

Posti Group 1-6/2020: Postal volume decline at record level - fast actions taken to mitigate profitability impact

06-08-2020

The coronavirus situation makes the macro economic outlook extremely difficult to predict for the full year. Posti maintains its outlook for 2020, but because of these exceptional circumstances, Posti's full-year outlook includes a significant level of uncertainty.

Turkka Kuusisto, President and CEO

We could clearly see how the impact of COVID-19 accelerated the already steep decline of postal volumes even further. The number of addressed letters decreased by a record-breaking 24% in Finland in the second quarter. This obviously had a significant negative impact on Posti's financials, and recovery actions were initiated immediately. The ongoing digitalization of our society, as well as the postal strike in 2019, had a big impact on Posti's operations, but the COVID-19 situation further accelerated the volume decline. This has increased the pressure to accelerate Posti's transformation.

To be able run our operations as safely as possible despite the COVID-19 situation, we have made several changes to our processes and to the way we work. This has impacted our operations and increased costs. Posti needs to ensure that its operations are competitive in all future scenarios. We can clearly see that our legacy cost structure is a major challenge for us in the rapidly changing world. We need to continue to address this and unfortunately it means different kind of actions within all our

businesses and in our administration to secure our profitability.

The COVID-19 situation has significantly increased our parcel volumes. Since March this year, our daily, weekly and monthly parcel volumes have experienced a clear step change. This has had a positive impact on Posti's result. We need to prepare for a new normal in our parcel operations as we expect that a substantial portion of future consumer purchases has permanently moved to online platforms.

Our freight operations were impacted by the effect of COVID-19 on the overall economy. Despite the challenging market environment, our freight operations continued to improve their efficiency in the second quarter.

Also, Transval's operations continued to show improved efficiency and overall positive development for the entire business group. We are very pleased with the acquisition and the new markets this has brought to Posti's transformation journey during the past 18 months.

The operations of Aditro Logistics, which has

been part of the Posti family since April 2020, have been significantly affected by the COVID-19 situation. Even though the impact has varied between different customer segments, the overall impact on Aditro Logistics has been clearly negative. However, Aditro Logistics continues to follow its growth strategy. The integration of Aditro Logistics into the Posti Group has proceeded as planned, despite the COVID-19 situation. This new business segment is a vital part in Posti's transformation and supports our goal to grow our logistics, parcel and eCommerce businesses.

Itella Russia continued its strong profit development. Under very difficult market circumstances, our Russian operations continued to improve the scope of their

operations and to maximize profitability. This has been great work from the entire team in Russia.

Posti Team, i.e. all our employees, have demonstrated remarkable resilience and commitment during these unusual times. Unfortunately, we have had to introduce temporary layoffs and other measures to mitigate the situation financially. Even though we have been able to avoid mass layoffs, the majority of Posti's employees have had to make personal sacrifices due to the exceptional situation. I'm very honored and privileged to be the CEO of this team and to see how well our operations are coping, despite these exceptional times.

Source: [Posti](#)