

PostNord Interim report January-March 2017: Quality back on a high level

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Interim report January-March 2017: Quality back on a high level. The transformation for sustainable profitability continues.

January-March 2017

- Net sales SEK 9,348m (9,638).
- Operating income SEK 94m (300).
- Adjusted operating income SEK 191m (300).
- Items affecting comparability, net SEK -97m (-).
- Net income for the period SEK 16m (219).
- Earnings per share SEK 0.01 (0.11).
- Cash flow from operating activities SEK 990m (189).

Message from Håkan Ericsson, President and CEO

Our focus on quality has borne fruit, and we are again maintaining quality at a high level. The wide-ranging transformation of our Danish business is continuing and at the same time further actions are being taken to adapt the Group's administrative costs.

PostNord's like-for-like net sales decreased by 4% in the first quarter to SEK 9,348m. The decrease was attributable to a further major downturn of 8% overall in the Group's mail volumes of which 7% in Sweden and 17% in Denmark. Calendar-adjusted, the volume decrease was 10% in Sweden and 22% in Denmark. To a certain degree, this is being offset by continuingly buoyant growth in e-commerce, with a volume increase of 10% in B2C parcels for the Group during the

quarter.

Adjusted operating income totaled SEK 191m (300) in the quarter. Items affecting comparability, SEK -97m (0), are attributable to the transformation to a new production model in Denmark. Reported operating income (EBIT) totaled SEK 94m (300) for the quarter. The decline was attributable to lower earnings in Denmark and Sweden, mainly as a result of lower mail revenues. Business area eCommerce & Logistics accounted for approximately 85% of the Group's net income.

As a consequence of the accelerating digitization a new postal legislation is now absolutely essential in Sweden, since the opportunities for further cost adjustments within the current framework are limited. Our expectations are that the government bill announced for May this year will create a more flexible and more modern regulatory system that takes account of the need for postal services and creates the right conditions to enable a good postal service to be provided on reasonable financial terms throughout Sweden.

The powerful impact of digitization, above all in Denmark but gradually also in Sweden, has fundamentally challenged the business model. PostNord's strategic direction requires the business to be transformed into a competitive, Nordic logistics and communications group with a strong focus on the growing e-commerce sector. We are

currently implementing a new production model in Denmark, making further reductions of more than SEK 1 billion in the Group's administrative costs, and preparing for rapid implementation of the new system of postal regulation in Sweden when it enters into force.

The introduction of a new, financially sustainable production model in Denmark will affect around 3,500-4,000 employees over two to three years. It is estimated that the transformation will lead to costs of around SEK 3 billion, mainly in connection with the phasing-out of employees benefiting from "special employment conditions". A dialogue is in progress with PostNord's owners regarding how these costs are to be handled.

Satisfaction for customers and recipients is our top priority, a priority that filters through to every part of our day-to-day work. During

the current transformation, we place quality and our customers and recipients at the top of the agenda. For that reason, it is pleasing to see that our determined efforts to improve our delivery quality are yielding excellent results. In Sweden, quality has improved strongly month by month. In March, quality was 93.9% in overnight mail deliveries and 99.8% in three-day deliveries in Sweden. In Denmark, quality for the standard "Brevet" service – offering five-day delivery – was 96.5%. Via the PostNord listens program, now in full operation, we have been able to improve the quality perceived by recipients in several areas.

Our just over 30,000 employees are doing a fantastic job every day to enable us to deliver our services at a high level of quality and with a range of choices for our recipients.

Source: [PostNord](#)