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Interim Report for 1 January–30 June 2004

HIGHER NET TURNOVER BOOSTED BY ACQUISITIONS, BETTER PROFITABILITY RESULTING FROM STREAM-LINED OPERATIONS

- Net turnover: EUR 611.5 million (+9%)
 - Operating profit: EUR 53.0 million (+21%)
 - Profit: EUR 37.3 million (+24%)
- Volume of unaddressed direct mail was on the rise
 - B2B parcel services continued to expand
 - Electronic Messaging experienced expansion due to major outsourcing agreements

NET TURNOVER AND PROFIT

Finland Post Group's net turnover for 1 January–30 June 2004 grew to EUR 611.5 million (EUR 562.4 million for 1 January–30 June 2003), showing an improvement of 8.7 per cent. Acquisitions accounted for more than a half of the EUR 49.1 growth in net turnover.

The consolidated operating profit rose by EUR 9.2 million, to EUR 53.0 million (EUR 43.8 million). If taking into account the proceeds from investments and capital gains on business divestments completed this year and last year, comparable net turnover grew by EUR 1.6 million.

The Group's profit before extraordinary items, appropriations and taxes came to EUR 54.3 million (EUR 44.9 million), while profit for the period totalled EUR 37.3 million (EUR 30.1 million).

PERFORMANCE BY BUSINESS UNITS

Messaging improved its net turnover to EUR 398.9 million (EUR 363.7 million), or by 9.7 per cent. The greatest impact on the growth in net turnover came from the purchase of the early-morning newspaper delivery business in the region of Uusimaa in the autumn of 2003. The volume of unaddressed direct mail also grew markedly year on year. The total number of 1st and 2nd Class Letters remained at the previous year's level. The delivery service standard for 1st Class Letters achieved its target set in the Postal Services Act: on average, 95 per cent of the letters were delivered on the next working day during a 12-month period that ended in June.

From January to May, Finland Post launched a pilot project to deliver standard mail earlier in the morning in 11 municipalities in different parts of Finland. The pilot project will partly continue owing to interest shown by newspaper customers. The objective is to improve the service level of newspaper deliveries in sparsely populated areas. In order to make it possible to deliver mail earlier on a more extensive basis, the Postal Services Act should be amended with regard to the conveyance speed requirement set for 1st Class Letters. By 15 September, the working group of the Ministry of Transport and Communications will express its opinion on whether the current conveyance speed requirement can be moderated.

KEY FIGURES AND RATIOS	1 Jan – 30 June	1 Jan – 30 June	Change	Year
	2004	2003		
Net turnover, EUR million	611.5	562.4	+9	1 145.5
Operating profit, EUR million	53.0	43.8	+21	73.7
Operating margin, %	8.7	7.8		6.4
Return on equity, %	11.3	10.8		8.7
Return on investment, %	16.0	14.7		12.9
Equity ratio, %	65.0	64.8		65.8
Gearing, %	-31.6	-19.1		-21.1
Gross capital expenditure, EUR million	58.4	28.3	+106	71.6
Average personnel	24,018	21,908	+10	23,592

In its resolution issued on 22 June, the Finnish Communications Regulation Authority requested Finland Post to revise the basis of pricing of its standard services. Finland Post has filed a complaint about the resolution to the administrative court.

Electronic Messaging Services' net turnover climbed to EUR 85.3 million (EUR 67.0 million), up 27.3 per cent. Factors resulting in the growth included the outsourcing agreement of printing services in Germany and the acquisitions carried out in Finland and the Baltic countries.

Atkos Ltd, a subsidiary operating in Finland, posted a higher net turnover supported by the acquisition of Mailer Oy's and Ykköslogistiikka Oy's direct-mail businesses at the end of last year. These were merged into Atkos Ltd at the beginning of 2004. The favourable development of printing volumes also contributed to the growth in net turnover.

Scandinavian companies recorded practically the same net turnover as in the previous year, German companies improved their net turnover as a result of the outsourcing agreements signed at the end of last year. Finland Post continued to make dedicated efforts to integrate the German companies into the Group.

In June, the Group concentrated its services related to e-business, e-invoicing and e-services on Elma Oyj Electronic Trading, a subsidiary acquired in Finland in March, strengthening Elma's position as the leading Nordic services operator in the industry.

The electronic messaging companies operating in the Baltic countries, which were purchased from Posten, Sweden's Post, last November, have been consolidated into the Group's accounts as of the beginning of May when the acquisition was approved by the competition authorities.

Logistics' net turnover grew to EUR 122.8 million (EUR 119.4 million). The growth in the volume of parcels slowed down slightly from the exceptionally favourable level experienced last year, resulting from the increase in Finland Post's market share with regard to parcels coming from abroad. This year's economic recovery has had a positive impact on the volumes of B2B parcels. The development in the volume of consumer parcels has been more modest than in the previous year, due to the unfavourable development in the mail-order business.

Markets have welcomed Finland Post's new international transport service launched in the spring covering the Baltic Rim. The objective is to expand the logistics business in Russia too.

Other business activities included the IT company IT Optimo Oy, and, until the end of April, Easy Km Ltd, a company offering repair shop and leasing services for vehicles. The business operations of Easy Km Ltd were sold to Raskone Oy in April. The net turnover for other business activities decreased to EUR 33.2 million (EUR 38.9 million) as a result of the divestment. IT Optimo Oy reported a net turnover of EUR 13.0 million (EUR 9.0 million), consisting mainly of intra-Group operations.

NET TURNOVER BY BUSINESS UNIT	Share of net turnover %	Net turnover 1 Jan – 30 June EUR million	Net turnover 1 Jan – 30 June EUR million	Change %
Messaging	64	398.9	363.7	+10
Electronic Messaging	14	85.3	67.0	+27
Logistics	20	122.8	119.4	+3
Other Business Activities	2	33.2	38.9	-15
Group Activities and internal net turnover		-28.7	-26.6	
Consolidated net turnover		611.5	562.4	+9

FINANCIAL POSITION

The Group's net cash flow from business operations came to EUR 76.0 million (EUR 60.4 million) before investments. The Group held no net interest-bearing liabilities. Liquid assets exceeded interest-bearing liabilities by EUR 178.5 million (EUR 103.8 million). The period-end equity ratio was 65.0 per cent (64.8 per cent) and gearing stood at -31.6 per cent (-19.1 per cent). The net financing income was EUR 1.9 million (EUR 1.0 million).

CAPITAL EXPENDITURE

Finland Post Group's capital expenditure for January-June amounted to EUR 58.4 million (EUR 28.3 million), consisting of company acquisitions and standard replacement investments in machinery and equipment, as well as real estate investments in the logistics business.

HUMAN RESOURCES

The number of Finland Post Group's employees for January-June averaged 24,018 (21,908), and the period-end number of employees totalled 25,797 (23,660). The growth in the number of the Group's employees was mainly caused by acquisitions. The greatest source of growth came from the acquisition of the early-morning newspaper delivery business in the autumn of 2003.

CHANGES IN CORPORATE STRUCTURE

In January, Finland Post increased its shareholding in Poske Logistiikka Oy, a joint venture set up by Finland Post and Rautakesko, by 40 per cent, after which Poske Logistiikka Oy became Finland Post's wholly owned subsidiary.

Since the competition authorities set certain conditions on the acquisition of Leijonajakelu's early-morn-

ing delivery business carried out in autumn 2003, Finland Post sold its 40 per cent holding in Helsingin Jake-lu-Expert Oy in March, and its 55 per cent holding in Tampereen Ykkösjakelut Oy and 20 per cent in Turku-Palvelu Oy in April, thus fulfilling all these conditions.

The EMS companies Finland Post acquired from a subsidiary of Posten – Eesti Maksekeskuse AS operating in Estonia, Nacionālais Maksājumu Centrs A/S operating in Latvia, and UAB Nacionalinis Atsiskaitymu Centras operating in Lithuania – were consolidated as of the beginning of May.

In March, Finland Post purchased a majority shareholding in Elma Oyj Electronic Trading, and the rest of the shares in June.

In April, Finland Post sold the business operations of Easy Km Ltd to Raskone Oy. The operations were transferred to the new owner on 30 April 2004. In this connection, Finland Post paid an extra dividend of EUR 10.1 million to its owner.

SECOND-HALF PROSPECTS

Since the overall economic outlook for 2004 is, to some extent, brighter than that in 2003, it is estimated that demand for Finland Post's services will grow faster than last year. When the acquisitions carried out in 2003 and in the first half of 2004 are taken into account, Finland Post Group expects its net turnover to grow at a faster pace than in the previous year. Also, profitability for 2004 as a whole is expected to improve, thanks to capital gains and streamlining measures underway.

Helsinki, 3 August 2004

Board of Directors

	1 Jan – 30 June 2004	1 Jan – 30 June 2003	1 Jan – 31 Dec 2003
PROFIT AND LOSS ACCOUNT, EUR million			
Net turnover	611,5	562.4	1 145.5
Other operating income	17.0	10.5	17.3
Operating expenses	575.5	529.1	1 089.1
Operating profit	53,0	43.8	73.7
Share of associated companies' profits	-0.6	0.1	0,1
Financial income and expenses	1.9	1.0	2,3
Profit before extraordinary items	54,3	44.9	76.1
Profit before taxes	54,3	44.9	76.1
Income taxes	17,0	-14.9	-29.0
Minority interest	0.0	0.1	-0.3
Profit for the period	37.3	30.1	46.8
BALANCE SHEET, EUR million	30 June 2004	30 June 2003	31 Dec 2003
Fixed and other non-current assets	464.2	519.7	515.8
Intangible assets	136.6	117.0	126.8
Tangible assets	290.2	361.8	348.4
Long-term investments	37.4	40.9	40.6
Inventories and current assets	412.4	322.6	340.6
Inventories	6.0	8.1	8.7
Receivables	159.5	128.1	150.0
Short-term investments	224.3	156.1	164.6
Cash and bank receivables	22.6	30.3	17.3
Total assets	876.6	842.3	856.4
Shareholders' equity	564.2	540.2	556.9
Share capital	70.0	70.0	70.0
Other reserves	494.2	470.2	486.9
Minority interest	0.8	2.0	2.7
Provisions	0.6	0.9	0.4
Liabilities	311.0	299.2	296.4
Long-term liabilities	74.0	76.2	77.1
Short-term liabilities	237.0	223.0	219.3
Total shareholders' equity and liabilities	876.6	842.3	856.4
CASH FLOW STATEMENT, EUR million	1 Jan – 30 June 2004	1 Jan – 30 June 2003	1 Jan – 31 Dec 2003
Cash flow before change in net working capital	75.4	73.5	138.1
Change in net working capital	14.3	-8.7	-9.3
Cash flow from business operations before financial items and income taxes	89.7	64.8	128.8
Cash flow from financial items and income taxes	-13.7	-4.4	-23.5
Cash flow from business operations	76.0	60.4	105.3
Cash flow from investments (net)	14.7	-18.8	-49.6
Change in long-term and short-term loans	4.5	-9.0	-27.7
Dividends paid	-30.1	-15.2	-15.2
Cash flow from financing:	-25.6	-24.2	-42.9
Change in liquid assets	65.1	17.4	12.8
Cash and bank at period-start	181.8	169.0	169.0
Cash and bank at period-end	246.9	186.4	181.8

PLEDGES AND CONTINGENT LIABILITIES, EUR million	30 June 2004	30 June 2003	31 Dec 2003
Mortgages on real estate:			
Loans from financial institutions	1.3	-	1.4
Mortgages given	2.7	2.5	5.2
Other pledges for the Group	13.1	12.7	13.1
Pledges for other companies	0.4	0.1	0.1
Leasing liabilities	40.8	7.0	7.6
Remaining rental agreement commitments	78.2	76.8	81.4
Other contingent liabilities	0.3	1.7	2.6
DERIVATIVE CONTRACTS, EUR million			
Foreign exchange forward contracts			
Market value	0.0	0.1	-0.0
Underlying value	4.6	5.5	5.6
Interest-rate swaps			
Market value	-0.4	-1.0	-0.6
Underlying value	31.2	40.0	41.4
Used for hedging exchange-rate and interest-rate risks, derivative instruments are valued at market rates available on the balance sheet date.			
The data are based on unaudited figures.			

Finland Post Corporation will release its next interim report in week 44.

Finland Post Corporation • P.O. Box 1 • FI-00011 POSTI, FINLAND
Tel. 0204 511 (+358 204 511) • Call Centre 0200 27100 (+ 358 200 27100) • www.posti.fi
Registered Domicile: Helsinki • Business ID 1531864-4