

Posti Group Oyj

Financial Statements Release 1-12/2018

**Posti succeeded well
in the important
Christmas season,
parcel volumes rose
to a record level**



Posti in figures

Year 2018:
The Group's net
sales decreased,
adjusted
operating result
improved

Letter volumes
continues to decline,
parcel volumes rose
to a record-level
once again.

Posti delivered
a total of 44.1
million parcels

Net sales
1 610,3

(1 647,0) EUR million

Adjusted operating result

44,8

(42,4)
EUR million

18 500

number of personnel

11

countries

Over

1 000

Parcel lockers

Posti Group: Q4 Highlights

Parcel continued to drive growth and Posti succeeded in delivering Christmas to its customers and citizens

- **Net sales** decreased by 4.0% to 434.3 EUR million (452.3 EUR million). Net sales decreased especially in Itella Russia. The net sales was also impacted by the volume of addressed mail, which has been steadily declining due to changes in consumer behavior and rapid digitalization.
- Group's **adjusted EBITDA** decreased to 38.5 EUR million (40.9) EUR million. The development was two-edged. Mail, Parcel and Logistics Services had a negative effect on the adjusted EBITDA. However, there was also positive development due to the improved result development of both OpusCapita and Itella Russia.
- Posti's **adjusted operating result** decreased by 1.6 EUR million to EUR 21.4 million (EUR 23.0 million)
- The net sales of Parcel services increased whereas the net sales of Postal Services continued to decrease, which reflects the **transformation of the market.**



Business Environment and Strategy



The Finnish economy is still growing and e-commerce trend continues

Finland's gross domestic product (GDP) is forecasted to accelerate to

2.7% in 2018,

but economic growth is predicted to slow down.

The Finnish economy supports growth in e-commerce and logistics.

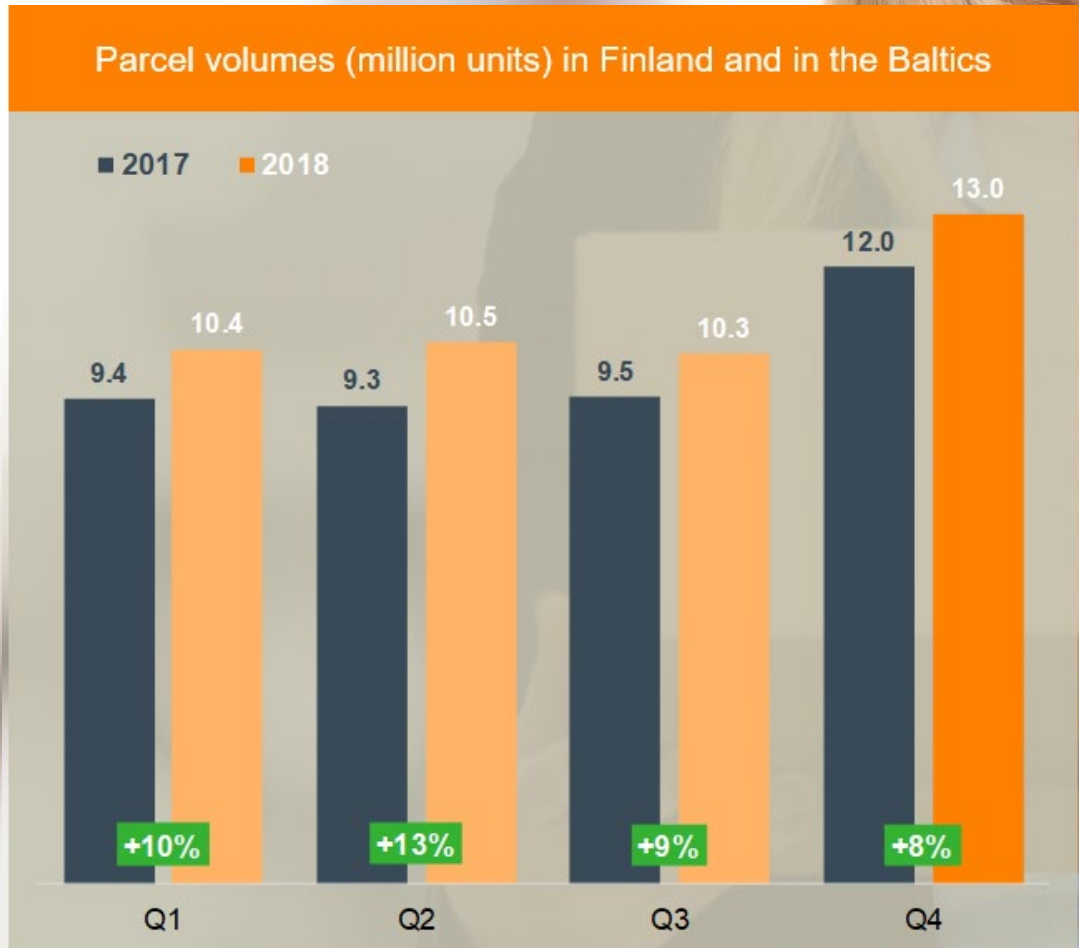


Posti's e-commerce studies:

- Finns differ significantly from other Europeans in how they prefer to receive their parcels. For example, 22% of Finnish consumers prefer to have parcels delivered to parcel lockers
- 59% of the Finns have already used parcel lockers
- The volume of purchases from foreign online stores is growing. Consumers estimate that in 2025 e-commerce will account for 30% of their purchases

Sources: Ministry of Finance, IPC Online ShopperSurvey, n=28 892, E-commerce Survey made by Posti Group n=2121

Parcel volumes keep growing



The number of parcels going through Posti Parcel Lockers 10–12 2018

+17 %

B2C parcel volume growth in Finland and in the Baltics 10–12 2018

+11 %

Freight volumes* 10-12 2018

+4 %

Addressed letter volumes 10-12 2018

-10 %

Good progress towards our strategic targets

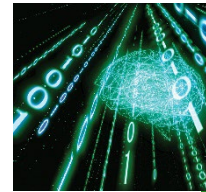
- Posti continues its growth in logistics by acquiring Suomen Transval Group Oy.
- The number of parcel points increased: there are now over 1,000 parcel points!
- Posti set a new record: 1.3 million parcels passed through Posti in one week In December
- Posti is renewing its organization and operating model to better correspond to market needs and e-commerce growth. The new organization model came into force on January 1, 2019.
- Posti has succeeded in adapting operations to a decreasing amount of mail.



1. Keep mail relevant to customers



2. Win e-commerce play



3 Rethinking Logistics

New



4. Renew service culture – Posti Orange



5. Digitally powered to secure your service

Posti succeeded in delivering Christmas for our customers and all citizens

Christmas greetings continues to be part of the Finnish Christmas tradition, but volumes are declining. More than 23 million Christmas cards were sent this year in Finland compared to 26 million in 2017.

In December, Posti set a new record: 1.3 million parcels passed through Posti in one week.



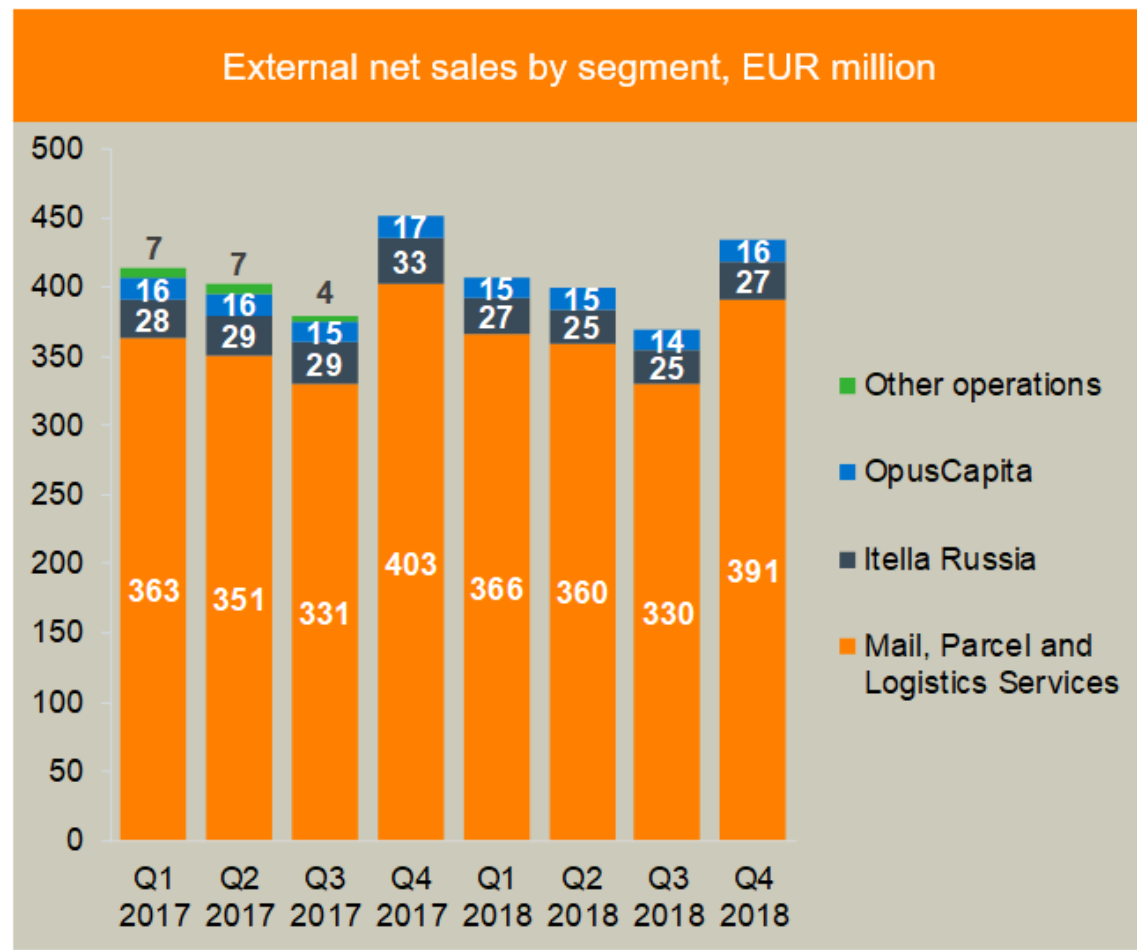
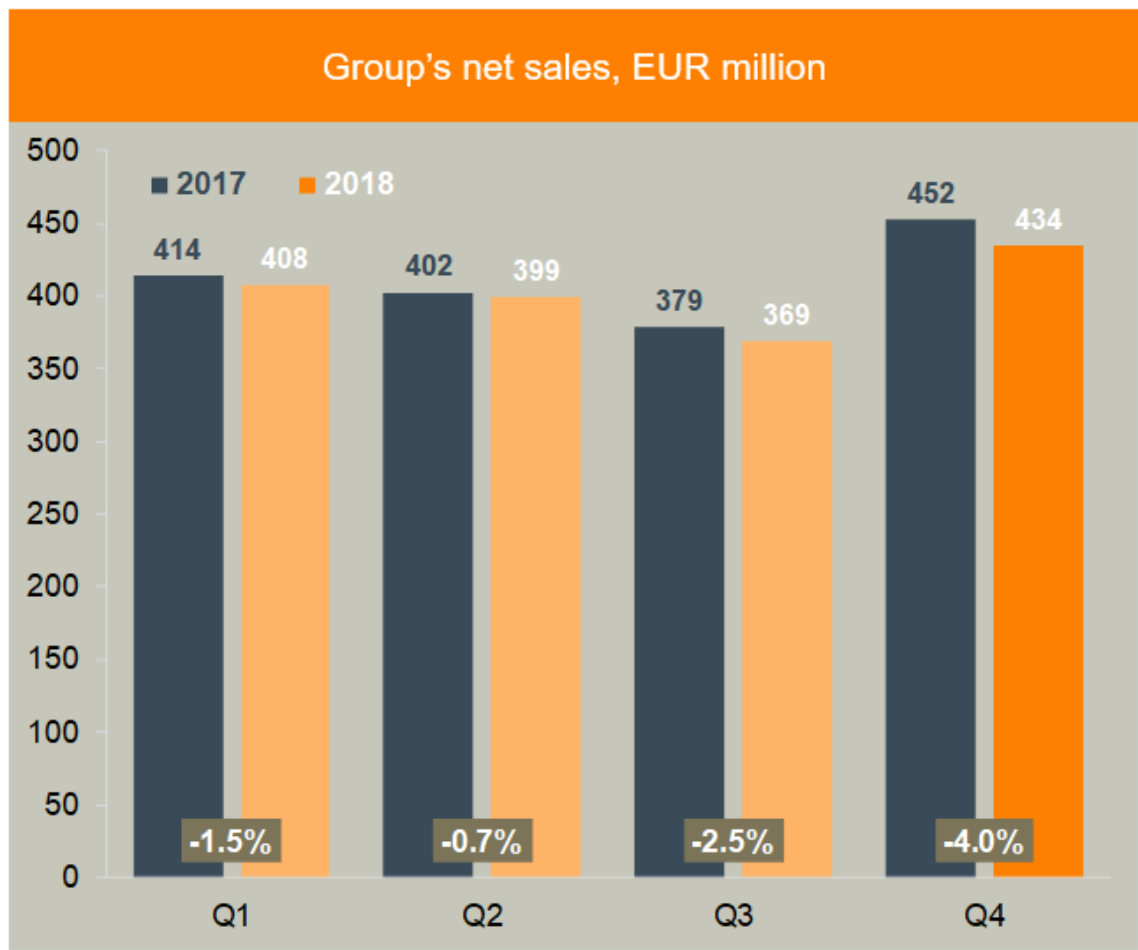
The net sales of Parcel Services grew particularly due to the Christmas season. The growth was seen especially in the volumes of domestic B2C parcels and international B2C parcels addressed to Finland.

Q4 Financials



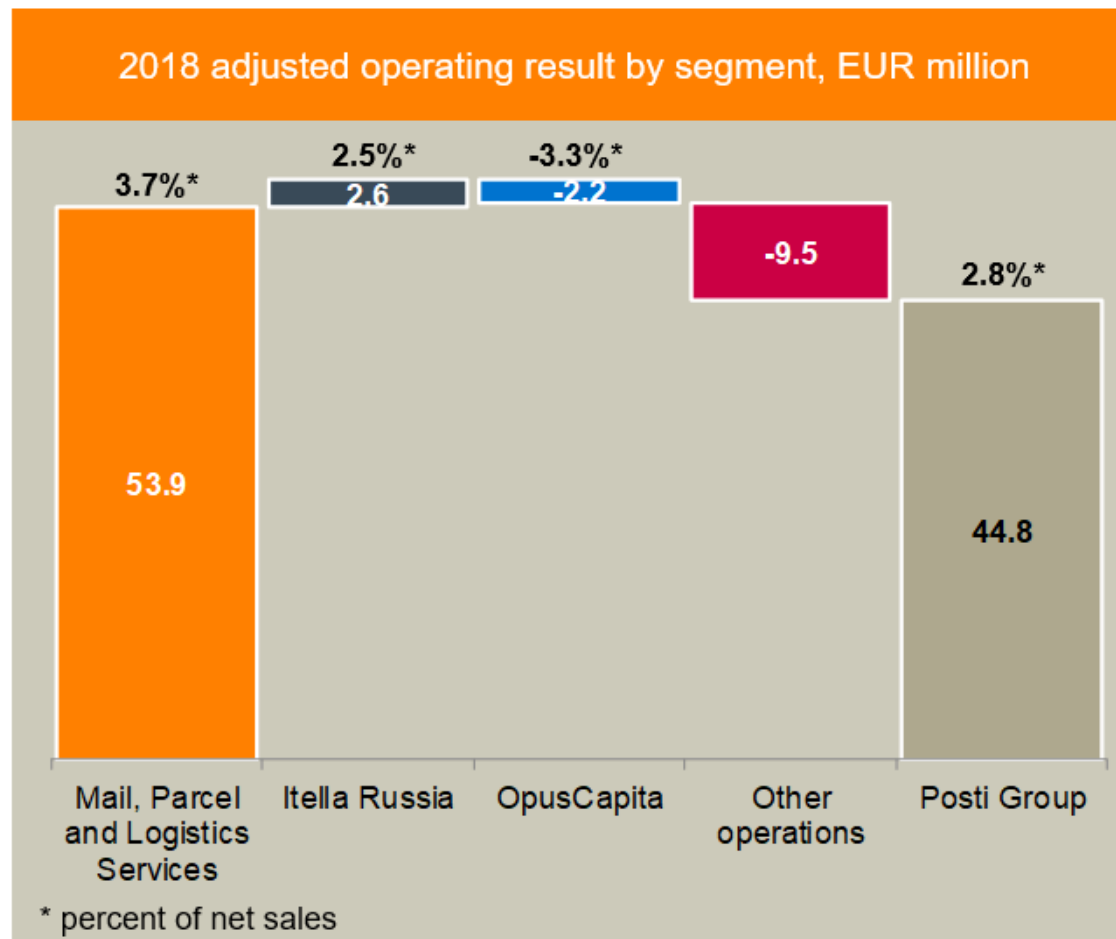
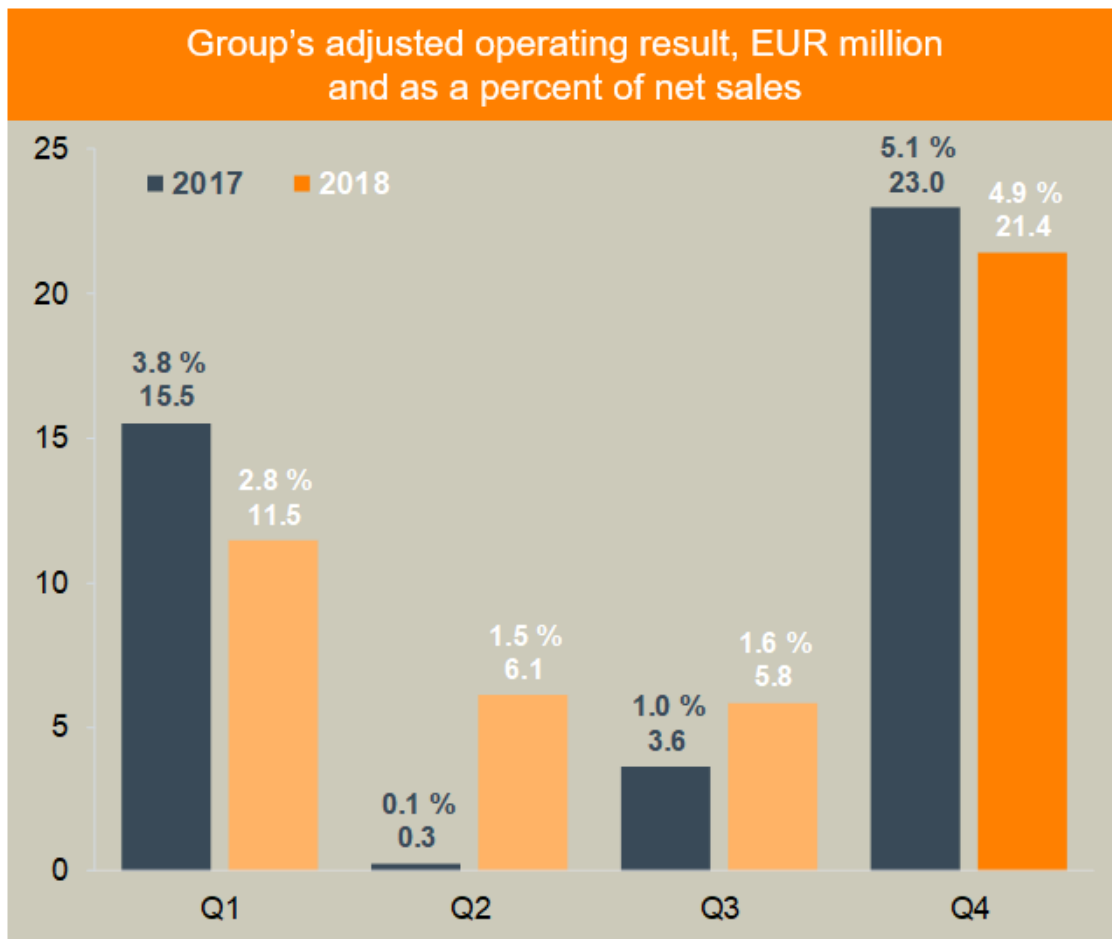
Posti Group Q4 net sales

- Q4 net sales declined by 4.0% to 434 EUR million (452 EUR million)



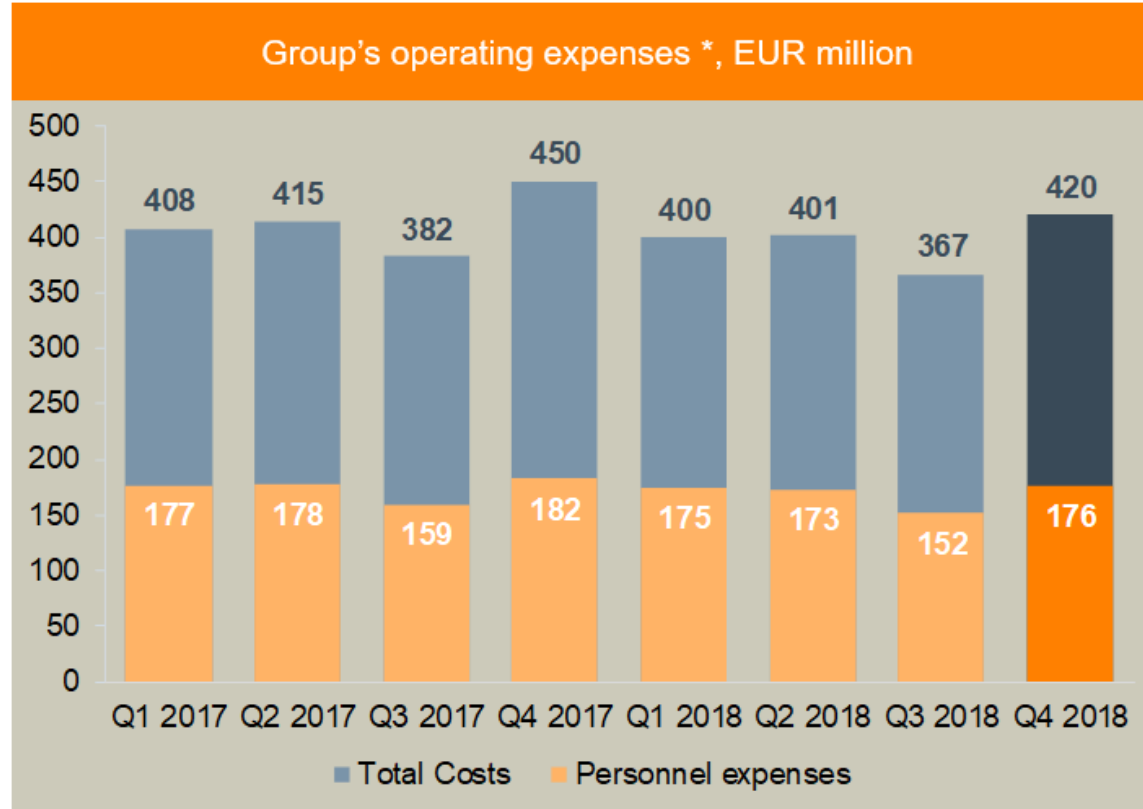
Posti Group Q4 adjusted operating result

- Q4 adjusted operating result declined by 1.6 EUR million to 21.4 EUR million (23.0 EUR million)



Posti's total costs structure trend

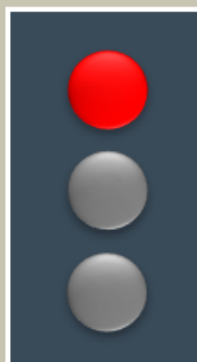
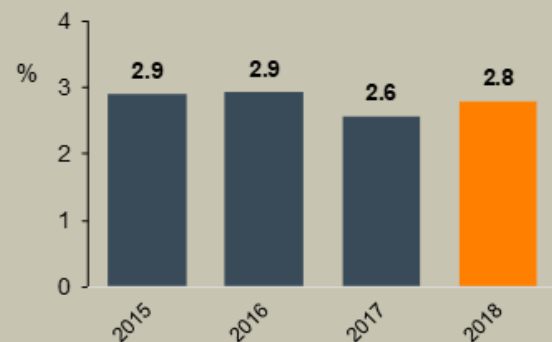
- Cost structure is lower than in the comparison period
- Declining mail volume needs to be off-set by cost structure development



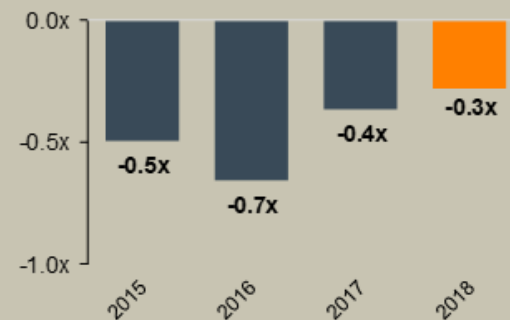
- Average number of FTE in Q4 2018 was 16,202 (16,807)

Long term financial targets

Adjusted operating result percentage 4%

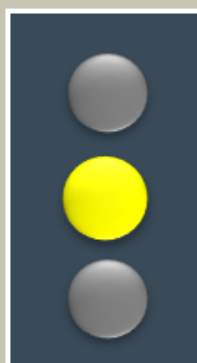
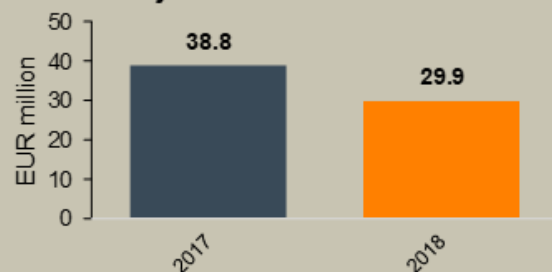


Net debt / Adjusted EBITDA less than 2.0x

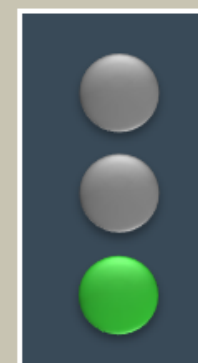
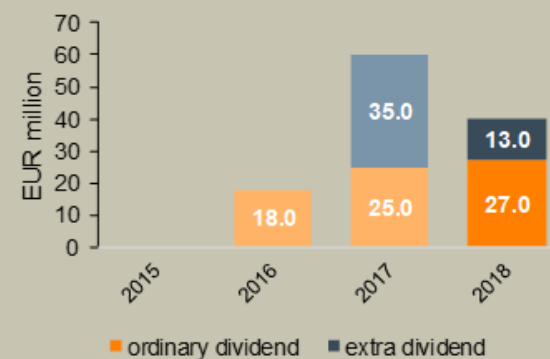


Strict management of free cash flow

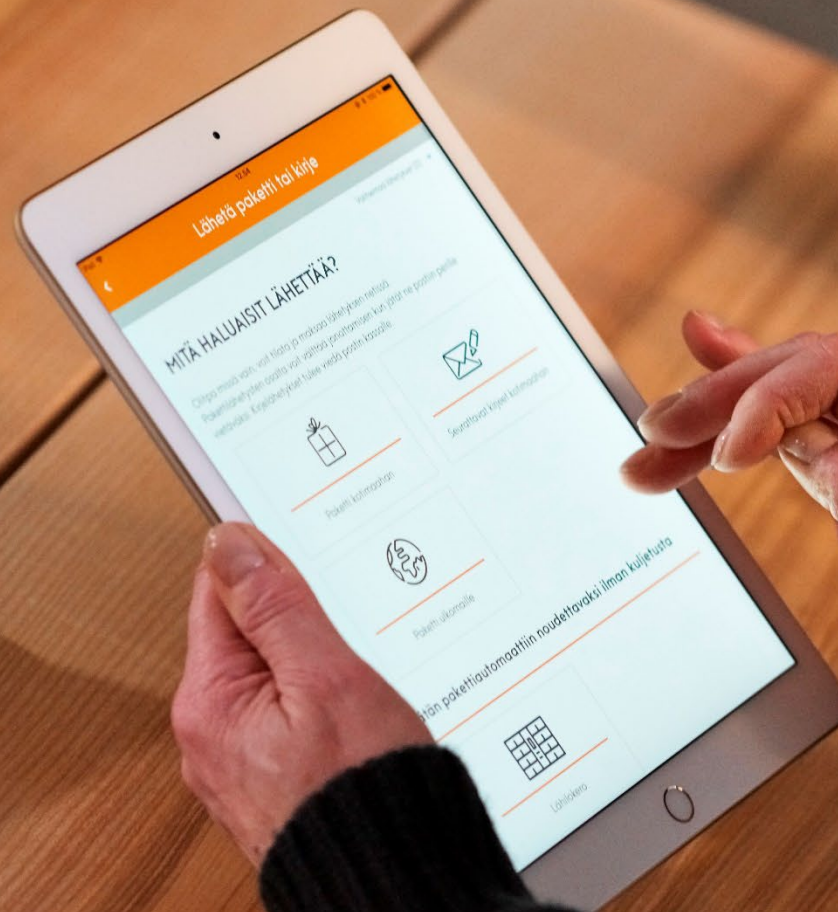
Adjusted free cash flow



Continuously increasing ordinary dividend



Segments



Mail, Parcel and Logistics Services Q4 key figures

EUR million	10-12 2018	% of Net sales	10-12 2017	% of Net sales
Net sales	393.9		403.2	
Net sales change, %	-2.3%		0.5%	
Adjusted EBITDA	33.0	8.4%	38.1	9.5%
EBITDA	32.9	8.3%	37.9	9.4%
Adjusted operating result	22.7	5.8%	27.3	6.8%
Operating result	21.4	5.4%	27.1	6.7%

- Mail and Marketing Services net sales decreased, driven by constantly falling volumes in addressed letters. The net sales are strongly influenced by the last quarter of the year and especially by the Christmas season. More than 23 million Christmas cards were sent this year in Finland compared to 26 million in 2017.
- The Press Service net sales suffered from volume decline as well as from price competition.
- The net sales of Parcel Services grew particularly due to growth in consumer parcels.
- Logistics Services net sales decreased by 2.7%. In Logistics services, the development in domestic freight, measured in waybills, was positive, but growth was slower than in the comparison period. This is mainly due to the Finnish business environment.

Itella Russia Q4 key figures

EUR million	10-12 2018	% of Net sales	10-12 2017	% of Net sales
Net sales	27.2		33.0	
Net sales change, %	-17.5%		4.7%	
Adjusted EBITDA	3.2	11.7%	1.6	5.0%
EBITDA	-1.1	-4.1%	-16.2	-49.0%
Adjusted operating result	1.7	6.3%	-0.1	-0.3%
Operating result	-2.6	-9.4%	-17.9	-54.3%

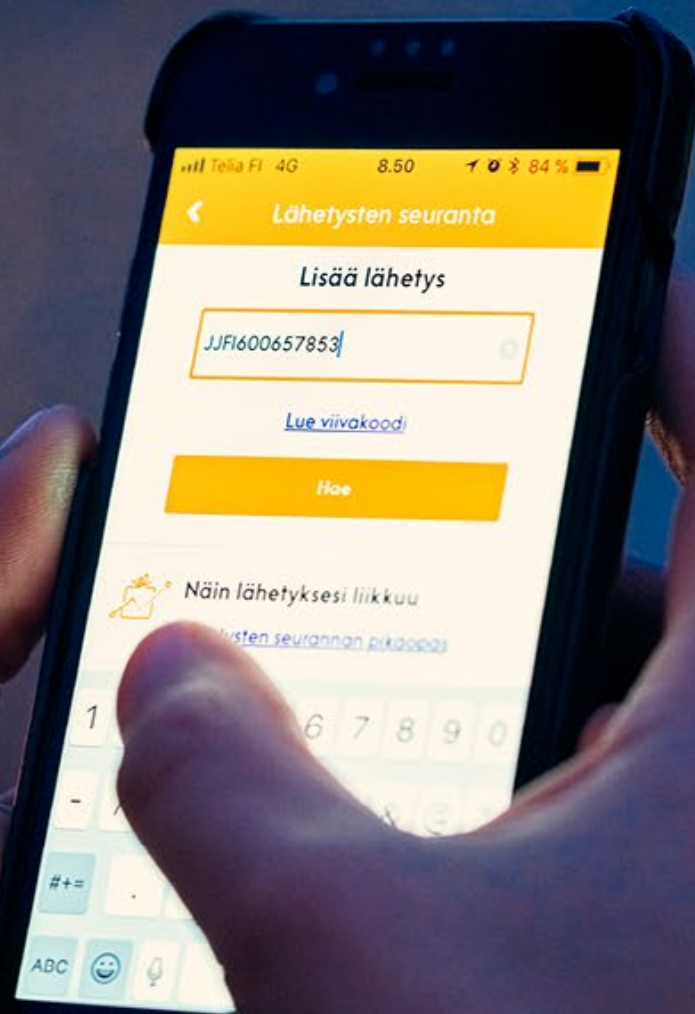
- Itella Russia's net sales measured in local currency decreased.
- The divestment of Maxipost during Q2 impacted negatively on net sales. Net sales also decreased slightly in Road transport, Air and Sea and Contract logistics.
- Itella Connexions, a Posti subsidiary in Russia, was divested in December 2018. Itella Connexions is a customer relationship management and digital agency.
- The result improvement was driven by Contract Logistics but also Road Transport contributed as well as the divestment of Maxipost.

OpusCapita Q4 key figures

EUR million	10-12 2018	% of Net sales	10-12 2017	% of Net sales
Net sales	17.4		17.4	
Net sales change, %	0.0%		-1.4%	
Adjusted EBITDA	2.1	12.1%	-1.0	-6.0%
EBITDA	1.5	8.8%	-2.1	-11.8%
Adjusted operating result	0.9	5.4%	-2.3	-13.1%
Operating result	0.4	2.1%	-3.3	-18.9%

- OpusCapita's net sales remained flat but SaaS subscription revenue grew by 41%.
- Conversion from on-premise to SaaS proceeded successfully especially in the Cash Management product line. Net Sales in paper-based transaction products continued to decline as expected. Both Cash Management and Procurement and Invoice Automation product lines closed landmark deals during the fourth quarter.
- The adjusted EBITDA increased by the cost-savings program as well as growth in the high value product segments.

Outlook



Outlook for 2019

Net sales, excluding possible new acquisitions and divestments, is expected to increase from 2018 driven by Transval acquisition.

The Group's **adjusted operating result** is expected to increase from 2018 due to Transval acquisition and transition to IFRS 16 accounting principles.



posti