimization, are critical elements. Trials of digital visualization and artificial intelligence (AI) have been performed in order to measure and optimize capacity utilization. Double-deck trailers, doubling the volume capacity per trailer, have been developed, which is halving emissions. The development is in use in customer collaborations, as well as in pallet and parcel movements.

Advanced AI route-planning is based on historical and real-time data in order to ensure the shortest possible driving distance and at the same time the best possible estimated delivery time.

Our network of parcel boxes is being established throughout the Nordic region with coverage planned such that recipients will not have to drive to collect their parcel.

There is a renewed focus on capacity utilization, in other words, the available space in our vehicles. The point is to ensure maximum use of space and carry as little air as possible. During the year, PostNord was involved in several seminars, research projects and development activities in order to drive forward change in the area, in partnership with customers, suppliers, consumers, packaging suppliers and the academic community.

Changes in behavior may have considerable impact in reducing carbon dioxide emissions. PostNord's drivers receive training in eco-driving to prevent fuel being consumed unnecessarily. During the year, we updated our driver training course, which is aimed at all drivers regardless of the type of vehicle they drive. The course includes a fuel-efficient driving module and the latest information on eco-driving.

Energy-efficient buildings

PostNord is introducing energy efficiency improvements in all its premises, for example by handling mail and parcels in the same location. A smaller area means lower energy consumption and less maintenance, resulting in a lower environmental impact. We are also analyzing and reducing our energy use via new technology. During the year, we installed LED lighting at two of our terminals in Sweden and at our warehouse in Vaanta, Finland. In Norway, we integrated and merged PostNord Strålfors' operations with PostNord Norway.

During the year, a new terminal at Helsingborg was inaugurated. The terminal has been awarded Miljöbyggnad Silver environmental certification. Energy consumption is optimized via a smart system for collecting and analysis of measurement data.

Electrification of transport operations

PostNord is in the process of extensive electrification of its vehicle fleet. In all countries, electric vehicles are gradually being phased in according to local production. In Sweden, we have introduced around 20 distribution vehicles and nearly 300 small electric-powered delivery vans. PostNord Denmark have taken delivery of 25 vans and nine electric-powered cargo bikes. In Finland, a trial has been carried out with electric bicycles in the Helsinki region. Around 32 percent (28), or around 4,000, consisted of electric vehicles, primarily electric bicycles and small cars. We constantly engage in pilot projects with suppliers in order to identify new electric delivery cars, light vans and heavy trucks that meet our production needs. Air transportation accounts for 1.4 percent (1.5) of PostNord's carbon dioxide emissions which we are striving to minimize. New legislation allowing every second day delivery of letters instead of daily will make it possible to reduce our use of air transportation. During the year, 63 percent of mail volumes were carried by train between terminals in Sweden. All PostNord's major sorting terminals in Sweden, with the exception of one, have rail connections. In Norway, most parcels and pallets are carried by rail and rail-borne parcel volumes increased during the year.

Renewable fuels

PostNord is working to increase the proportion of renewable fuels, to minimize our environmental impact, as well as not using palm oil or residual products from palm oil. The proportion of renewable fuel used in PostNord's own and procured transportation services was 27 percent in 2020.

In Sweden, the major switch was from fossil-based diesel to HVO. In Denmark, we started testing HVO100 in 120 trucks. In Finland, the number of vehicles powered by HVO increased to 48 (35) during the year.

Other renewable fuels require vehicle modification or dedicated vehicles. Vehicles with alternative drivetrains are constantly under review. Within the scope of the joint project EthaDrive, involving Scania, Lantmännen and Sekab, PostNord has taken two heavy ethanol-powered trucks into service. Biogas in heavy vehicles was tested and evaluated in collaboration with Volvo and E.ON. In Norway, the use of biofuel is increasing with a particular focus on biogas. At the same time, ten trucks were modified to be powered by RME in Sweden.

Fossil-free cities

During 2020, we started the process of transitioning to fossil-free distribution in major cities. The first of the initiatives were Fossilfritt Södermalm, Stockholm, and a fossil-free zone in the old town part of Malmö, Sweden. Planning and preparations for the launch of fossil-free distribution in the major cities of the Nordic region were in progress across Norway, Denmark and Sweden.

Digitalization of environmental reports

During the year, PostNord developed an automated tool enabling more frequent, precise and customer-led visualization of the climate impact from services performed by PostNord. The tool will be gradually introduced for use in 2021. The reports generated will form a good basis for continued dialogue with customers as to how we can together reduce the climate impact from our activities. The reports are produced in accordance with the CEN standard, EN 16258.

Suppliers: Goal, actions and outcomes

Purchasing and suppliers 2020

Goal: 80 percent of the purchasing volumes from significant suppliers will come from suppliers who accept and adhere to PostNord's Code of Conduct for Suppliers.

Outcome: At year-end, 80 percent (74) of purchase volumes originated from significant suppliers who had been approved via PostNord's process for verifying compliance with the Code of Conduct.

PostNord's biggest purchase areas are transportation, fuel, staffing for terminals and warehouses and IT. We are in some cases part of long, complex supply chains where collaboration with our business partners is key. Our work on sustainable supply chains focuses on compliance with the Code of Conduct for Suppliers and on training and support for suppliers to make it easier for them to adhere to the Code.

Process for checking compliance

PostNord has a Group-wide process to monitor suppliers' compliance with the Code of Conduct. The process includes self-assessment, risk assessment and site audits at selected suppliers.

Self-assessment: All suppliers shall conduct self-assessment. During the year, 190 suppliers were requested to conduct a self-assessment, an increase from the preceding year.

Risk assessment: The supplier's risk level is assessed with reference to, among other things, sector, geographical location, purchase volume and how business-critical the supplier is to us. Suppliers that we consider to pose a medium or high risk are classified as significant, and selected high risk suppliers must undergo a site audit. Example of high-risk suppliers include those supplying road transportation and staffing.

Audit: PostNord's audits are based on SA 8000, a global standard for auditing and certification of social accountability. The audits include reviewing documentation concerning for example wages and working hours, an inspection of the work environment, the supplier's environmental work and interviews with managers and employees. As a result of the Corona pandemic, considerably fewer audits were conducted than in the preceding year. Two of the audits were conducted remotely as an adaptation in response to the pandemic.

In the course of the year, eight site audits were performed, either independently or with the aid of a third party. When non-compliance is identified, the supplier is asked to analyze the root cause and put forward an action plan. Our approach is in the first instance not to terminate the relationship but to try to support the supplier in developing their operations.

Training

We provide training on sustainability in the supply chain both internally and for our suppliers. During the year, we developed a remote training course targeted at transportation providers. We hold an online meeting with the supplier and the training is dialogue-based. The courses are provided in an effort to develop competence, integrate sustainability into the purchasing process and make it easier for suppliers to comply with the Code of Conduct. A course for suppliers has also been available for some time at postnord.com.

Employees: Goal, actions and outcomes

Gender equality 2020

Goal: The proportion of managers from the under-represented gender shall be no less than 40 percent.

Outcome: At year-end, the female/male balance in managerial positions was 33/67 (32/68).

Comment: The proportion of women (the under-represented gender) is 30 percent or more at all managerial levels, an outcome that has increased slightly year by year. Against the background that the sector is still dominated by men, this is a positive outcome. At the same time, we are continuing our work towards the goal we have established. We are aware that an even gender balance does not automatically lead to gender equality. As a result, PostNord focuses actively on inclusion. Several of our initiatives aim to create an open atmosphere in which each employee's perspective is taken into account.

Ensuring that the company is an attractive employer to all is essential to long-term success and development. Gender equality helps to create a competitive company that achieves better results, is perceived as attractive and is more easily able to recruit and develop employees.

Gender-equal recruitment

PostNord's long-term work on equal opportunity and diversity includes mandatory internal and external advertising for all management, supervisory and project management positions as well as competence-based interviews. In our work to develop diversity in appointing managers, the focus is on always having applicants from both genders represented among the final candidates.

Development and leadership

Diversity is part of our various talent and development programs for managers and specialists, as well as in the various countries' manager development programs.



Material sustainability issues

PostNord's framework for sustainable transformation (see page 89) provides the structure for our sustainability reporting. The framework is based on the materiality analysis that was introduced in 2014 and that has subsequently been updated and adapted. The most recent re-assessment of aspects of sustainability took place in 2018, when they were categorized, evaluated and validated to reflect the GRI Standards perspective on materiality. The materiality has since then been integrated step-by-step into overarching risk, strategy and governance models. The starting points were, firstly, how PostNord impacts the external environment, and, secondly, what is important to enable primary stakeholders to assess and make decisions about PostNord.

The results are compiled into three main areas and a total of nine prioritized sustainability issues. The feedback received by PostNord from priority stakeholders (business partners, the financial market, customers and their recipients, employees, community stakeholders and owners) formed the basis of the analysis. The major share of the feedback is received via the PostNord listens initiative, which provides immediate feedback from recipients. In 2020, we received around 4.9 million (3.3 million) ratings of PostNord deliveries. Overall, the main need of PostNord's primary stakeholders is for reliable deliveries that help to sustain dynamic communities. Other important issues include reducing climate impact, improved safety and security, also in the supply chain. Employees and their commitment is an important area in itself and one that is essential in enabling us to meet other requirements and expectations.

Stakeholders and dialogue

Business partners

Suppliers and service points are among PostNord's most important business partners. Each year, PostNord purchases goods and services of significant value. Our more than 8,000 distribution/service points in the Nordic region bring our services to millions of people.

Dialogue and follow-up: Meetings with suppliers, procurement, audits, continuous dialogue with service partners.

Issues in focus: Collaboration, reliability and delivery quality, information from PostNord to support contact between service partners and customers. Sustainability in the supply chain, PostNord's Code of Conduct for Suppliers.

Financial market

PostNord's operations are financed primarily by the cash flow of the business and subsequently via bond and bilateral loans.

In order to be able to secure access to financing, it is important to have the trust of the financial market.

Dialogue and follow-up: Interim reports, annual and sustainability report and direct contact with analysts, lenders and investors.

Issues in focus: Economic and operational developments, as well as risks in focus for lenders. Business risks, such as business model, competitiveness, impact of the Corona pandemic, assignment from owners and regulation of socially important services. Financial risks, such as net indebtedness, cash flow, financial preparedness and liquidity.

Customers and recipients

PostNord offers business customers, private individuals and recipients in the Nordic region nationwide, secure and reliable postal and logistics services with the focus on quality, the environment and social responsibility.

Dialogue and follow-up: Dialogue with customers, feedback via customer service and from drivers, mail carriers and partner outlets on delivery, ongoing customer and corporate image surveys.

Issues in focus: Technical and perceived quality, new flexible delivery options, availability, customer care, security, eco-friendly solutions, sustainability in the supply chain.

Employees

With around 28,000 employees, PostNord is one of the biggest employers in the Nordic region. Therefore we have a great responsibility for providing a safe and attractive workplace that promotes personal development.

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

Issues in focus: Group goals and priorities, leadership, corporate culture and responsible transformation, customers and quality, working conditions, health and safety, opportunities for development, gender equality.

Community stakeholders

PostNord plays a key role in the business community and in society. We make it possible for businesses, public authorities and individuals to do business and communicate with each other on a daily basis. By operating a stable and profitable business in the long term, with a focus on the environment and social accountability, we meet the expectations of the world around us and enhance our competitiveness.

Dialogue and follow-up: Dialogue with public authorities, politicians, decision-makers and opinion-formers. Dialogue and collaboration with trade associations, advocacy organizations (for example, on rural issues), organizations for sustainable development and social accountability, and with students.

Issues in focus: Delivery quality, perceived quality, postal regulation, environmental impact, security, and availability.

Owners

PostNord is owned by the Danish and Swedish states. We are tasked by our owners with maintaining a universal postal service in Denmark and Sweden. We are required at the same time to generate economic value and be a leading example of sustainable business.

Dialogue and follow-up: Annual general meeting, annual and sustainability report, interim reports and direct contact with owners' representatives.

Issues in focus: Development and delivery of a universal postal service, impact of the Corona pandemic, financing of transformation in Denmark, financial stability, quality, employees, sustainability, digitalization and other current and anticipated challenges and opportunities.

Governance and organization for sustainability

As well as complying with the law, directives, standards, and general industry regulations, PostNord must observe the respective ownership principles of the Swedish and Danish states. This includes pursuing a carefully considered and well-established policy and strategy, together with strategic targets for sustainable business. Like other state-owned companies, PostNord's performance is measured against both financial and non-financial targets. Each function within PostNord must take into consideration sustainability in its strategic and operational activity.

Regulatory guidelines

PostNord's work on sustainability is guided by a number of external regulations: the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the UN Global Compact. The Global Compact is in turn based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the UN Convention against Corruption. These regulations are reflected in PostNord's Code of Conduct.

PostNord's Code of Conduct

PostNord's Code of Conduct ("the Code") has been adopted by the Board of Directors and is PostNord's ultimate governance document. The Code encompasses areas such as business ethics, employees and working conditions, the environment and business partners. It sets out guidance to all employees, irrespective of employment conditions, regarding ethical behavior and compliance with laws, regulations and internal rules. The Code may be supplemented as required by policies, instructions and guidelines laying down more detailed internal rules. The Code represents a minimum standard and therefore must be observed, even if local legislation indicates a lower standard. PostNord also requires our business partners to comply with all relevant aspects of the Code, by signing up to our Code of Conduct for Suppliers.

Organization

PostNord's work on sustainability is overseen by the Group Leadership Team, whose Head of Nordic Strategy & Solutions has overall responsibility for sustainability issues. Work on sustainability is led by the group's Head of Sustainability, who reports to the Head of Nordic Strategy & Solutions. The Framework for Sustainable Transformation described below explains PostNord's commitments to its primary stakeholders.

The framework is based on nine areas of expertise. The Group functions of Compliance, Group Sourcing, HR, Quality, Real Estate, Strategy and Safety are responsible for development in the different areas. Each goal owner is responsible for producing relevant policy documents, formulating goals and associated key performance indicators, securing responsibilities and resources for performing commitments, activities and initiatives, and for following-up and reporting. Group Compliance is responsible for the process for annual review and follow-up of compliance with Group-wide governance documents.

PostNord's strategic goals for sustainable enterprise are evaluated in the annual strategy process and are followed up quarterly via reporting to the Group Leadership Team and the Group Board of Directors.

Framework for sustainable transformation

PostNord's Framework for Sustainable Transformation incorporates three overarching areas and nine underlying issues, and is based on UN Sustainable Development Goals 11, 9 and 8. The Framework explains PostNord's commitments to its primary stakeholders (business partners, the financial market, customers and recipients, employees, community stakeholders and owners) and raises the level of PostNord's ambitions in several areas. It is also broader than the sustainability areas that constitute the Group-wide goals where progress is reported to the Board and owners (climate, gender equality, and suppliers).

Reliable deliveries for dynamic communities	Partnerships for sustainable logistics, e-commerce and communication	Committed employees who make everyday life easier
As a leading player in communication and logistics, PostNord is contributing to the development of sustainable cities and communities in the Nordic region. PostNord is also responsible for the universal postal service in Sweden and Denmark.	PostNord's products and services have the potential to build sustainable infrastructure and sectors. To be successful in this, we need to collaborate, customers, consumers and suppliers.	PostNord will continue to offer good working conditions and development opportunities in a rapidly-changing market where there is a pressing demand for efficiencies.
		

Reliable deliveries that contribute to dynamic communities

PostNord's most fundamental obligation is to its customers and recipients: reliable deliveries that contribute to dynamic communities in the Nordic region. This includes being responsible for the universal service obligation (USO) in Sweden and Denmark. The business is operated such as to ensure we deliver in this area. Outcomes are monitored and evaluated in the line organization and by the Group Leadership Team.

PostNord in the community

As a leading player in communication and logistics, PostNord has a key position in Nordic society and the region's business community. With our unique network, we enable businesses, public authorities and private individuals to do business, deliver goods and communicate with each other, irrespective of geographical distances. This creates many opportunities, including in sparsely populated areas.

Range and service availability

PostNord offers a wide range of services that are easily accessible to customers and recipients. We build on existing services and develop new ones. For example, our award-winning app helps to increase availability. Range and service availability are regulated, for example, by the terms and conditions of PostNord's postal licenses. As part of the requirements of the universal service obligation, PostNord is required to collect and deliver post every day from Monday to Friday (except public holidays). The postal service is also subject to particular requirements, such as for example a postal service that is independent of access to the Internet. An extended service may be provided to households where all members are more than 80 years of age or have functional impairments.

In Denmark, a model is used in which we have up to five business days to deliver regular letters. This means that normal mail items can be delivered within two to five business days. In Denmark, the Quickbrev service is also offered for letters that must be delivered to the recipient from one day to the next. Quickbrev items must be handed in at one of Denmark's 1,200 post offices.

Quality

PostNord must maintain a consistently high quality of service. This applies to both technical quality and the quality of the experience. In Sweden, the primary quality standard for two-day delivery is no less than 95 percent of regular letters must be delivered within the two following working days.

In Denmark, the standard is 93 percent of regular letters must be delivered within five business days. The quality target for Quickbrev is 95 percent.

Ensuring robustness and resilience in the face of disturbances in and disruptions of service is critical to the continuity of operations. PostNord works systematically on continuity management in accordance with the ISO 22301 standard. We operate a Group-wide continuity program to ensure our ability and preparedness to be able to deal with any events causing disruptions in critical deliveries. All critical deliveries are analyzed annually and plans for restoring and maintaining resources and deliveries are established and tested.

> For more information on PostNord's quality outcomes, see page 92.



Partnerships for logistics, e-commerce and communication

PostNord takes responsibility in terms of reshaping the industry to steer towards a reduced climate impact, by promoting safety and security for employees and goods and by making sure that suppliers and partners assume responsibility in the same way. Partnerships with external stakeholders are essential for delivering the logistics, e-commerce and communications of tomorrow. Internally, the Strategy, HR, Group Sourcing and Safety functions are involved in governance and development of the work in this area. Outcomes are evaluated on an ongoing basis by the Group Leadership Team.

Climate leadership

The transportation sector has a key role to play in resolving the climate crisis and we need to transform our business in order to retain our competitiveness in a low carbon economy. PostNord's climate goal is in line with the UN goal of ensuring that the rise in global warming is kept well below two degrees and the goal has been approved by the Science Based Targets initiative. While focusing on achieving the climate goal for 2020, we produced a new climate agenda that will further accelerate the climate transformation needed in our sector.

> For more information on PostNord's climate impact initiatives and outcomes, see page 92.

Safety and security

PostNord addresses safety and security for two main reasons: partly to protect employees and property that might be affected by crime as part of, or in connection with, PostNord's activity, and partly to ensure that mail items reliably reach the right recipient on time.

Protection against criminal acts: Organized crime targets goods that are handled by PostNord. Thefts are often well planned and target high-value mail items. PostNord's safety systems are continuously being developed, and measures include analyzing big data from our various operational systems in order to spot trends, identify non-conformances and thus prevent or solve crime.

> For more information on PostNord's security and continuity work, see page 93.

Protection against personal injury: PostNord works actively on health and safety issues and assumes responsibility for its own employees and employees working on behalf of PostNord. Our focus is on minimizing the risk of workplace accidents and accidents during transportation. We will also take any necessary measures to protect employees against threats and violence.

> For more information on PostNord's work environment outcomes, see page 95.

Protection of personal data: Personal data processed by PostNord shall always be kept protected and secure and be processed with due care and attention, to ensure that the right to protection for personal data is respected. The personal data of customers and employees is processed only when necessary, for example in order to fulfil an agreement, or in order to analyze and improve our services. PostNord has routines and technical solutions in place to protect personal data from unauthorized access. Any data subject who wishes to exercise their rights under the GDPR can contact the relevant PostNord entity by (e-)mail or by contacting customer service.

> For more information on initiatives and outcomes regarding protection of personal data, see page 94.

Long-term business partners

PostNord is working to develop long-term, trusting relationships with customers, suppliers and other partners. Customer satisfaction is one of our most important goals and metrics. Satisfied customers means an increased number of long-term relationships with us, which is essential if we are to cooperate in restructuring projects. PostNord's sustainability requirements for suppliers are detailed in the Group's Code of Conduct for Suppliers. Where necessary, we also set product- or service-specific requirements.

> For more information on PostNord's initiatives and outcomes in relation to customers and suppliers, see pages 87 and 94.

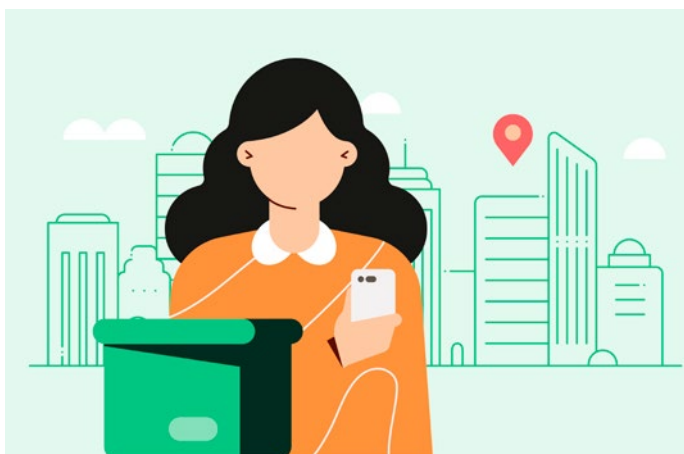
Committed employees who make everyday life easier

Despite tough competition and strong downward pressure on prices, PostNord continues to be a responsible employer and partner. We offer good terms and conditions of employment and put everything in place to enable our employees make life easier for customers and recipients. Development for PostNord employees is organized through the line management system in each company with support from HR. Outcomes are evaluated on an ongoing basis by the Group Leadership Team.

Compliance at PostNord

PostNord's compliance framework defines clear areas of responsibility and ensures consistent and transparent decision-making, in order to comply with laws, regulations and ethical standards and uphold the company's reputation and integrity. The framework consists of, alongside the Code of Conduct and the Code of Conduct for Suppliers, internal governance documents in the form of policies, instructions and guidelines, whose purpose it is to reduce operational risks and compliance risks in areas that are of material importance to PostNord. PostNord's Head of Compliance is responsible for establishing the framework for compliance. The Group functions and the business units are responsible for performing risk analysis in the individual areas, determining the need for adoption or revision of governance documents and overseeing compliance with the governance documents adopted. PostNord's delegated authority procedure indicates who can adopt which governance document.

Code of Conduct: PostNord's Code of Conduct ("the Code") sets out the expectations placed on all employees. Managers must act as role models and ensure conditions are in place to enable employees to act in line with the Code. The Code is to be discussed at recruitment and during annual performance appraisals. All employees are under a duty to familiarize themselves with and observe the Code, and to undergo a mandatory training course. Every employee is encouraged to raise any issues with their immediate manager or to contact HR or Legal at Group level and to report suspected breaches. Employees are also able to report breaches of the Code of Conduct via the online whistle-blower platform, either anonymously or in person. The platform may be accessed either via the intranet or www.postnord.com.



Anti-corruption: Our business must be guided by good business ethics and zero tolerance of corruption. Our Code clearly explains the rules that apply. The Code is accompanied by An Instruction setting out when benefits and business entertainment may be offered and accepted by representatives of PostNord. The instructions are supported by a e-learning course and other training material. Purchasers and sales personnel are seen as high-risk groups and are given special training in legal and appropriate behavior.

Competition on equal terms: PostNord's Code of Conduct states rules on competition on equal terms and a special program is provided to support compliance. Sales personnel, major account executives and other relevant groups are given regular training on the relevant rules.

Tax: PostNord's tax policy states that the Group must comply with all applicable national laws and regulations, as well as relevant international guidelines. PostNord also strives to mitigate tax risks and does not use controversial tax arrangements. The Group also aims to achieve open and trustful relationships with tax authorities in all the countries in which it operates.

> For more information on PostNord's outcomes regarding compliance at PostNord, see page 94.

Diversity and inclusion

PostNord bases its work on diversity and inclusion on the conviction that differences between people make a workplace more dynamic and attractive. The relevant rules and guidelines are set out in PostNord's Code of Conduct and Diversity Policy. Managers must act as a role model and work actively to uphold the Group's guidelines on gender equality and equal treatment.

> For more information on PostNord's gender equality initiatives and outcomes, see pages 94 and 95.

Strategic Workforce Planning

Strategic workforce planning is a part of our People Planning process, which also includes succession- and talent-planning. An important part of the process is to identify critical positions to ensure that unforeseen events can be managed safely. PostNord has a major need for employees with the right competencies, and where a competence shortage exists, for example with drivers, we need to take appropriate actions. PostNord participates in projects to train and recruit newly-arrived individuals, as well as trainee programs for bringing in new skills in IT.

> For more information on PostNord's initiatives and outcomes in skills provision and development, see page 95.

Results

1. Reliable deliveries for dynamic communities

Quality: letters

Outcome – Sweden:

- Letters 0–2 Sweden (Priority): 98.1 %

Outcome – Denmark:

- Breve 0–5 Denmark (Standard): 95.4%
- Quickbrev 0–1 Denmark (Priority): 95.8%

Measurement and calculation method: Quality: letters

Swedish External Monitoring (SWEX) and Danish External Monitoring (DEX) are two independent, external quality measurements that continuously gauge the proportion of mail that is delivered from customer to customer on time. Measurements are carried out via a statistically assured test mail operation that meets the requirements set out in the standard SS-EN 13850: 2012.

Quality: parcels

Outcome – Group:

- 95.2% (95.9)

Measurement and calculation method: Quality: parcels

The Group's overall measure of quality for parcels is a weighted figure calculated on the basis of the quality and volumes reported from the countries concerned. The production system measures the proportion of parcels delivered at the right time, from initial production scan to final delivery scan at either the collection point or the recipient's address.

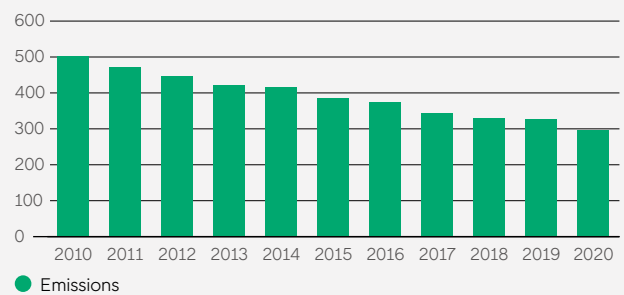
The products included in the measurements are business-to-business parcels and business-to-consumer parcels, other than in Finland, where only business-to-business parcels are included. In Denmark, consumer-to-consumer parcels are also included.

2. Partnerships for sustainable logistics, e-commerce and communication

Climate leadership

Emissions (tons)	2020	2019	2018
Direct CO₂ emissions (Scope 1)	96,151	85,500	80,835
Own transportation			
Fossil fuels	95,752	84,987	80,387
Renewable fuels	41,455	27,943	31,564
Direct heating (gas and oil)	399	513	448
Indirect CO₂ emissions (Scope 2)	12,867	13,054	14,608
Heating and electricity	47,362	62,227	63,029
Reduction through purchase of renewable electricity	-34,496	-49,172	-48,421
Other indirect CO₂ emissions (Scope 3)	186,830	228,661	236,034
Sub-contract transportation (road, rail, air and sea)			
Fossil fuels	186,540	225,480	232,034
Renewable fuels	59,221	68,649	71,006
Business travel	289	3,181	4,000
Fossil-fuel based CO₂ emissions, total	295,848	327,215	331,477

Carbon dioxide emissions 2010–2020, thousands of tons



Measurement and calculation method: Climate

PostNord's climate goal of reducing carbon dioxide emissions by 40 percent by 2020 has 2009 as its base year, the year that Posten AB and Post Danmark A/S merged. The calculations are made in accordance with the principles of the Greenhouse Gas Protocol. The goal for 2020 has been assessed and approved by Science Based Targets.

The calculations have been continuously adjusted to allow comparability following organizational changes, most recently in 2020 on divestment of the subsidiary Termo. Climate reporting covers PostNord's activities in the Nordic region, apart from Svensk Adressändring, whose climate impact is negligible. Direct Link is not included in the calculations.

Road transportation: Carbon dioxide emissions are calculated on the basis of volumes of fuel purchased or distance driven and type of vehicle. Calculations based on subcontractor costs are used when required. All emission factors relate to the usage phase.

Emission factors, road transportation

- Nordic region combined:
 - FAMR, HVO, ethanol: Swedish Energy Agency
 - Petrol: SPBI (Swedish Petroleum & Biofuel Institute)
- Sweden:
 - Diesel: SPBI (Swedish Petroleum & Biofuel Institute)
- Rest of Nordic region:
 - EU diesel EN590

Air transportation: PostNord purchases air transportation externally for operations in Sweden. No air transportation was used in Denmark, Finland or Norway during the year. The Swedish business receives data from suppliers on amounts of fuel and distances. Foreign air transportation is not included in the calculations.

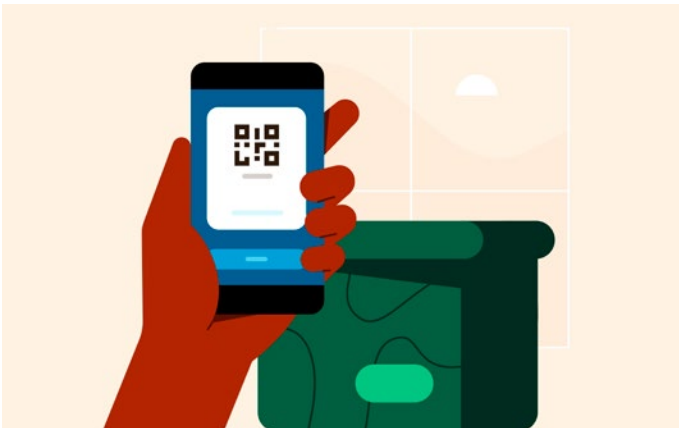
Emission factors, air transportation

- Nordic region combined:
 - Swedish Energy Agency

Rail and ferry transportation: PostNord's Swedish and Norwegian operations make considerable use of rail transportation. Rail transportation in Sweden and Norway is powered by renewable-generated electricity. Only the Danish business uses ferry transportation to any major extent. Information on transportation performed is recorded in the transportation management system and emissions are calculated on the basis of tons/kilometer.

Emission factors, rail and ferry transportation

- Nordic region combined:
 - Swedish Energy Agency



Premises: PostNord procures renewable-sourced electricity for the entire Group.

Emission factors, premises and other energy consumption

- Nordic region combined:
 - Electricity: Swedish Energy Market Inspectorate (Nordic residual electricity mix)
 - Gas: Swedish Energy Agency
 - Fuel oil: Swedish Energy Agency
- Sweden:
 - District heating: SCB
- Finland:
 - District heating: Finnish Energy
- Denmark:
 - District heating: Danish Energy Agency
- Norway:
 - District heating: Supplier data

Operations subject to licensing and notification

PostNord runs operations that are subject to licensing and notification under national legislation in Sweden and Denmark. Strålfors' graphic production facilities are subject to licensing, PostNord TPL has logistics facilities that are subject to licensing or notification and PostNord Sweden has a number of vehicle washing facilities that are subject to notification. PostNord systematically checks for compliance with legislation relating to the environment and the work environment. In 2020, there were no major breaches of this legislation. Major breaches are defined as infringements resulting in fines of no less than SEK 5 million.

Climate compensation

The Group's emissions are not climate-compensated. Climate compensation is provided in respect of PostNord's climate-friendly services.

Customer reports on environmental conservation

PostNord assists customers with their reporting and communications. Assistance includes customer-specific environmental reports that customers can use to monitor and streamline their logistics and as a basis for their own environmental or sustainability reporting.

Cooperation in sustainability

Cooperation is essential if we are to be able to achieve our sustainability targets. PostNord maintains ongoing dialogue with legislators, owners of infrastructure and opinion-formers, and engages in developmental projects with customers, suppliers and other players in our supply chain. PostNord is represented in several national and international business networks that address general sustainability issues and sustainable transportation, including CSR Europe Responsible Trucking, CSR Sweden,

Green Chain, Klimatneutrala godstransporter på väg (KNEG) (Climate-Neutral Goods Transportation by Road), Network for Transport Measures (NTM), the Swedish Association for Sustainable Business (NMC), the Norwegian Institute of Transport Economics and the Swedish Confederation of Transport Enterprises. We are also active in sustainability groups in associations for postal operators, such as IPC and PostEurop. We are involved in development projects looking at transportation in the circular economy and the logistics involved in dealing with food waste, in association with Vinnova. We are also working with the Swedish Retail and Wholesale Council on a project to develop optimal packaging.

Safety and security

Protection against criminal acts: During the year, the focus was on ensuring a reasonable level of appropriate security for the Company's production facilities. We also made progress in developing our ability to use data to identify and counteract criminal activity. The security protection is based on the TAPA FSR and TSR global standards and is described in PostNord's Minimum Security Requirements.

In 2020, fewer acquisitive crimes, such as theft, were confirmed and at the same time the number of arrests and prosecutions increased.

Protection against personal injury: The largest number of work-related injuries in the Group occur in production and distribution, and are mostly in the form of falling accidents. PostNord operates a structured system of reporting for work-related injuries in order to create the conditions for preventing accidents.

Work-related injuries, per million hours worked	2020	2019
PostNord Sweden	43.9	50.6
PostNord Denmark	76.3	53.4
PostNord Norway	75.2	50.6
PostNord Finland	35.3	N/A
PostNord Strålfors	12.1	21.7
Other units	2.8	2.2
Total	51.7	48.7

Measurement and calculation method: Recorded work-related injuries

Recorded work-related injuries in relation to hours worked (does not include injuries sustained during travel). Work-related injuries with or without sickness absence are included in reporting. The injury ratio is calculated as the total number of injuries per million hours worked. Calculations are based on the total number of hours worked, irrespective of type of employment.

Sickness absence, %	Total 2020	of whom women	of whom men	Total 2019
PostNord Sweden	7.4	8.8	6.7	6.2
PostNord Denmark	4.0	4.6	3.8	3.5
PostNord Norway	6.9	6.7	7.0	6.8
PostNord Finland	2.9	2.9	2.8	2.9
PostNord Strålfors	4.0	5.5	3.2	4.1
Other units	3.2	4.1	2.5	2.4
Total	6.2	7.3	5.7	5.3

Measurement and calculation method: Sick leave

Sickness absence is calculated as the number of hours of sickness absence in relation to regular, contracted working hours for both regular employees and temporary staff. Regular, contracted working hours include hours worked, sickness absence, vacations, care for sick children and other paid leave. Parental leave is not included in contracted hours.



Protection of personal data: During 2020, the GDPR governance framework and its corresponding routines were thoroughly revisited in order to further improve compliance to the GDPR. Various trainings have taken place to specific target groups, such as developers of digital services and HR, in order to raise awareness and implement the newly set routines. A new privacy governance model was set up, that complements the Group Data Protection Officer with Data Protection Officers in the country business units of PostNord. During 2020, PostNord has been subject to one ongoing investigation from 2019, as well as two new investigations by local data protection authorities. All three cases are still ongoing, and PostNord is working closely with the authorities to resolve their questions.

Long-term business partners

Customer satisfaction: A Customer Value Index (KVI) is used to measure how satisfied business and private customers are with PostNord. The KVI is used in continuously monitoring and assessing customers' perceptions of our business, and the findings are used to narrow the focus of our improvement initiatives. In 2020, the KVI was 65 (62) on a scale of 0 to 100. This continued the positive trend, in which for the third year in a row, the focus on improvement – based on our aim to make everyday life easier – is showing positive results.

Measurement and calculation method: Customer satisfaction

The survey is performed once a year in the business market and covers all PostNord country organizations. In the private individual market it is performed once a year in all countries except Finland. Additional research is conducted in the form of quarterly surveys in Denmark and Sweden. The annual survey reaches 4,600 individuals online and around 3,000 companies by phone.

Image: PostNord's image amongst private individuals is measured using the RepTrak/Pulse index. The Pulse figure was 51 (47), indicating a positive development in how we are perceived in all countries. Work is underway at several levels with the aim of further improving the Pulse figure.

Measurement and calculation method: Image

RepTrak/Pulse consists of four questions asked by the Reputation Institute. The responses are measured on a scale from 0 to 100. In the survey, 800 people a month, evenly distributed across Sweden, Denmark, Norway and Finland, are asked questions about how they perceive the PostNord brand. The overall result is a weighting of results from each country.

3. Committed employees who make everyday life easier

Compliance at PostNord

During the year, we strengthened our framework for compliance by drawing up a Governance Document Instruction (GDI) and establishing an annual planning wheel for compliance. A document hierarchy has been established and documented, together with clearly defined requirements for governance documents and responsibilities for their owners. The GDI also describes how governance documents can be adopted and how roles and responsibilities for owners of governance documents should be defined. The GDI has been adopted as a Group instruction and is mandatory throughout the PostNord Group. The Compliance Annual Planning Wheel is intended to ensure structured, regular reporting on compliance with the obligations laid down in GDI. Owners of governance documents are tasked with undertaking a risk analysis and an assessment of compliance with their documents governance documents. The results are reported to the Head of Compliance. If the risk analysis indicates that a governance document needs to be adopted or amended, an established adoption procedure is applied in accordance with the authority delegated. The compliance status is reported to the Head of Compliance, who in turn reports to the Audit Committee. Depending on the result of the compliance status, measures are agreed and then implemented.

2020 was the first year in which compliance with existing governance documents was assessed in accordance with the annual planning wheel for compliance. This resulted in a number of measures, including an increase in the amount of training in specific areas of compliance, further improvements in roles and responsibilities and an increase in follow-up activities.

Code of Conduct: In 2020, PostNord's Code of Conduct ("the Code") and associated online training course were updated. As part of the review, a new standard was established, requiring all employees to follow the mandatory online training course every year, and to sign off on that they have read and understood the Code and to act in accordance with the Code. When the new Code was adopted by the Board in May, a communication plan was implemented to ensure that all employees were familiar with the new Code and the mandatory online training course.

Whistle-blower-function: During 2020, several reports were received via PostNord's dedicated whistle-blower portal. None of the reports met PostNord's criteria for a whistle-blower case. However, every case was followed up in accordance with PostNord's internal routines.

Anti-corruption and conflicts of interest: PostNord was not subject to any official investigation regarding corruption in 2020, and we did not receive any reports of suspected corruption via our internal reporting channels. During the review of our Code of Conduct, "conflicts of interest" were added as a specific area in which compliance by employees is expected.

Inclusion and diversity

Employees (basic staff at end of year)	2020	2019
Administration	3,407	3,469
of whom, women	1,351	1,350
of whom, men	2,056	2,119
Production	23,094	24,248
of whom, women	6,828	7,281
of whom, men	16,266	16,967
Total	26,501	27,717

Employees (all staff at end of year)	2020	2019
Core staff	26,501	27,717
of whom, women	8,178	8,631
of whom, men	18,323	19,086
Temporary employees	9,747	8,645
of whom, women	3,525	3,152
of whom, men	6,222	5,493
Total	36,248	36,362

Measurement and calculation method: Number of employees

Core staff refers to regular full or part-time employees, and should cover staffing needs for normal operations. Temporary staff meet increased operational needs, for example at Christmas and during vacation periods.

Gender distribution (core staff)	2020	2019
Managers	1,246	1,278
of whom, women (%)	33	32
All employees	26,501	27,717
of whom, women (%)	30	31

Age distribution (core staff) (%)	2020	2019
–29	19	20
30–50	43	42
51–	38	38
Total	100	100

Measurement and calculation method: Gender and age distribution

Data regarding employees refers to all those employed in the Group. Data on gender affiliation are taken from the payroll system where the particular employee is registered.

Satisfaction & Motivation and Immediate Manager

Good leadership is important to the commitment of employees, the work environment and the customer experience. PostNord's ABC leadership is based on the concepts of Accountable, Brave and Committed and refers to both the manager's leadership and the employees' self-management. The ability of managers to lead change and the commitment of employees are essential to the success of the ongoing transformation into a clearly service-led organization.

PostNord monitors the Satisfaction & Motivation of employees and the results for the immediate manager via annual surveys. The employee survey, FOCUS, provides a Satisfaction & Motivation index, which in 2020 indicated 67 (66). We regard this as a satisfactory result. The survey also includes an index showing employees' perceptions of their immediate

manager's leadership in terms of work environment, motivation and clarity of expectations regarding individual targets. The immediate manager index for 2020 was 71 (70).

The employee survey also included the statement: "In my teams, we respect and trust one another". The result shows a higher degree of respect and trust, which we regard as an important condition for inclusion and commitment in the workplace. The overall result for the year was 76 (external benchmark: 82).

In the survey, employees show great enthusiasm for their work and the Company. Employee loyalty towards PostNord has increased over the past four years. The biggest challenges are confidence in senior management and management communication of strategies and targets. There is a constant focus on creating the right conditions for employees in the organization.

During the Corona pandemic in 2020, communication with employees and digitalization of the workplace were decisive factors in enabling employees to perform their work. With the scope for physical meetings being restricted, digital tools played an important part in this communication.

Strategic Workforce Planning

To strengthen the PostNord brand, and also attract newly qualified staff, the Company offered internships and trainee programs during the year, including in IT. As part of the Driver Academy initiative, PostNord Sweden worked with the Swedish Public Employment Service to offer internships during the training, with the aim of encouraging drivers to consider working at PostNord. PostNord Sweden developed this concept for van drivers with the In Car Coach initiative, which aims to use coaching to develop the driver's work environment while identifying ways of working that help increase customer satisfaction.

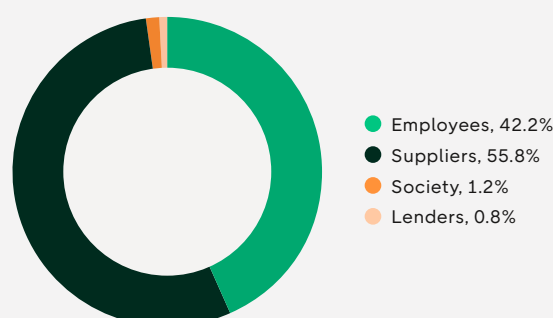
Membership and representation

Every employee enjoys the right to freedom of association, including the right to join a trade union. Over 99 percent of Group employees are covered by collective bargaining agreements. PostNord is a member of industry and employer organizations in each of the countries in which it operates, including Almega and the Swedish Confederation of Transport Enterprises (Sweden), the Confederation of Danish Industry (Denmark), the Confederation of Norwegian Enterprise (NHO) and the Norwegian Logistics and Freight Association (Norway), and Finnish Industries (Finland).

Distribution of economic value

The economic value PostNord generates is distributed to employees in the form of wages, salaries and other remuneration, to suppliers as payment for goods and services, to lenders as interest payments, to the communities in which PostNord operates in the form of tax payments, and to its owners when dividends are payable. In all, SEK 37,568 million (36,081) was distributed in 2020.

Value generated and distributed 2020, SEK m



GRI Index

This Annual and Sustainability Report summarizes PostNord's sustainability initiatives and results during the 2020 financial year in accordance with the GRI Standards (Core). PostNord reports on sustainability annually with the most recent report having been published on March 11, 2020.

The index below shows where information on GRI disclosures and information relating to the principles of the Global Compact can be found.

Further information on PostNord's sustainability work and reporting is available from sustainability@postnord.com.

"We share the values of the UN's Global Compact (UNGC) and wish to express our continued support for its ten principles on human rights, labor, the environment and anti-corruption. Our Annual and Sustainability Report constitutes PostNord's Communication on Progress towards UNGC."

Annemarie Gardshol
President and Group CEO



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

GRI Standard	Disclosure	General disclosures Description	Page/Comments	The UN Global Compact
GRI 102: General Disclosures 2016				
Organizational profile				
	102-1	Name of the organization	28	
	102-2	Activities, brands, products, and services	3, 6–25, 86–95	
	102-3	Location of headquarters	45	
	102-4	Location of operations	51	
	102-5	Ownership and legal form	28	
	102-6	Markets served	6–11, 20–25	
	102-7	Scale of the organization, including total number of employees, operations, net sales, and capitalization	2, 6–11, 18–19	
	102-8	Information on employees and other workers	14, 53, 87, 95	
	102-9	Supply chain	87	
	102-10	Changes during the reporting period in the organization's size, structure, ownership, and supply chain	69	6
	102-11	Handling of the precautionary principle	89	7
	102-12	External sustainability principles and initiatives that the organization supports	89, 93, 95	
	102-13	Membership of associations	93	8
Strategy and analysis				
	102-14	President and Group CEO statement	4–5	
Ethics and integrity				
	102-16	Organization's values and ethical guidelines	32, 89	10
Governance				
	102-18	Governance structure	28–33, 89	
Stakeholder engagement				
	102-40	Stakeholder groups	88	
	102-41	Number of employees covered by collective negotiations	95	3
	102-42	Basis for identification and selection of stakeholders with whom to engage	88	
	102-43	Organization's methods for stakeholder dialog	88	
	102-44	Issues raised by stakeholders	88	

GRI Standard	Disclosure	GENERAL DISCLOSURES Description	Page/Comments	The UN Global Compact
		Reporting methodology		
	102-45	Business units included in the reporting	92–95	
	102-46	Process for defining the report content and boundaries	88	
	102-47	Material sustainability issues identified	88	
	102-48	Explanations of adjustments from previous reports	92	
	102-49	Material changes in reporting	No material changes have been made.	
	102-50	Reporting period	96	
	102-51	Date of most recent report	96	
	102-52	Reporting cycle	96	
	102-53	Contact for reporting	96	
	102-54	Statement confirming that the report complies with GRI Standards	96	
	102-55	GRI Index	96–97	
	102-56	External assurance	98	

GRI Standard	Disclosure	GENERAL DISCLOSURES Description	Page/Comments	The UN Global Compact
		Reliable deliveries that contribute to living communities		
	103-1/2/3	Sustainability governance	26–33, 89, 91, 94	
GRI 201: Economic performance 2016	201-1	Economic value generated and distributed	95	
		Partnerships for sustainable logistics, e-commerce, and communication		
	103-1/2/3	Sustainability governance	26–33, 89, 91, 94	
GRI 305: Emissions 2016	305-1	Direct greenhouse gas emissions (Scope 1)	92–93	7, 8
	305-2	Indirect greenhouse gas emissions (Scope 2)	92–93	7, 8
	305-3	Other indirect greenhouse gas emissions (Scope 3)	92–93	7, 8
GRI 308: Supplier review 2016	308-2	Material current and possible negative impact on the environment in the supply chain, and actions taken	87	8
GRI 403: Working environment, and health and safety 2016	403-2	Injuries, work-related illness, working days lost, absence and total number of work-related fatalities	93	
GRI 414: Supplier review 2016	414-2	Material current and possible negative impact on labor law in the supply chain, and actions taken	87	2, 3
GRI 418: Customer privacy 2016	418-1	Number of complaints regarding breaches of customer privacy	94, with deviation from GRI principles.	
		Committed employees who make everyday life easier		
	103-1/2/3	Sustainability governance	26–33, 89, 91, 94	
GRI 404: Skills development & training 2016	404-2	Training and education	87, 91, 95	6
GRI 405: Gender equality & diversity 2016	405-1	Gender and age distribution for all employees and managers	87, 95	6

Auditor's Limited Assurance Report on PostNord ABs Sustainability Report and statement regarding the Statutory Sustainability Report

To PostNord AB

Introduction

We have been engaged by the Board of Directors of PostNord AB to undertake a limited assurance engagement of PostNord ABs Sustainability Report for the year 2020. PostNord AB has defined the scopes of the Sustainability Report and the Statutory Sustainability Report on the inside cover of this document.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 92–95 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been

conducted in accordance with FAR:s accounting standard RevR12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of PostNord AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

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

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

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 24 February 2021

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR

Multi-year review

SEKm, unless otherwise specified ¹⁾	2020	2019	2018	2017	2016
Group					
Net sales	38,729	38,278	37,669	37,007	38,478
Other operating income	1,427	351	2,053	324	263
Operating expenses	-37,734	-38,446	-40,578	-37,455	-39,824
Operating income (EBIT)	2,421	184	-855	-124	-1,083
Operating margin (EBIT) (%)	6.3	0.5	-2.3	-0.3	-2.8
Net income for the period	1,711	-239	-1,067	-337	-1,583
Cash flow from operating activities	4,151	2,132	2,083	1,361	1,321
Net debt (including pensions and lease liabilities)	8,064	9,454	1,614	238	354
Net debt ratio (including pensions and lease liabilities), %	164	259	31	3	5
Net debt (including pensions but excluding lease liabilities)	2,001	3,776	1,614	N/A	N/A
Net debt ratio (including pensions but excluding lease liabilities), %	38	102	31	N/A	N/A
Return on capital employed, %	18.6	1.6	-12.4	-1.6	-12.1
Investments	1,074	1,356	1,374	1,196	1,182
Dividend, total *proposed	0*	0	0	0	0
Average number of employees (FTE)	28,006	28,627	29,962	31,350	33,278
Number of employees at end of period	36,248	36,362	39,070	39,789	39,929
<i>of whom, temporary employees</i>	9,747	8,645	9,184	8,992	7,272
Volumes, millions					
Group total, parcels ²⁾	198	174	171	154	142
Denmark, priority mail/Quickbrev	23	25	35	40	101
Denmark, non-priority and business mail	170	213	230	265	272
Sweden, priority mail	577	608	663	712	757
Sweden, non-priority mail	609	738	801	925	1,008

¹⁾ The consolidated accounts have been prepared in accordance with the IFRS regulations valid at any one time. Where applicable, figures for comparison have been restated for the most recent preceding year. In accordance with IFRS 16, figures for comparison have not been restated.

²⁾ Volumes produced eliminated for volumes between countries.



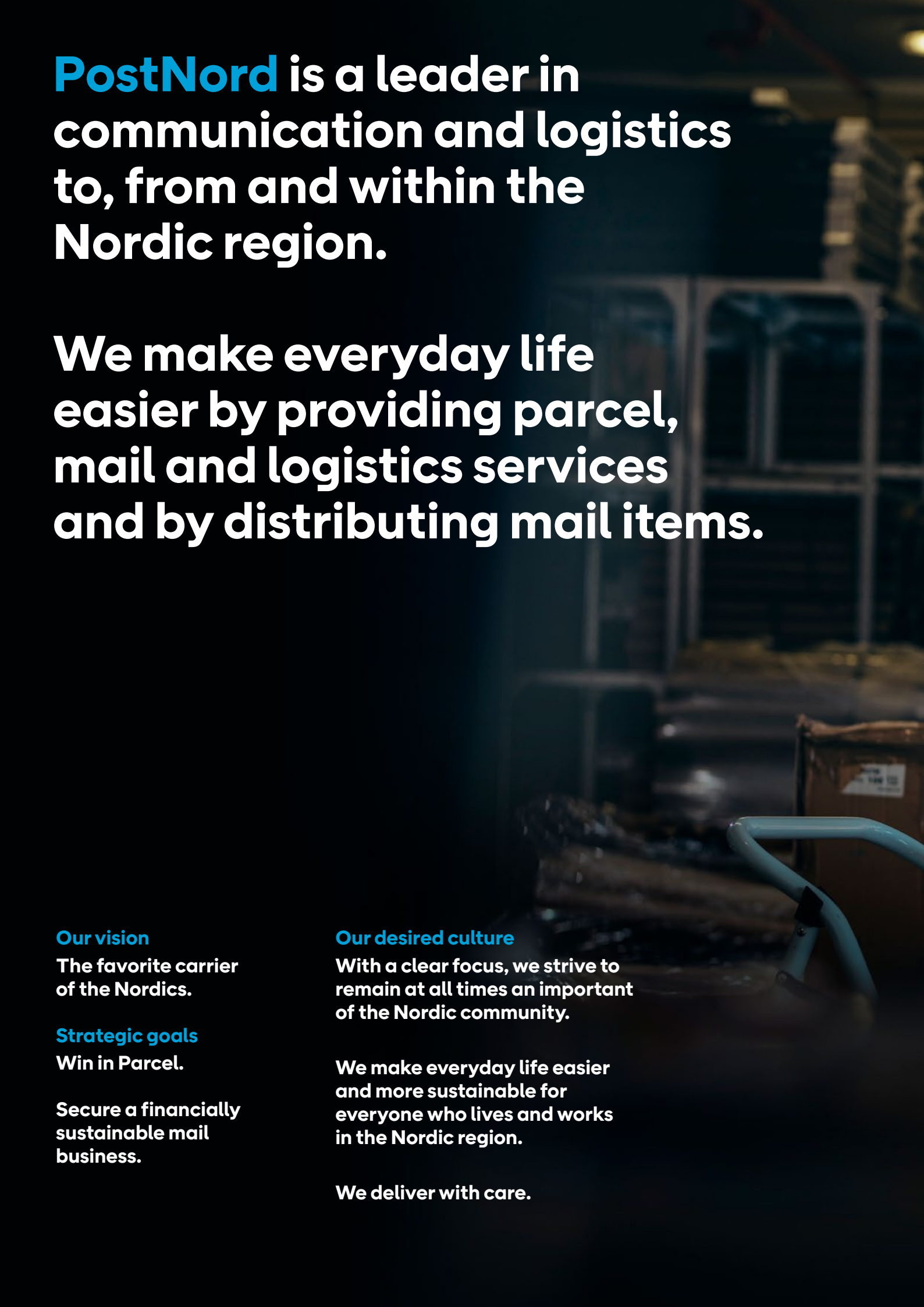
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PostNord is a leader in communication and logistics to, from and within the Nordic region.

We make everyday life easier by providing parcel, mail and logistics services and by distributing mail items.

Our vision

The favorite carrier of the Nordics.

Strategic goals

Win in Parcel.

Secure a financially sustainable mail business.

Our desired culture

With a clear focus, we strive to remain at all times an important part of the Nordic community.

We make everyday life easier and more sustainable for everyone who lives and works in the Nordic region.

We deliver with care.



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