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# Interim Report for 1 January–30 September 2005

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- Net turnover: EUR 935.7 million (up 5.6%)
- Operating profit: EUR 52.8 million (down 16.8%)
- Profit for the period: EUR 39.3 million (down 14.0%)
- Growth in free sheet deliveries in the Helsinki Metropolitan Area
- Information Logistics' favourable business development in Finland and the Baltic countries
- Logistics' stronger position in Northern Europe

### Net Turnover and Profit

Finland Post's consolidated net turnover for 1 January–30 September 2005 grew to EUR 935.7 million (EUR 886.0 million during 1 January–30 September 2004), up 5.6 per cent year on year, with all of the three business groups showing growth. Other Business Activities posted a lower net turnover due to the divestment of Easy Km Ltd in April 2004.

Consolidated operating profit fell by EUR 10.7 million from the previous year's figure, to EUR 52.8 million (EUR 63.5 million). Capi-

tal gains on the divestment of Easy Km Ltd and Jakelumarkkinat Oy's properties contributed to the previous year's higher profit. Like-for-like operating profit (excluding capital gains on business and property divestments) decreased by EUR 1.6 million on a year earlier. Profitability was primarily affected by a sharp rise in fuel costs. Finland Post has begun to take productivity-enhancing measures.

Consolidated profit before extraordinary items, appropriations and taxes came to EUR 58.9 million (EUR 67.3 million), while profit for the period totalled EUR 39.3 million (EUR 45.7 million).

### Performance by Business Group

**Messaging** improved its net turnover by 2.1 per cent, to EUR 593.4 million (EUR 581.3 million). The volume of unaddressed direct mail delivered by Finland Post grew rapidly from the previous year's level, whereas addressed letter mail (1<sup>st</sup> and 2<sup>nd</sup> Class letters and addressed direct mail) volumes fell slightly year on year. Developments in letter mail volumes towards the year-end will be affected by the adoption rate of electronic communication between companies and consum-

#### Key figures of Finland Post Group

	1 Jan–30 Sept 2005	1 Jan–30 Sept 2005	Change %	Year 2004
Net turnover, EUR million	935.7	886.0	6	1,235.2
Operating profit, EUR million	52.8	63.5	-17	95.2
Operating margin, %	5.6	7.2		7.7
Return on equity, %	8.7	10.1		12.0
Return on investment, %	12.7	13.9		16.1
Equity ratio, %	69.1	66.8		65.6
Gearing, %	-16.7	-27.1		-35.9
Gross capital expenditure, EUR million	113.2	64.3	76	78.3
Personnel on average	23,872	23,619	1	23,544

ers. For example, the number of bank statements sent by banks to their retail customers has gone down. Letter mail volumes for 2005 as a whole will probably remain lower than a year earlier.

The report period saw an increase in total newspaper and magazine delivery volumes. Finland Post increased its share of free sheet deliveries, especially in the Helsinki Metropolitan Area, and that of early-morning newspaper deliveries as a result of the acquisition of Etelä-Karjalan Jakelu Oy's business in the summer. According to this deal, Finland Post has operated the delivery of Etelä-Saimaa, a Lappeenranta daily, and other early-morning newspapers released in the Etelä-Karjala region since 1 September 2005.

At the beginning of the year, Finland Post rationalised its mail delivery business by merging Leijonajakelu Oy, a subsidiary engaged in early-morning newspaper deliveries in the Uusimaa region, and Jakeluykkönen Oy, a subsidiary providing transport and delivery services, with the parent company's production services.

**Information Logistics** increased its net turnover by 7.1 per cent, to EUR 136.6 million (EUR 127.6 million). This improvement was due to

favourable business development in Finland and the Baltic countries. The German and Scandinavian companies' net turnover growth has slowed down due to fiercer competition and a reduction in prices in the market. Since late January, Information Logistics and its companies in Finland and seven other countries in Northern Europe and the Baltic countries have operated under the new marketing name of Itella.

Digital printing volumes experienced rapid growth, Finland showing strong growth due to favourable developments in eLetters, which has also contributed to the increase in the volume of letter mail delivered by Finland Post. In addition, company acquisition carried out in the Baltic countries in the spring of 2004 played a role in higher digital printing volumes.

Itella concluded a major agreement for data management services, whereby Nordea Finland outsourced the processing, scanning and related information service of its documents in printed form covering its payment service, debit card receipts and agreements. As a result, around 60 Nordea employees joined Itella's payroll in September.

The volume of B2C eInvoices experienced strong growth, especially

Net turnover by business group	Share of net turnover %	Net turnover 1 Jan–30 Sept 2005 EUR million	Net turnover 1 Jan–30 Sept 2004 EUR million	Change %
Messaging	60	593.4	581.3	2.1
Information Logistics	14	136.6	127.6	7.1
Logistics	22	219.7	181.3	21.2
Other Business Activities	4	34.2	40.0	-14.5
Internal net turnover		-48.2	-44.2	9.0
Consolidated net turnover	100	935.7	886.0	

in the Baltic countries where Itella's subsidiaries include major e-invoicing service providers. Elma Electronic Trading, an Itella subsidiary leading the Nordic market for e-invoicing, electronic transactions and EDI service, also strengthens Itella's position in e-invoicing services.

**Logistics** improved its net turnover by 21.2 per cent, to EUR 219.7 million (EUR 181.3 million). The volume of parcels and consignment services rose by 3.8 per cent year on year, coming mainly from acquisitions carried out by transport services and B2B parcels in Finland. Acquisitions also contributed to the improvement in Warehousing Services' net turnover.

Buttressed by the economic upswing, demand in the transport industry has remained at a healthy level throughout the year, save the paper industry lockout in May–June. However, fuel price hikes in particular have undermined the transport industry's profit performance.

The report period saw major outsourcing agreements and company acquisitions within Warehousing Services. In the spring, Finland Post acquired John Nurminen Oy's fashion logistics business in Finland and Estonia, and Logia Moda Oy, a subsidiary, was established to run this business. In the spring, Finland Post also acquired AW-Store Oy, a company providing warehousing and logistics services for the trade and industrial sectors operating in the Finnish market.

The 1<sup>st</sup> of September 2005 saw the completion of a new Finland Post logistics centre focusing on the storage and handling of goods transported to Russia, the Baltic countries and the CIS countries.

In September, Finland Post made a decision on building a logistics centre in Moscow, which will provide warehousing, terminal and transport services for suppliers to expanding Russian markets.

In order to expand its operating region and enhance its service capacity in the Northern European logistics market, Finland Post Corporation acquired in July Combifragt Group A/S, a Danish logistics company providing transport and forwarding services and service warehouse solutions. With subsidiaries in Denmark, the Baltic countries and Germany, Combifragt operates primarily in Scandinavia and the Baltic countries. With a staff of roughly 450, the company posts an annual net turnover of around EUR 140 million. Following antitrust approval in the Baltic countries, Combifragt Group A/S and its subsidiaries joined Finland Post Group on 1 September 2005.

Other Business Activities comprise IT Optimo Oy, an IT services company, whose net turnover came mainly from intra-Group operations, totalling EUR 34.2 million (EUR 40 million). This fall was due to the divestment of the businesses of Easy Km Ltd, a subsidiary providing vehicle repair workshop and leasing services.

#### Financial Position

Consolidated net cash flow from business operations came to EUR 32.0 million (EUR 57.7 million) before investments. The Group held no net interest-bearing liabilities. Liquid assets exceeded interest-bearing liabilities by EUR 100.8 million (EUR 155.6 million). The period-end equity ratio stood at 69.1 per cent (66.8 per cent) and gearing was -16.7 per cent (-27.1 per cent). Net financial income rose to EUR 5.6 million (EUR 4.2 million).

### Capital Expenditure

Finland Post Group's reported capital expenditure totalled EUR 113.2 million (EUR 64.3 million), Logistics' company acquisitions and warehouse capacity investments representing a significant share of all capital expenditure.

### Human Resources

The number of Finland Post Group employees for January–September averaged 23,872 (23,619), while the period-end staff totalled 24,250 (23,040). This growth in staff numbers was due chiefly to Logistics' company acquisitions.

### Changes in Corporate Structure

In early 2005, Leijonajakelu Oy and Jakeluykkönen Oy, subsidiaries operating in the Uusimaa region, merged with the parent company, Finland Post Corporation.

In February, Finland Post Corporation sold its 48.76 per cent holding in Latvijas Elektroniskais Pasts to its co-owner, Latvian Post. The Latvian competition authorities required Finland Post to dispose of its holding in the company when Finland Post acquired the information logistics company Nacionalais Maksajumu Centras, currently A/S Itella, in the spring of 2004.

In early May, the logistics companies Logia Moda Oy and AW-Store Oy were merged with the Group.

Early September saw the merger of Combifragt Group A/S and its subsidiaries with the Group.

### Major Events after the Report Period

On 31 December 2005, Finland Post Corporation will transfer the management of the TEL-based (the Employees' Pensions Act) pension security and the related liability from Postin Eläkesäätiö (Finland Post Pension Fund) to Ilmarinen and the liability related to the additional pension security to Pohjola Life Insurance Company Ltd. Postin Eläkesäätiö has a pension cover for Finland Post Corporation's employees and those of its nine subsidiaries in Finland.

Finland Post Corporation's Extraordinary General Meeting on 20 October 2005 approved the Board's proposal for setting up a foundation to promote employee working capacity and health. At the same time, the EGM decided to transfer around EUR 10.5 in initial capital to the foundation, these funds becoming available as a result of the dissolution of Postin Eläkesäätiö.

Itella Finland Ltd bought the remaining 15 per cent shareholding in its subsidiary Itella TGM Oy, this deal taking effect on 1 October 2005.

### Fourth-quarter Prospects

Finland Post estimates that its consolidated net turnover will improve markedly from the previous year's level, given that prospects look promising for Information Logistics and Logistics. Logistics' acquisitions in particular will increase net turnover.

The Group's profit performance will be better than in the previous year, due to the recognition of non-recurring items such as income from the dissolution of Eläkesäätiö. Excluding non-recurring items, profit for 2005 is forecast to remain lower than a year ago, due to higher fuel costs and growth in other costs originating from service production.

Helsinki, 25 October 2005

### Board of Directors

## Finland Post Group

Profit and loss account, EUR million	1 Jan–30 Sept 2005	1 Jan–30 Sept 2004	1 Jan–31 Dec 2004
<b>Net turnover</b>	<b>935.7</b>	<b>886.0</b>	<b>1,235.2</b>
Other operating income	8.1	19.9	23.3
Operating expenses	891.0	842.4	1,163.3
<b>Operating profit</b>	<b>52.8</b>	<b>63.5</b>	<b>95.2</b>
Share of associated companies' results	0.5	-0.4	0.1
Financial income and expenses	5.6	4.2	5.8
<b>Profit before extraordinary items</b>	<b>58.9</b>	<b>67.3</b>	<b>101.1</b>
<b>Profit before taxes</b>	<b>58.9</b>	<b>67.3</b>	<b>101.1</b>
Income taxes	-19.5	-21.6	-31.5
Minority interest	-0.1	0.0	-0.0
<b>Profit for the period</b>	<b>39.3</b>	<b>45.7</b>	<b>69.6</b>
Balance sheet, EUR million	30 Sept 2005	30 Sept 2004	31 Dec 2004
<b>Fixed and other non-current assets</b>	<b>531.9</b>	<b>454.6</b>	<b>445.8</b>
Intangible assets	187.6	130.7	127.6
Tangible assets	306.6	286.3	280.9
Long-term investments	37.7	37.6	37.3
<b>Inventories and current assets</b>	<b>348.1</b>	<b>413.0</b>	<b>473.0</b>
Inventories	6.3	6.0	6.4
Receivables and other assets	209.6	170.4	182.5
Short-term investments	116.6	216.8	267.7
Cash and bank receivables	15.6	19.8	16.4
<b>Total assets</b>	<b>880.0</b>	<b>867.6</b>	<b>918.8</b>
<b>Shareholders' equity</b>	<b>601.6</b>	<b>572.6</b>	<b>596.3</b>
Share capital	70.0	70.0	70.0
Other reserves	531.6	502.6	526.3
<b>Minority interest</b>	<b>0.8</b>	<b>0.8</b>	<b>0.6</b>
<b>Provisions</b>	<b>2.0</b>	<b>0.5</b>	<b>2.6</b>
<b>Liabilities</b>	<b>275.6</b>	<b>293.7</b>	<b>319.3</b>
Long-term liabilities	33.8	13.5	12.9
Short-term liabilities	241.8	280.2	306.4
<b>Total shareholders' equity and liabilities</b>	<b>880.0</b>	<b>867.6</b>	<b>918.8</b>
Cash flow statement, EUR million	1 Jan–30 Sept 2005	1 Jan–30 Sept 2004	1 Jan–31 Dec 2004
<b>Cash flow before change in net working capital</b>	<b>93.7</b>	<b>101.9</b>	<b>151.2</b>
Change in net working capital	-39.6	-26.3	2.3
<b>Cash flow from operations before financial items and income taxes</b>	<b>54.1</b>	<b>75.6</b>	<b>153.5</b>
Cash flow from financial items and income taxes	-22.0	-17.9	-31.7
<b>Cash flow from operations</b>	<b>32.1</b>	<b>57.7</b>	<b>121.8</b>
<b>Cash flow from investments (net)</b>	<b>-101.3</b>	<b>10.2</b>	<b>4.9</b>
Change in long-term and short-term loans	-50.9	17.0	5.6
Dividends paid	-35.0	-30.1	-30.1
<b>Cash flow from financing</b>	<b>-85.9</b>	<b>-13.1</b>	<b>-24.5</b>
<b>Change in liquid assets</b>	<b>-155.1</b>	<b>54.8</b>	<b>102.2</b>
Liquid assets at period-start	284.0	181.8	181.8
Change in liquid assets at fair value	3.2		
Liquid assets at period-end	132.1	236.6	284.0

Assets pledged and contingent liabilities, EUR million	30 Sept 2005	30 Sept 2004	31 Dec 2004
Mortgages on real estate:			
Loans from financial institutions	6.5	1.3	0.8
Mortgages given	10.1	2.7	1.7
Other pledges for the Group	14.2	12.8	12.8
Pledges for other companies	0.3	0.4	0.4
Leasing liabilities	47.4	40.6	42.3
Remaining rental agreement commitments	78.8	79.1	75.2
Other liabilities	–	0.3	–
Derivative contracts, EUR million	30 Sept 2005	30 Sept 2004	31 Dec 2004
<b>Foreign exchange forward contracts</b>			
Market value	0.0	-0.0	-0.0
Underlying value	40.4	4.6	3.0
<b>Interest-rate swaps</b>			
Market value	–	-0.3	-0.3
Underlying value	–	16.2	15.7
Used for hedging exchange-rate and interest-rate risks, derivative instruments are valued at market rates available on the balance sheet date.			
The figures are not audited.			
Finland Post Corporation will release its financial results for 2005 in week 10 of 2006.			

