

Interim Report January-June 2017: Execution of the strategy and transformation to meet the challenge of digitization is on schedule

20-07-2017

PostNord's strategy execution and transformation programme are on schedule. The work of maintaining and continuing to drive improved quality and a better customer experience has top priority in gradually restoring trust in PostNord to a high level. While digitization is causing mail volumes to decline, we are seeing strong growth in e-commerce-driven logistics and digital services. The growing loss of volumes in mail is underlining the need for getting a new postal regulation into place in Sweden as soon as possible.

APRIL-JUNE 2017

Net sales SEK 9,083m (9,590).
Operating income SEK -291m (-270).
Adjusted operating income SEK -4m (-1).
Items affecting comparability, net, SEK -287m (-269).
Net income for the period SEK -336m (-282).
Earnings per share, SEK -0.17 (-0.14).
Cash flow from operating activities SEK 922m (364).

JANUARY-JUNE 2017

Net sales SEK 18,431m (19,228).
Operating income SEK -197m (30).
Adjusted operating income SEK 188m (299).
Items affecting comparability, net, SEK -386m (-269).
Net income for the period SEK -320m (-63).
Earnings per share, SEK -0.16 (-0.03).
Cash flow from operating activities SEK 1,912m (553).

Message from Håkan Ericsson, President and CEO

PostNord's strategy execution and transformation programme are on schedule.

The work of maintaining and continuing to drive improved quality and a better customer experience has top priority in gradually restoring trust in PostNord to a high level. While digitization is causing mail volumes to decline, we are seeing strong growth in e-commerce-driven logistics and digital services. The growing loss of volumes in mail is underlining the need for getting a new postal regulation into place in Sweden as soon as possible.

PostNord's like-for-like net sales decreased by 6% in the second quarter to SEK 9,083m. The decrease was attributable to a further major downturn of 10% overall in the Group's mail volumes – 8% in Sweden and 23% in Denmark. In the first six months of the year, like-for-like net sales decreased by around 5%. Total mail volumes were down 9% of which 7% in Sweden and 20% in Denmark. To a certain degree, this is being offset by continuingly strong growth in e-commerce, with the Group reporting a volume increase of 12% in B2C parcels over the quarter and growth of 11% for the first half-year.

Adjusted operating income for the quarter amounted to SEK -4m (-1), in line with the same quarter last year, despite lower income from products affected by digitization. We

managed to maintain the level of earnings as a result of growth in the logistics segment and robust costs reductions. Adjusted operating income for the first six months totaled SEK 188m (299). Items affecting comparability totaled SEK -287m (-269) for the quarter and SEK -386m (-269) for the first six months of the year. Items affecting comparability are attributable in full to the transformation to a new production model in Denmark. Reported operating income, EBIT, totaled SEK -291m (-270) for the quarter and SEK -197m (30) for the first six months of the year.

The sharply rising pace of digitization is a reality in all our markets. A Parliamentary bill to introduce a new system of postal regulation in Sweden had been announced for May. The current system lacks the flexibility necessary to enable cost adjustments to be made in a systematic and responsible way. It is therefore a matter of urgency to establish a new postal regulation system as soon as possible. Any further delay increases the likelihood that PostNord will not be able to deliver a good postal service throughout Sweden under reasonable financial conditions. Following the recent change in Finland's postal legislation, Sweden remains among the Nordic countries yet to adapt their system of regulation to the changes in market conditions that are ensuing from digitization.

In Denmark, our transformation of the

business, to address the effects of digitization and establish a financially sustainable production model, is progressing on schedule. The work of ensuring a competitive level of administrative costs in the Group as a whole is also going ahead according to plan. While we have secured refinancing for our bonds which mature in September, a dialogue is ongoing with our owners as to the procedures for the transformation in Denmark and how it is to be financed.

Our focus is fully on successful implementation of our strategy. With increased openness to the needs and expectations of customers and recipients, we are developing new services and simplifying our routines. In recent months, we have launched several new services in both communication and logistics offerings that widen choices for recipients. MyPack Home is a clear example, providing a simple notification service that offers the recipient many delivery options and high flexibility. At the same time, PostNord Strålfors is reporting positive growth and becoming an increasingly important key player in PostNord's ambition to strengthen its position in the digital society. To improve the customer and recipient experience and to restore confidence in PostNord, our focus on quality remains uppermost on the agenda in every part of the organisation.

Source: [PostNord](#)