



Interim report 7–9/2019

Posti's adjusted operating result and net sales improved in Q3 – chosen strategy generates result

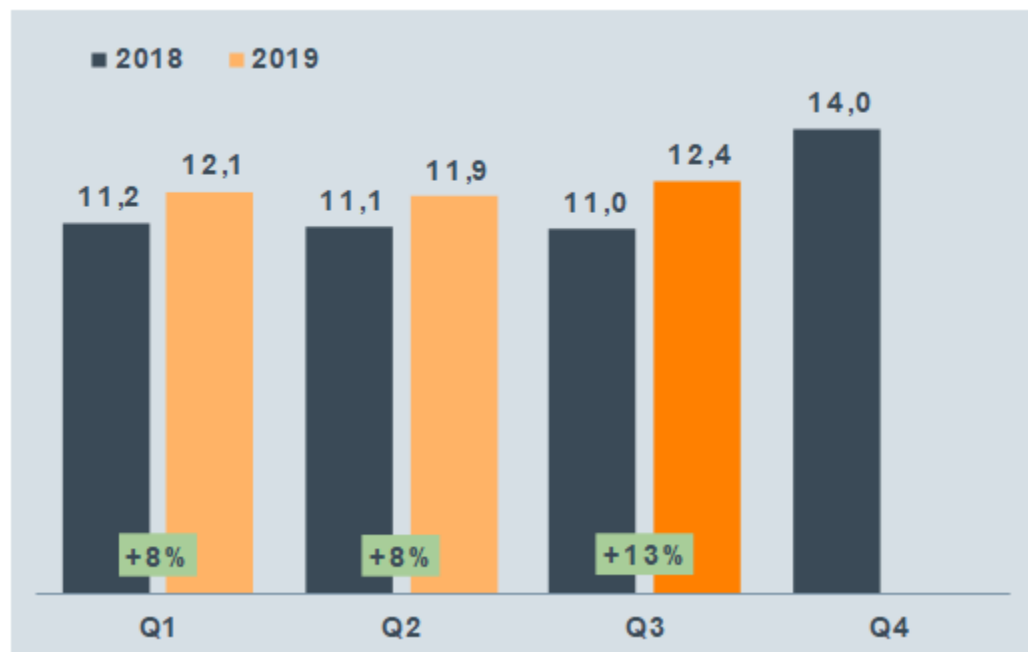
Operational Highlights

- Posti has succeeded in making changes in line with its strategy, which has strengthened the shift in net sales towards Parcel and eCommerce and Logistics Solutions.
- At the end of September, Posti had 1,545 parcel lockers. Posti aims to increase the number of parcel lockers to 4,000 by the end of 2022. Posti's 1,500th parcel locker was opened in the REDI shopping center in Helsinki.
- We have had strong sales development in our Parcel and eCommerce business during the year. Posti has gained new e-commerce customers, and at the same time many previous customers have been able to further increase sales through their online stores.
- Posti acquired *Pakettikauppa.fi* in September.
- The quality of postal deliveries has been poor in certain areas during the third quarter due to shortage of staff and recruitment challenges as well as illegal industrial actions by Finnish Post and Logistics Union PAU in August and September. Corrective actions have been taken to recruit delivery staff.



Parcel volumes keep growing

Parcel volumes (million units) in Finland and in the Baltics



The number of parcels going through Posti Parcel Lockers 7-9/2019

+56 %

Freight volumes*
7-9/2019

+0 %

Parcel volume growth in Finland and in the Baltics 7-9/2019

+13%

Addressed letter volumes
7-9/2019

-12 %

* The reported figure for domestic freight excludes food logistics and is measured in waybills

Parcel & eCommerce and Logistics Solutions together add up to over 50 percent of our overall net sales

In July-September 2019, the Group's net sales totalled EUR 381.2 million

Logistic Solutions

- EUR 102.3 million
- Around 27% of the net sales

Parcel and eCommerce

- EUR 101.6 million
- Around 27% of the net sales



Itella Russia

- EUR 20.7 million
- Around 5% of the net sales

Postal Services

- EUR 158.4 million
- Around 42% of the net sales

About 94 percent of Posti's net sales resulted from open competition (business letters, magazines, parcels and other deliveries).

The share of regulated universal service is approximately 6 percent of net sales.

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Business Environment



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



Finland's gross domestic product (GDP)

1.6%

in 2019



Uncertainty about the direction of overall economic development has increased and made consumers more cautious.

- E-commerce markets has continued its growth.
- Finnish consumers estimate that they will make more online purchases in the future than they do now.
- Almost 18% of the respondents estimate that they will buy everything or almost everything online in 2025.
- Over half of the Finnish online shoppers say free delivery motivates them to buy more online.

*Sources: Finland's Bank, Ministry of Finance, Statistics Finland
Information about E-commerce markets comes from Kantar TNS's 2019 online shopping survey commissioned by Posti.*

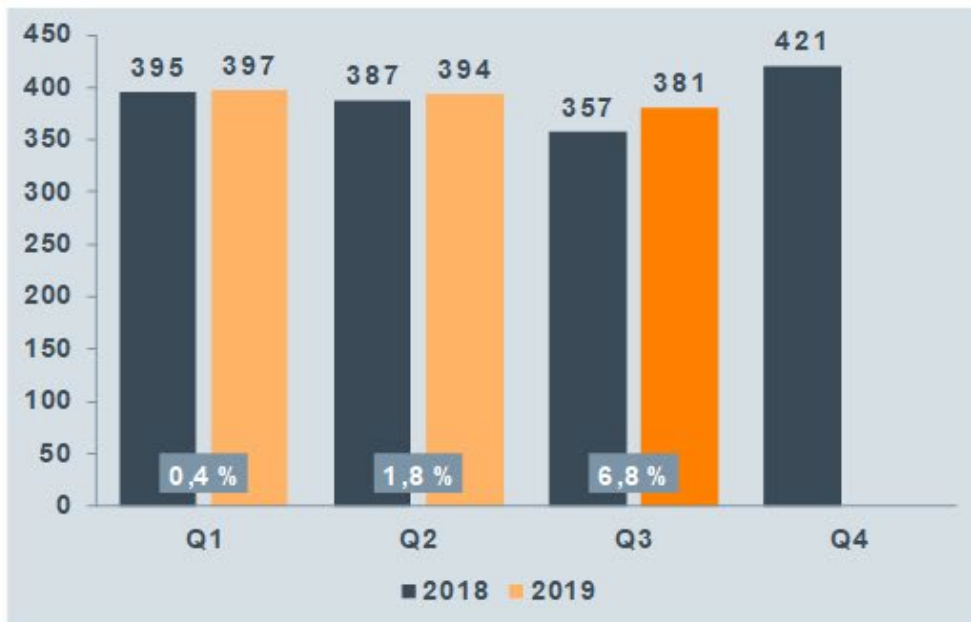
Financials



Posti Group Q3 net sales

Q3 net sales increased by 6.8% to 381 (357) EUR million

Group's net sales of continuing operations, EUR million



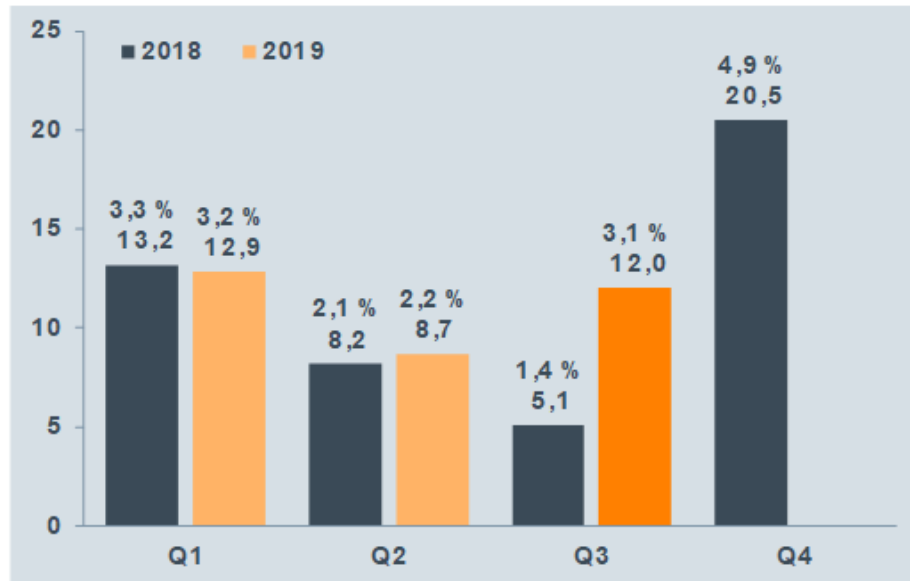
External net sales by segment of continuing operations, EUR million



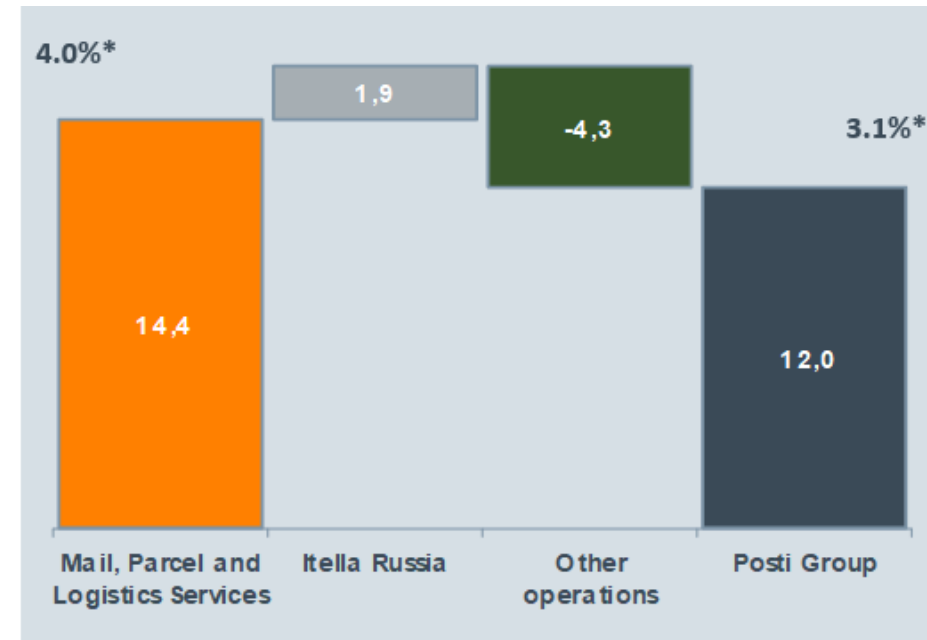
Posti Group Q3 adjusted operating result

Q3 adjusted operating result increased by 6.9 EUR million to 12.0 (5.1) EUR million

Group's adjusted operating result of continuing operations, EUR million and as a percent of net sales



2019 Q3 adjusted operating result by segment, EUR million

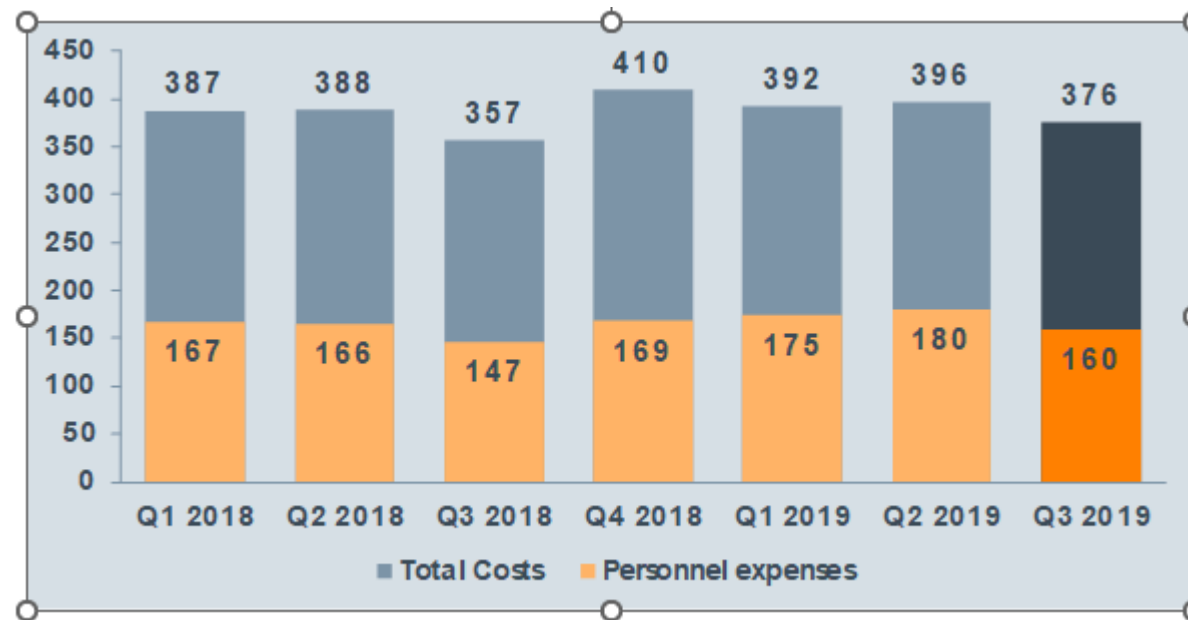


* percent of net sales

Posti's total cost structure trend

- Cost structure is slightly higher than in the comparison period due to Transval acquisition
- Declining mail volume needs to be off-set by cost structure development
- Personnel on average FTE in Q3 2019 was 16,527 (16,450)

Group's operating expenses of continuing operations*, EUR million



* includes depreciation and amortization, excludes impairment losses

Long term financial targets

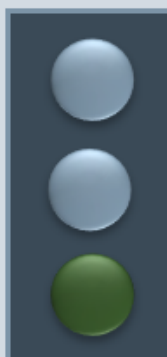
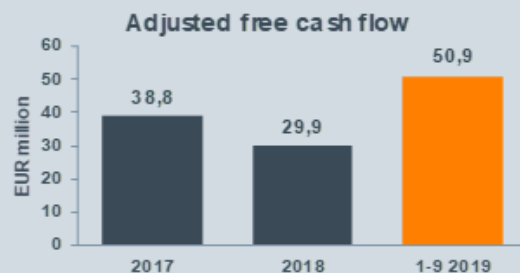
Adjusted operating result percentage 4%



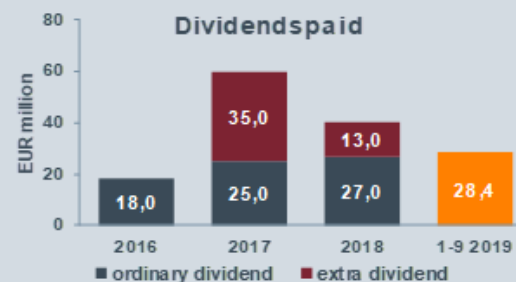
Net debt / Adjusted EBITDA** less than 2.0x



Strict management of free cash flow **



Continuously increasing ordinary dividend



* continuing operations

** 2019 is not comparable with previous years due to IFRS 16 standard

Outlook



Posti specifies its guidance for 2019

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

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

A potential strike could have a significant impact particularly on the Group's result.

Posti's outlook for 2019 before:

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

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

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THANK YOU!



APPENDICES

IFRS 16 standard impact on Q3 2019 key figures *

- IFRS 16 standard has biggest impacts on EBITDA, net debt and key figures related to indebtedness.
- Net debt / adjusted EBITDA changes significantly and will reflect IFRS 16 standard fully at the end of year as adjusted EBITDA calculated as a rolling 12 months figure. Thus Q1-Q3 2019 adjusted EBITDA calculated partly from 2018 reported figures which were not reported according to IFRS 16 standard.

	7-9 2018	7-9 2019	Change, %	Change	IFRS 16 effect
Netsales, EUR million	356,9	381,2	6,8 %	24,3	0,0
Adjusted EBITDA, EUR million	21,3	40,9	92,3 %	19,6	12,2
EBITDA, EUR million	20,5	39,0	89,9 %	18,5	12,2
Adjusted operating result, EUR million	5,1	12,0	135,4 %	6,9	0,9
Operating result, EUR million	4,3	10,1	131,3 %	5,7	0,9
Result for the period, EUR million	6,1	10,2	68,7 %	4,2	-0,5

* continuing operations

IFRS 16 standard impact on Q1-Q3 2019 key figures *

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	1-9 2018	1-9 2019	Change, %	Change	IFRS 16 effect
Netsales, EUR million	1 138,5	1 171,6	2,9 %	33,1	0,0
Adjusted EBITDA, EUR million	74,3	120,1	61,5 %	45,7	36,4
EBITDA, EUR million	70,8	107,7	52,1 %	36,9	36,4
Adjusted operating result, EUR million	26,5	33,6	26,8 %	7,1	2,9
Operating result, EUR million	22,8	21,2	-6,7 %	-1,5	2,9
Result for the period, EUR million	20,5	18,2	-11,5 %	-2,4	-1,6
Netdebt, EUR million	0,8	168,7		167,9	180,0

* continuing operations, except Net debt which is for whole group

Segments

A middle-aged man with grey hair, wearing a black polo shirt and dark trousers, is sitting on a white sofa. He is holding and reading a magazine. The background shows a large window with a view of a residential area with yellow buildings and a white fence. The lighting is bright and natural, suggesting daytime.

Mail, Parcel and Logistics Services key figures

July-September

EUR million	7-9 2019	% of Netsales	7-9 2018	% of Netsales
Netsales	360,6		332,5	
Netsales change, %	8,5%		0,5%	
Adjusted EBITDA	37,8	10,5%	15,5	4,7%
EBITDA	36,6	10,1%	15,1	4,5%
Adjusted operating result	14,4	4,0%	5,0	1,5%
Operating result	13,1	3,6%	4,6	1,4%

Netsales, EUR million	7-9 2019	7-9 2018	Change, %
Postal Services	158,4	161,6	-2,0%
Parcel and eCommerce	101,6	93,4	8,8%
Logistics Solutions	102,3	78,8	29,8%
Other and eliminations	-1,7	-1,3	

- Good volume growth, especially in August and September, continued to drive Parcel and eCommerce net sales growth.
- The Postal Services net sales decrease was driven by a decline in volume, which was mitigated by pricing and product mix and delivery speed changes.
- Net sales in Logistic Solutions saw positive development thanks to the Transval acquisition.

Mail, Parcel and Logistics Services key figures

January-September

EUR million	1-9 2019	% of Netsales	1-9 2018	% of Netsales
Netsales	1 112,1		1 063,3	
Netsales change, %	4,6%		1,7%	
Adjusted EBITDA	111,7	10,0%	62,7	5,9%
EBITDA	102,2	9,2%	63,2	5,9%
Adjusted operating result	42,6	3,8%	31,2	2,9%
Operating result	33,1	3,0%	31,6	3,0%

Netsales, EUR million	1-9 2019	1-9 2018	Change, %
Postal Services	512,8	534,7	-4,1%
Parcel and eCommerce	302,5	294,2	2,8%
Logistics Solutions	301,6	237,6	26,9%
Other and eliminations	-4,8	-3,3	

- In Postal Services, net sales decreased because of mail volume decline, which continued at a high level in January-September.
- Parcel and eCommerce net sales increased only slightly in January-September because of the negative development in cross-border transit volumes in Q1/2019.
- Net sales increased almost by 30% in Logistic Solutions primarily because of the Transval acquisition, completed during the first quarter.

Itella Russia key figures

July-September

EUR million	7-9 2019	% of Netsales	7-9 2018	% of Netsales
Netsales	20,7		25,1	
Netsales change, %	-17,5%		-14,7%	
Adjusted EBITDA	4,2	20,4%	2,3	9,3%
EBITDA	3,0	14,6%	2,2	8,7%
Adjusted operating result	1,9	9,1%	0,9	3,5%
Operating result	0,7	3,3%	0,7	3,0%

- Net sales decreased in contract logistics but increased in air & sea.
- Net sales in road transport remained at the same level compared with the corresponding period last year.
- Net sales were also affected by the closing of the warehouses. The divestment of Connexions in Q4/2018 decreased the net sales. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

Itella Russia key figures

January-September

EUR million	1-9 2019	% of Netsales	1-9 2018	% of Netsales
Netsales	59,8		76,6	
Netsales change, %	-22,0%		-11,0%	
Adjusted EBITDA	8,8	14,8%	5,4	7,1%
EBITDA	8,5	14,2%	6,1	7,9%
Adjusted operating result	0,7	1,1%	0,9	1,2%
Operating result	0,3	0,6%	1,3	1,7%

- Net sales were affected by the closing of the unprofitable warehouses and the divestment of Maxipost in Q2/2018 and Connexions in Q4/2018.
- According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.
- The adjusted operating result is driven by restructuring and optimization measures taken primarily during the second quarter.