

# Year-end report 2017: PostNord meets the strong growth in e-commerce with increased capacity and flexibility

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PostNord meets the strong growth in e-commerce with increased capacity and flexibility

## OCTOBER-DECEMBER 2017

Net sales SEK 10,083m (10,355).  
Operating income SEK 272m (-1,012).  
Adjusted operating income SEK 272m (242).  
Items affecting comparability, net SEK -m (-1,254).  
Net income for the period SEK 207m (-1,375).  
Earnings per share, SEK 0.10 (-0.69).  
Cash flow from operating activities SEK -181m (1,424).

## JANUARY-DECEMBER 2017

Net sales SEK 37,079m (38,478).  
Operating income SEK -124m (-1,083).  
Adjusted operating income SEK 338m (500).  
Items affecting comparability, net, SEK -462m (-1,583).  
Net income for the period SEK -337m (-1,583).  
Earnings per share, SEK -0.17 (-0.79).  
Cash flow from operating activities SEK 1,361m (1,321).

## Message from Håkan Ericsson, President and CEO

The accelerating growth in e-commerce brought record volumes in the fourth quarter and over the full year 2017. At the same time, digitization is continuing to adversely impact our mail volumes. PostNord has a clear strategy to meet the opportunities and challenges following digitization.

Growth in e-commerce driven logistics is very buoyant and the Group's e-commerce related B2C volumes rose by all of 19% in the fourth quarter and by 14% for the full year. The fourth quarter is seasonally a strong one in volume terms, driven by Black Friday and the traditional Christmas trade. Over the full year, the volume of mail decreased by 9%, 7% in Sweden and 18% in Denmark. Like-for-like net sales were down 4%, with growth in logistics being unable to offset low mail revenues.

In October, we received an important and a welcome message from our owners. The Danish and Swedish States had reached an agreement regarding the financing of the transition to a financially sustainable production model in Denmark. The agreement is conditional on approval by the EU Commission, which we have not yet received. The Swedish government also decided a new postal regulation would be effective as of January 1, 2018. It states that two-day delivery is the new standard service for stamped mail items and allowed a one-off adjustment to postal rates. These decisions are essential for PostNord to be able to fulfil its universal postal service obligations under reasonable financial conditions.

PostNord Strålfors continues to show strong profit growth. On an annualized basis, PostNord Norway and PostNord Finland have turned around their 2016 losses into profits. The poorer outcome for PostNord Sweden resulted from falling mail revenues that could not be fully offset via cost adjustments.

PostNord Denmark is meeting the far-reaching effects of digitization with perhaps its biggest restructuring ever. The Group's adjusted operating income amounted to SEK 272m (242) for the quarter and SEK 338m (500) for the full year. Items affecting comparability amounted to SEK -m (-1,254) for the quarter and SEK -462m (-1,583) for the full year. In 2017, these items consisted entirely of costs relating to reduction of employment for personnel benefiting from "special employment conditions" in the Danish business. While awaiting the EU Commission's decision on the financing arrangement for the restructuring program in Denmark, no further terminations of employment for personnel with special employment conditions will take place. On the other hand, the transition to the new production model in the Danish business continues, and on January 21, 2018, the model for mail distribution was rolled out across the whole of Denmark. However, the impact on results will only be realized when we can reduce our staffing fully according to plan, which will take place once we have the approval from the EU Commission.

Despite an increase in staffing to ensure quality in mail distribution in Sweden, the outcome for the fourth quarter was lower for overnight delivery than in the year previously. The outcome for the year was 90.4%, which we are not satisfied with, although it is higher than the statutory requirement of 85%. In Denmark, quality in the standard service "Brevet" was 95.1%, which is above the statutory requirement of 93%. Quality in parcels was slightly lower than last year as a result of the virtually explosive growth in

e-commerce in the last quarter. To meet the demand fueled by the e-commerce driven growth, investments in additional terminal capacity are in progress. In the second quarter of 2018, we will inaugurate our new parcel and goods terminal with its distribution hub at Køge, just outside Copenhagen. Measuring 25,000 square meters, this is our biggest terminal in Denmark. In Sweden, our capacity will expand when the new terminals in Örebro and Växjö go on stream in 2018.

Our goal oriented work on sustainability is moving forward in several areas. Since 2009, we have reduced our carbon dioxide emissions by all of 32%. During the year, we also intensified our focus on the work of establishing a sustainable supply chain. Around 180 suppliers have either performed self-assessment or have undergone an on-site audit. This represents a solid foundation on which we can continue to build.

With a total focus on progressing our strategy, we have many exciting activities under way in the work of developing PostNord into the best logistics and communication company in the Nordic region. For example, service development last year launched several recipient-oriented services offering increased flexibility and service. The PostNord app has around 1.4 million users throughout the Nordic region, is very well-used and highly appreciated, and award winning. We are totally focused on regaining the confidence from customers and recipients and building a strong belief in the future among our employees.

Source: [PostNord](#)