

PostNord's interim report second quarter and first half of 2020

17-07-2020

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

Comment from Annemarie Gardshol, President and Group CEO

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

Overall, sales for the quarter were in line with the corresponding period last year, at SEK 9,328m. On the other hand, the relative shares of our various businesses changed substantially. Parcel volumes rose by all of 15 percent and a total of 49 million parcels were handled during the quarter, on par with the record set in the seasonally strong fourth quarter 2019. The number of home deliveries and similar delivery arrangements increased sharply in all markets, although this was partly offset by falling demand for deliveries to stores. Letter volumes fell due to digitalization and reduced import volumes

due to the pandemic. On the other hand, sales of stamps, pre-stamped parcels and postcards (Real Postcards) showed an increase. This is probably because in the pandemic, it has been more difficult for people to meet their loved ones, and therefore a physical greeting in the form of a letter or postcard has become particularly important. All in all, this shows that PostNord plays an important role in society, not least in troubled times.

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

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

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

Despite the many challenges that ensued from the coronavirus pandemic, we maintained high delivery quality. In both

Sweden and Denmark, we are clearly at a level above the legal requirements for letters. Delivery quality for parcels declined slightly, but still amounted to 94.7 percent for the Group as a whole.

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

Source: [PostNord](#)

