



## Top story

**Cross-border e-commerce set to grow by 38% this year**

Cross-border e-commerce in Europe is set to grow by more than 38% in 2013, reaching a value of €36bn (US\$47bn) and 10.6% of total online sales. The forecast came from the United Kingdom's IMRG (Interactive Media in Retail Group), which described cross-border sales as "the future of e-commerce".

The company said that UK-based companies were the most successful at cross-border trading, with international consumers spending £7.4bn (€8.7bn, US\$11.3bn) on UK websites in 2012. It expects cross-border sales to account for 30% of all e-commerce sales generated by UK e-retailers by 2017.

One key challenge to growth in cross-border e-commerce is trust. IMRG has combined its 'Internet Shopping is Safe' (ISIS) scheme with Trusted Shops, a service provider for secure e-commerce, to create a European trust mark. This is designed to give consumers peace of mind to shop with confidence.

The returns process, particularly financial reconciliation for refunding duties, is another area for concern that could be a barrier to cross-border e-commerce growth.

IMRG says that between 50% and 60% of cross-border e-commerce shopping carts are abandoned. Reasons include: lack of transparency on shipping options and costs, including total landed costs; no provision of a delivery time window; address fields that do not relate to the recipient's country, and failure to accept foreign credit cards.

Satisfaction levels for cross-border e-commerce are lower with customers dissatisfied about 14% of cross-border purchases; 40% were dissatisfied with returns, according to IMRG.



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## Americas

### Use digital technology to enhance and grow mail says Donahoe

The United States mailing industry needs to drive innovation and leverage technology in order to grow revenue and improve the consumer's experience of direct mail, according to Patrick R Donahoe, Postmaster General and chief executive of the US Postal Service.



Donahoe made the statement during his address at the National Postal Forum, telling delegates that technology and changing consumer expectations were transforming mail into an even more powerful communications channel.

To strengthen the consumer experience, direct mail needed to be personally relevant, actionable, more functional and more creative.

Donahoe said the convergence of data and technology would allow mailers to gain insights about the interests of individuals and to make their mail more personal. Mail would become more functional and creative through embedded QR codes and augmented reality.

Innovation and digital integration were fundamental to improving the consumer experience. Combining the mail experience with the targeting power of online advertising would make mail far more valuable to the receiver and sender.

Donahoe went on to say that American businesses were spending the same percentage of their marketing budgets on mail as they did 30 years ago. According to the Postmaster General, growth in the mailing industry would be driven by changing technologies and customer expectations; mailers and the Postal Service had to work together to anticipate change and leverage the value of mail.

### Inaugural postal award goes to digital leader

Quad/Graphics, a company which helped the United States Postal Service decide on price promotions for mail incorporating QR codes received the inaugural Partnership for Growth award at the National Postal Forum in the US.

Quad/Graphics played a tremendous leadership role in pushing the boundaries of innovation and technology, said US Postmaster General Patrick R Donahoe.

The company develops new technology and performance measurement tools for marketers and publishers. It shared information about its interactive print solutions for direct mail, catalogues and magazines with the Postal Service and continues to act as an advocate for integrating technologies to increase mail volume.

For the past two years, the Postal Service has run promotions offering mailers discounts for mailpieces incorporating QR codes.



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### Low-yield express pulls down profits at FedEx

FedEx Corp saw group revenue rise by 4% to US\$11bn (€8.6bn) in the third quarter to end February, but operating income dropped by 28% to US\$589m (€459m). Costs included the business realignment programme announced last October and one or two fewer operating days than in the same period last year but the major cost was a dependency on lower-yielding air freight volumes.

FedEx Express experienced a 66% third-quarter decline in operating income to US\$118m (€92m). It experienced a US\$100m (€78m) shortfall in expected international income as customers chose lower-yielding services. The division's revenue for the quarter ending 28 February was up 2% to US\$6.7bn (€5.2bn) owing to business acquisitions and growth in FedEx Trade Networks.

The company said it would reduce air capacity on routes to and from Asia where it is experiencing volume decline, over-capacity and yield erosion. It is grounding aircraft temporarily or permanently in a move which could result in asset impairment or other charges.

FedEx Express will move to a low-cost network for some of its low-yielding packages. Deferred package volumes rose by 12% year-on-year, resulting in Asia-outbound aircraft being filled with the uneconomical products.

Globally, the door-to-door part of the international express business continued to grow. In future, express air freighters will carry economical international priority traffic.

### Brazil's Correios grows volume with e-commerce

Correios Brazil's e-SEDEX service saw its e-commerce delivery volumes grow by 25% to 21m items in 2012. The postal company as a whole delivered some 48m e-commerce items to hold an estimated 40% share of Brazil's e-commerce delivery market.

A new postal law in 2011 gave Correios the ability to broaden its range of services, set up partnerships and operate abroad. The company has also set up a secure marketplace, CorreiosNet portal and plans to introduce real-time track and trace.

### UPS expands expedited sea freight service to Europe

UPS is expanding its expedited ocean freight service, Preferred Less-Than-Container-Load (PLCL), into Western Europe. It will operate at ports in Belgium, Germany, the Netherlands and the United Kingdom, claiming to provide up to 40% faster delivery time to the United States.

The company said the expansion would benefit US importers and European customers in the industrial, automotive, retail and healthcare industries.



## Asia Pacific



### TNT's Hoau sold to private equity funds

TNT Express is selling its loss-making domestic road transport subsidy in China, Hoau, to private equity funds under the management of Chinese state-owned CITIC PE for an undisclosed sum.

The transaction is expected to close in the second half of 2013 with settlement of part of the purchase price to be cleared in 2014.

Hoau made an operating loss of €13m (US\$17m) on revenues of €261m (US\$337m) in 2012, according to TNT's annual report. It offers day-definite delivery via a domestic road network comprising about 1,500 depots covering more than 600 cities.

### UPS takes over its operation in Vietnam

UPS has taken over full ownership of its operation in Vietnam with the purchase of the 49% stake held by VN Post Express, a subsidiary of the country's postal operator.

The company said the takeover would allow it to provide better connections to world markets for Vietnam's expanding economy. It has served Vietnam since 1994 and has invested

in facilities and technology. Last year it made enhanced online shipping and tracking solutions available in the country and two years ago it introduced its expedited Preferred Less-Than-Container-Load ocean freight service.

### DHL wins award from Chinese customer

Automotive safety products manufacturer Autoliv China has given DHL Global Forwarding its 2012 Best Logistics Service Provider award for an innovative supply chain solution which has improved efficiency while reducing inventory costs.

One of DHL's innovations was its Buyer Consolidation Hub which manages transport flows of materials sources from more than 200 suppliers in 15 countries across Europe. The company uses its Scan-Match programme linked to detailed pallet barcodes to ensure that containers are filled with the right pallets before being sealed and shipped.

Most materials are transported to Autoliv by ocean freight with business-critical components travelling by air freight.



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## Europe

### PriceMinister-Rakuten offers fulfilment service



French e-commerce website PriceMinister-Rakuten has launched a fulfilment service for its professional online sellers operating SuperBoutiques. In a second stage, the new service is expected to undertake a larger-scale roll-out.

The service, Delivered by PriceMinister-Rakuten, results from the purchase of Alpha Direct Services (ADS) by Japanese parent company Rakuten. It offers centralised logistics for storing and shipping products for e-retailers and managing the process from goods receipt to delivery.

Once an order is made, Delivered by PriceMinister-Rakuten prepares and transports the shipment to one of its French depots ready for final delivery by the carrier chosen online by the receiver. The choice of carriers offered by PriceMinister-Rakuten includes Coliposte, Chronopost, DHL, Colizen, UPS, Mondial Relay, bpost, Colis Privé and Relais Colis.

PriceMinister provides a 'Purchase-Sale Guaranteed' commitment guaranteeing delivery of e-retailers' products handled by PriceMinister-Rakuten.

### Chronopost buys stake in premium home delivery

Le Groupe La Poste subsidiary Chronopost has bought a 40% stake in specialist home delivery company Colizen in order to continue its business-to-consumer service expansion.

Colizen provides premium delivery by appointment in Paris and the surrounding area, offering scheduled, two-hour time windows and same-day delivery seven days a week.

The partnership with Chronopost will see the Colizen model expand nationwide in France. Co-founders Jérôme Do and Fabien Esnoult said customers had been asking Colizen to expand to all major French conurbations, and even some other European countries. The company decided to team up with Chronopost because it was too small to expand on its own.



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## IN BRIEF

### Annual report and sustainability report published

PostNord has published its annual report and sustainability report prior to its annual general meeting later this month.

Chronopost managing director Martin Piechowski said the investment would provide an operational partnership able to take advantage of existing know-how; it could be the first to offer a nationwide delivery service by appointment.

### New way needed for posts to expand

Postal operators need to find innovative ways to expand their businesses as well as to implement cost-cutting measures, according to consultancy Accenture which gave a presentation at the European Postal Services conference in Madrid.

While some posts had used pricing and product innovation to improve mail profitability, they had not found an attractive business model for digital mail.

Consultant André Pharand said postal operators should take advantage of e-commerce growth by developing mobile technology solutions, cross-border delivery and simple returns while remaining alert for e-retailers starting their own delivery services. Monetising the recipient would provide the next wave of revenue, he said.

### Shares in bpost could sell on the stock exchange this year

Shares in bpost are expected to be offered for sale on the stock market this summer for the first time.

Belgian newspapers are reporting that private investor CVC Capital Partners is planning to sell at least half its 50% shareholding while the Belgian state, which owns 50% plus one share, has no plans to sell.

On 26 March, bpost's shareholders approved a plan to reduce the company's capital by paying out €144m (US\$186m) to the two shareholders. By the end of April, the European Commission is expected to give its decision on bpost's management contract for 2011 to 2015. This determines how much the Belgian state is entitled to pay bpost to compensate for the cost of providing the universal service.

A potential IPO has been likely since bpost was partly privatised in 2005 when CVC and Post Danmark jointly purchased a 50% stake minus one share. In 2009, CVC took over the entire stake in bpost, in exchange selling back its stake in Post Danmark to the Danish Government, thereby freeing the way for the merger of Post Danmark and Sweden's Posten.



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### Postal decline pulls down profits at Poste Italiane

Positive performances from Poste Italiane's banking and insurance businesses boosted revenue in 2012 to €24bn (US\$31bn), up from €22bn (US\$29bn) in 2011.

However operating profit was lower than the previous year at €1.38bn (US\$1.80bn) compared with €1.64bn (US\$2.14bn) the previous year. The company said the negative impact of revenue decline in postal services could not be fully offset by a higher proportion of revenue generated by financial services and insurance.

Revenue from postal and business services was 9.8% below the 2011 figure at €4.66bn (US\$6.07bn). The drop, said Poste Italiane, reflected the progressive structural decline in traditional mail volumes and increased competition.

Revenue from insurance premiums totalled €10.53bn (US\$13.71bn) and other income from financial and insurance activities amounted to €3.46bn (US\$4.51bn).

The group made a profit after tax of €1.03bn (US\$1.34bn) to which BancoPosta contributed €343m (US\$447m). The final

figure also benefitted from non-recurring income of €277.85m (US\$361.88m) relating to income tax paid in previous years. The after-tax figure for 2011 was €846.38m (US\$1.1bn).

PosteMobile, Poste Italiane's virtual network operator, increased its operating profit from €18m (US\$23m) in 2011 to €28m (US\$36m). The company said the launch of innovative integrated products had attracted new customers and take-up of value-added services. PosteMobile strengthened its leadership in mobile payments, processing a total of 23.4m transactions in 2012 compared with 18.7m the previous year.

The group's capital expenditure totalled €477m (US\$621m) with 84% invested by the parent company. Investment in the postal logistics network totalled €64m (US\$83m) but the biggest proportion of group capital spending, €232m (US\$302m), was spent on technology infrastructure.

### MeinPaket.de tops sales of €100m

DHL has reported that its German shopping portal, MeinPaket.de, doubled the value of goods sold last year to €100m (US\$129m). The portal numbers 2,500 e-retailers and just over one million registered shoppers.



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DHL is the exclusive delivery partner for MeinPaket. Online orders and payment are made through the secure Postpay system developed by Deutsche Post DHL. This offers a choice of payment methods and a single login for all orders.

### Austrian Post sees a return to parcels profits in 2012



A return to profitability for parcels and stable results for mail produced an 8.9% increase in earnings before interest and tax (EBIT) at €182.4m (US\$235.8m) for Austrian Post in 2012.

Reported revenue was up 0.7% to €2.37bn (US\$3.06bn) but was 1.9% higher than 2011 after excluding the Benelux subsidiaries which were sold off.

Revenue in the parcel and logistics division rose by 1.4% to €858.1m (US\$1.1bn) including revenue from Benelux subsidiaries until their sale. Adjusted for those companies, revenue was up by 4.8%. EBIT was €25.3m (US\$32.7m) compared with a loss of €28.2m (US\$36.5m) in 2011.

Austrian Post said parcels achieved record volume of 65m. The company retained its 74% share of the private customer market and a growing 22% share of parcels sent by business.

Revenue from the mail and branch network division rose slightly by 0.5% to €1.51bn (US\$1.95bn). Letter mail was hit by volume decline and direct mail volume was volatile owing to depressed advertising spending. On the positive side, there was a volume shift from direct mail to higher-quality letter products and e-commerce shipments were increasingly despatched via letter mail. EBIT for mail and the branch network was €272.5m (US\$352.4m), down 1.7% compared to the same period in 2011.

During 2012, Austrian Post acquired the market leader in unaddressed mail in Poland and a stake in a Bulgarian mail company as well as taking 100% ownership of its Romanian subsidiary.

The company said its future focus would be on achieving growth in its parcels and logistics business to compensate for declining letter mail volumes. The medium-term objective is for revenue growth of 1-2% a year and an operating margin of 10-12%.

### PostNL takes over Spring Global Mail

PostNL is to take 100% control of the Spring Global international mail delivery company by purchasing Royal Mail's minority 32.45% stake.

Spring, based in the Netherlands, aims to maintain a significant share of the cross-border mail market, competing with DHL Global Mail, Asienda (the joint venture between Swiss Post and France's Le Groupe La Poste), and bpost International.



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## IN BRIEF

### PostBus wins French contract

Swiss Post's PostBus operation CarPostal has won a public tender for services in France's Provence-Alpes-Côte d'Azur region. The six-year mandate will commence on 1 June 2013.

Spring provides cross-border delivery of mail and parcels and offers a returns service. It says it will transform itself into an e-commerce service partner. In 2012, underlying revenues grew by 6% and reported revenues by 3.8% to €162m (US\$210m). In the United Kingdom, revenues grew by 36% thanks to e-commerce and new customers; however in Germany, revenue dropped by 20%.

### Higher staff costs depress Swiss Post's profits

Swiss Post saw its mail and parcels profits fall in 2012, while 2012 group profit of CHF859m (€707m, US\$918m) was 5% below the profit in 2011.

Operating income was 0.2% below the previous year at CHF8.58bn (€7.06bn, US\$9.17bn), while earnings before interest and tax (EBIT) were down 1.9% to CHF890m (€732m, US\$951m). A 2.2% increase in parcels revenue to CHF1.54bn (€1.27bn, US\$1.65bn), higher transport revenue and productivity savings could not fully offset higher staff costs and lower earnings.

The communication division comprising PostMail, Swiss Post Solutions and retail operations generated an overall EBIT of CHF61m (€50m, US\$65m) compared with CHF111m (€91m,

US\$119m) in 2011. The decline was mainly on account of higher employee benefit costs.

Volume trends varied. Addressed letters declined by 1.8% while unaddressed letter volume rose by 51% owing to Swiss Post's takeover of the DMC Group. PostMail's operating income was CHF3.1bn (€2.55bn, US\$3.31bn) compared with CHF3.14bn (€2.58bn, US\$3.36bn), and EBIT was CHF178m (€146m, US\$190m) compared with CHF251m (€206m, US\$268m) owing to employee costs.

Swiss Post Solutions had stable operating income at CHF547m (€450m, US\$585m) and EBIT of CHF3m (€2.5m, US\$3.2m) compared with CHF11m (€9m, US\$12m). Restructuring costs and declining revenues from global services impacted on the result.

Retail operations reduced their losses to CHF120m (€99m, US\$128m) from CHF151m (€124m, US\$161m) but operating income fell to CHF1.69bn (€1.39bn, US\$1.81bn) from CHF1.71bn (€1.41bn, US\$1.83bn).

The PostLogistics parcels business achieved an EBIT of CHF152m (€125m, US\$162m), down some 6.2% on 2011.



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Operating income rose by CHF34m (€28m, US\$36m) to CHF1.54bn (€1.27bn, US\$1.65bn). Parcels volumes increased but profit was impacted by employee benefit costs, restructuring measures and IT costs.

PostFinance increased its EBIT to CHF627m (€516m, US\$670m) from CHF591m (€486m, US\$632m) in 2011, while income was CHF2.36bn (€1.94bn, US\$2.52bn) compared with CHF2.45bn (€2.01bn, US\$2.62bn). PostBus increased its operating income to CHF 778m (€640m, US\$833m) from CHF719m (€592m, US\$769m) and achieved an EBIT of CHF6m (€4.9m, US\$6.4m).

### TNT Express sets out its strategic priorities for the next three years

TNT Express has announced its updated strategy, Deliver!, listing four priorities and warning of job losses to come.

The company is reshaping its portfolio of operations with the sale of domestic operations in China and Brazil and a reduction in intercontinental air capacity. It will focus on European operations and on connecting Europe with the rest of the world.

Growth will come from TNT's integrated product offer, European coverage – both domestic and cross-border – and intercontinental connections. It will focus on higher-margin services and customer segments. According to TNT, that meant targeting small and medium-sized businesses (SMEs) and single-source customers, higher-weight parcels, palletised shipments and international and Special Services products.

Recurring savings of €220m (US\$285m) are targeted by 2015 through the creation of shared service centres, optimised depot networks, increased sorting and handling productivity and streamlined support functions across the organisation.

A new management structure will be based on executive and global functional boards with cross-company responsibilities. New business units will be created in Australia/New Zealand, Benelux, France, Emerging Europe/Americas, Germany, Italy and UK/Ireland. Each of these will report directly to the proposed new chief executive, Tex Gunning.

Investment totalling about €200m (US\$260m) up to end 2015 will focus on network optimisation, automation, business support and IT. The company will launch new online booking and payment tools for customers.

The profit improvement plan is expected to affect 4,000 jobs in the next three years at an anticipated cost of €150m (US\$195m).



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## IN BRIEF

### Miller to head UPS Europe

UPS has announced the appointment of Cindy Miller as president of UPS Europe following the appointment of Jim Barber as UPS International president. Miller is president of UPS UK, Ireland and Nordics. She will be responsible for Europe, the Middle East and Africa.

The company said successful execution of Deliver! would be critical to improving its performance in a period of difficult market conditions and strategic challenges.

### Russian Post raises profit while waiting for state cash

Modernisation and 11% productivity improvement helped Russian Post increase its profits in 2012 but the postal operator is still awaiting government funding of RUB90m (€2.2m, US\$2.8m) to complete its development strategy for 2012 to 2016.

Net profit rose 2% to RUB813m (€19.8m, US\$25.7m) in 2012 on total revenues up 7% to RUB129bn (€3.1bn, US\$4.1bn). Postal service revenue rose by 12% to RUB60.3bn (€1.5bn, US\$1.9bn) representing 47% of total revenue. Financial services and pension payment and benefits revenue rose by 3.4% to RUB47bn (€1.1bn, US\$1.5bn) while other commercial services generated RUB21.6bn (€0.5m, US\$0.7m).

Letter volume rose by 7% to 1.6bn items and parcels volume reached 53m.

Russian Post calculates that it sustained costs of RUB9.4bn (€228m, US\$297m) from the shortfall on state funding for the

cost of providing socially important services at tariffs below net cost. In addition the postal operator spent RUB8.6bn (€209m, US\$272m) on covering the cost of maintaining 28,000 unprofitable post offices.

Investment of RUB11.2bn (€272m, US\$354m) was spent on postal facilities, logistics infrastructure and the purchase of equipment and IT systems. Russian Post bought 1,235 vehicles and ten trains for mail delivery and restructured 543 post offices in 2012.

Russian Post said a key requirement was to reduce delays in delivery caused by outdated equipment and an inadequate transport infrastructure, plus dependency on third-party transport companies. The postal operator calculates it needs to invest at least RUB20bn (€632m, US\$486m) a year which is twice as much and it can afford from its own funds.

### FedEx extends its domestic express service

FedEx Express has expanded its domestic overnight delivery, FedEx Priority Overnight (FPO), to seven European countries offering express services for parcels weighing up to 68kg with money-back guarantees.



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## IN BRIEF

### Double stacking on racking

DHL Global Forwarding has introduced DHL Double Decker which allows 40 ft (12.2 m) sea containers to be double-stacked, supported by racking.

In Belgium, Germany, Italy and the Netherlands, FPO services offer next-day and before-noon delivery depending on the destination. In France, the service offers one- or two-day delivery. In the United Kingdom a range of services offer delivery the next day or before 09.00, 10.00 or 12.00; in Switzerland and additional feature, Priority Alert, provides tracking.

### Norway Post announces IT suppliers

Norway Post Group has split its IT procurement into operations and application management services and has announced that two companies, Capgemini and Tata Consultancy Services (TCS) will operate and manage most applications.

The company has estimated the value of its contracts to each supplier at NOK250m (€33.5m, US\$43.5m). It says the contracts will allow it to reduce costs while accessing expertise from two recognised global players.

Earlier, the company announced that EVRY, in which it holds a 40% stake, will provide its IT operations and infrastructure services, while Hewlett Packard will be responsible for service desk and service integration.

### DHL builds a dual air-road hub at Stuttgart

DHL Express has begun construction of an integrated airside-landside facility at Stuttgart Airport to provide direct access to daily flights between Stuttgart and its Leipzig hubs plus landside access for road-based deliveries.

The multi-million euro facility will stand on a 28,000m<sup>2</sup> plot and will replace three separate facilities at different locations. It is due to go into operation in October this year.

DHL said the facility would speed up handling and provide reserve capacity.

### Second Provencal depot serves regional growth

A new DHL Express depot has opened in Vitrolles near Marseille in France to help service 20% growth in volumes in the Provence region.

The new site, the second in the region, will serve around 7,000 customers, particularly in the aviation and electronics industries. It covers 3,000m<sup>2</sup> of which 2,600m<sup>2</sup> are dedicated to parcels handling.



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### Seur gains share in e-commerce delivery market



Spanish parcels operator Seur experienced a 4% drop in revenue to €535m (US\$695m) in 2012 owing to the country's depressed economy. It increased its market share, however, and generated growth in e-commerce and international sales.

The company delivered 1m more parcels than the previous year, growing rapidly in the e-commerce market and increasing revenues from e-commerce by 23% to €82m (US\$107m). It claims a 30% share of Spain's e-commerce delivery market.

International revenues rose by 18% to €88m (US\$114m) representing about 16% of turnover. Seur benefitted from its alliance with GeoPost and operational integration into the DPD network. The company is 55% owned by Le Groupe La Poste subsidiary GeoPost.

### TNT Germany wins service accolades

TNT Express Germany has gained two awards: the Logistics Industry Award and membership of the Club of the Best in the Service Champions 2013 contest.

The Logistics Industry Award is part of the cross-sector ranking as 'Germany's most customer-oriented service provider' organised by Handelsblatt newspaper, St Gallen University's Institute for Leadership and Personnel Management and ServiceRating.

The organisers examined working processes on-site and gave TNT an overall ranking of sixth.

The Service Champions 2013 ranking named TNT as one of the seven best German companies in all categories including corporate image, product, PR and customer dialogue, prices, personnel, partnerships and processes.

### IN BRIEF

#### New chairman nominated at PostNord

Jens Moberg has been nominated as chairman of the board of PostNord with a view to taking up his position after the annual general meeting on 18 April.



# Market Flash



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## About this publication

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