

Interim Report January-June 2018: New business agreements, continued transformation and focus on quality

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On May 28, the EU Commission notified its approval of the SEK 1,533m government subsidy to finance compensation from the Danish State to Post Danmark A/S for the extra costs of the universal postal service. On June 11, PostNord's Board of Directors agreed to carry through immediately the transformation of PostNord Denmark announced earlier and awaiting EU approval of the financing arrangement. Income for the second quarter was impacted by SEK -1.1bn net, as a result of the above-mentioned government subsidy and provision for the transformation.

Message from Håkan Ericsson, President and CEO:

The year's second quarter was dominated by a high level of activity in every area. In addition to approval from the EU for the first stage of our owners' financing for the transformation in Denmark, most of the new commercial agreements were signed.

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Parcel volumes continued to grow rapidly, by 17 percent, during the quarter, while mail volumes again decreased, by -7 percent. To be able to handle the higher parcel volumes, we placed several new terminals in service.

Our challenge in Sweden is that we are witnessing major losses in mail revenue while the number of households for mail deliveries is increasing. A trend that is, of course, bringing pressure on the profitability of our mail business. The Group reports a more or less break-even result, excluding items affecting comparability, for the first half-year. The Group's results are to a major extent affected by the losses in Denmark during the transformation and by higher costs incurred by the Swedish company to ensure high delivery quality. Compared to the second quarter 2017, the result is better partly due to the relative dates for Easter between the years.

The service partner agreement with the ICA chain in Sweden have been extended via a multi-year agreement. We have also signed a new service partner agreement with Reitan Convenience Sweden AB, owner of the Pressbyrån and 7-Eleven retail outlets. The new and extended agreements are evidence of the commercial attractiveness of being a service partner, and ensure a leading service partner network in Sweden for the future. PostNord Strålfors, too, signed several new agreements combining physical with digital communication during the quarter, including ones with Aller Media, Telia Danmark, Intrum

and Kraftringen.

We are continuing to develop our digital services. For example, we have incorporated use of Swedish bank IDs into our PostNord app. For customers using the system, recipients can choose to redirect parcels or change recipients via the app, which currently has more than 1.5 millions users across the Nordic region. We have also announced our intention to launch our own digital mailbox in Sweden and have applied to the Swedish Tax Agency for approval as a digital mailbox operator for “Mina meddelanden” (My Messages). During the quarter, we launched a digital system for direct VAT payment at purchase for those buying from the USA’s online e-commerce company Wish. The system simplifies the process for both customer and PostNord. We expect more e-commerce actors to sign up to the system.

During the quarter, PostNord conducted a nationwide tour of Sweden to listen to

recipients’ views on our business. We performed a similar process in Denmark, where we invited citizens to meet us at one of our post offices. In just over two months, we visited 23 locations in Sweden, from Luleå in the north to Malmö in the south, and talked to more than 20,000 people to hear their opinions on PostNord. While we did receive quite a number of comments on our service, the most common remark was “I don’t have any problem with your business, but I’ve read in the newspaper about all the problems you’re having.” This reinforces our conviction that we are on the right road. Our services are appreciated by many, but we must continue to focus on meeting the expectations of recipients regarding delivery quality. Only when we do so will we regain the trust that we urgently need to put into place the huge changes that are continually required to deal with lower mail volumes and the rapidly expanding e-commerce.

Source: [PostNord](#)