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Interim report 1–3/2020

Adjusted operating result was stable – net sales outlook for 2020 lowered due to the increased uncertainty caused by the coronavirus

Posti in figures, 1–3/2020

Net sales

EUR 384.2 million

(EUR 396.6 million)

Adjusted operating result

EUR 12.6 million

(EUR 12.2 million)

Number of personnel, end of period

20,890

(20,946)

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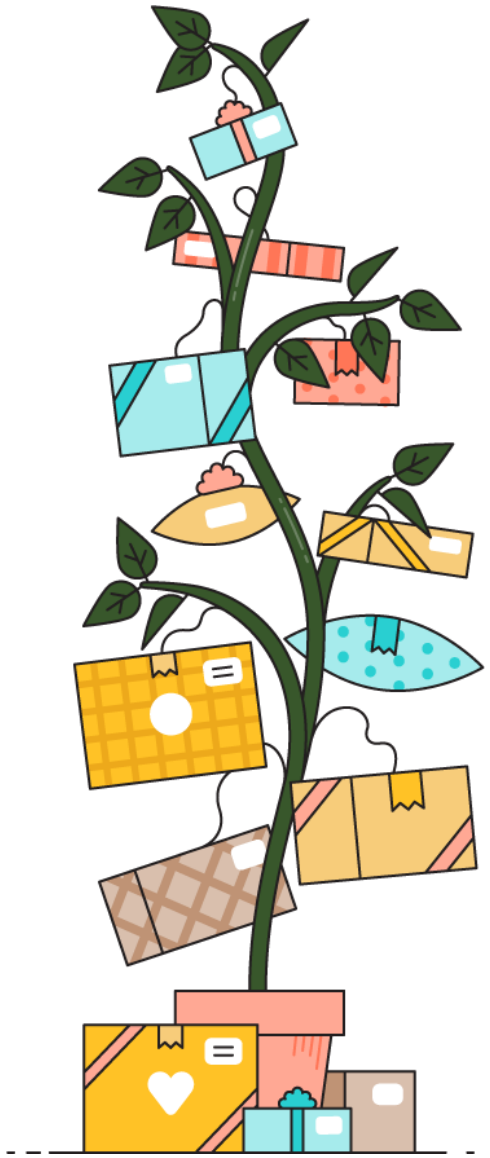
Financial highlights

- Net sales decreased by 3.1% to EUR 384.2 (396.6) million.
- Adjusted EBITDA was EUR 40.8 (40.6) million, or 10.6% (10.2%) of net sales.
- EBITDA increased to EUR 40.1 (36.4) million, or 10.4% (9.2%) of net sales.
- The adjusted operating result improved to EUR 12.6 (12.2) million, representing 3.3% (3.1%) of net sales.
- The operating result improved to EUR 11.9 (8.0) million, representing 3.1% (2.0%) of net sales.
- Net debt to adjusted EBITDA was 1.1x (1.9x).
- Posti updated its outlook due to the impact of coronavirus pandemic.



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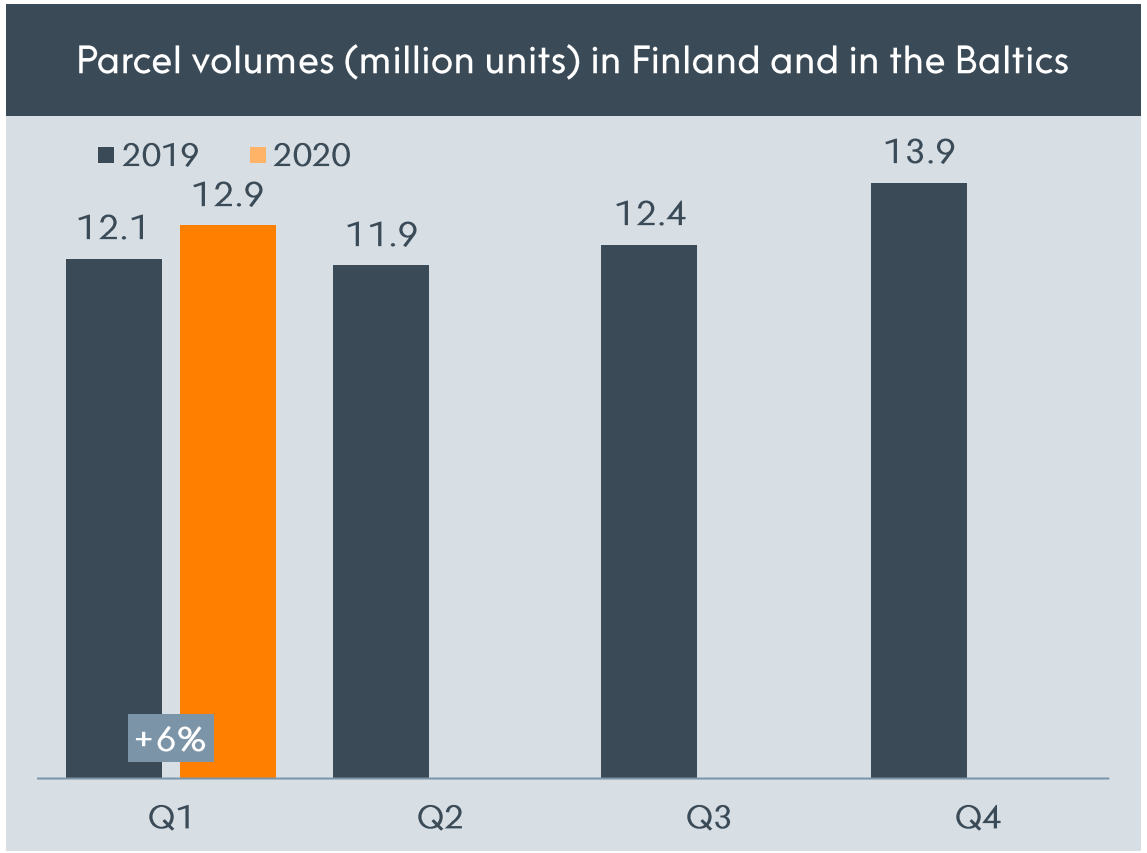
Operational highlights

- The global coronavirus (COVID-19) pandemic began to have an impact on Posti's operations in March.
  - However, Posti's financial performance was even more dominated, especially in the beginning of the quarter, by the recovery from the postal strike.
- Logistiscs Solutions continued to grow. Parcel and eCommerce, Transval and Freight Services represented almost 51% (49%) of the Group´s net sales.
- The parcel volume of Finland and the Baltic countries increased by 6% (8%), while the number of addressed letters decreased by 15% (14%) in Finland.
- The share of mail items covered by the universal service obligation continued to decrease, accounting for only 2.6% (3.6%) of all Posti's mail items.
- Posti acquired Aditro Logistics, one of the leading contract logistics companies in the Nordics. The transaction was closed after the review period on April 2.

Parcel volumes keep growing



The number of parcels going through Posti Parcel Lockers 1–3/2020

+65%

Parcel volume growth in Finland and in the Baltics 1–3/2020

+6%

Freight volumes* 1–3/2020

-9%

Addressed letter volumes 1–3/2020

-15%

* The reported figure for domestic freight excludes food logistics

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Parcel & eCommerce, Transval and Freight Services together add up to over 50 percent of our overall net sales

In 1–3/2020, the Group´s net sales totalled EUR 384.2 million

Freight Services
- Net sales EUR 41.4 million (-19.2%)
- 10.8% of the Group´s net sales

Itella Russia
- Net sales EUR 17.8 million (-12.1%)
- 4.6% of the Group´s net sales

Transval
- Net sales EUR 50.2 million (+16.7%)
- 13.1% of the Group´s net sales

Postal Services
- Net sales EUR 172.9 million (-5.8%)
- 45.0% of the Group´s net sales

Parcel and eCommerce
- Net sales EUR 105.6 million (+4.4%)
- 27.5% of the Group´s net sales

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Aditro Logistics

- On February 24, Posti signed of an agreement, under which it would acquire Aditro Logistics, one of the leading contract logistics companies in the Nordics.
- The acquisition was in line with Posti's ambition of growing its logistics, parcel and eCommerce businesses.
- Aditro Logistics was founded in 1973 and over the past years, the company has grown profitably and organically, clearly outpacing the market growth.
- In 2019, Aditro Logistics' net sales were some EUR 100 million (some SEK 1,100 million) and the company has 1,100 full-time employees.
- The transaction was closed after the reporting period on April 2.

Business Environment

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Coronavirus will have a big impact on the global and Finnish economy

- The rapid spread of coronavirus is having a significant impact on the world trade
  - The global economy will shrink by 3% in 2020, making the downturn deeper than in the 2008–2009 financial crisis*
- It is widely expected that the Finnish economy will fall into recession
  - The Finnish economy is forecasted to shrink by 5.5% in 2020**
- Permanent and temporarily layoffs and rising unemployment level are expected to hit consumer confidence and household consumption in Finland
  - The unemployment rate is expected to increase to 8% for 2020**
- The coronavirus pandemic is expected to have a big impact on the Russian economy as well
  - The Russian GDP is expected to contract by 5.5% in 2020*

** IMF's forecast*
*** The Ministry of Finance, baseline scenario*

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Coronavirus is transforming the way we live and work

- Self-isolation and social distancing have changed the way people communicate, shop and use different services.
- New digital services and solutions are rapidly emerging.
- The buying habits of consumers have changed, people are buying more products online.
- Digital transformation has taken a big leap forward also in services and public sector.
- These changes are expected to further accelerate the growth of eCommerce and the digitalization of paper-based messaging.

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Posti has raised its level of preparedness due to coronavirus

- The main impact of coronavirus to Posti's operations as of today
  - Due to the exceptionally large volume of parcels, Posti has increased its number of employees and deliveries as well as obtained new parcel handling facilities.
  - Posti has been forced to close some of its service points and mailboxes because the premises that they are located on are closed due to the coronavirus.
  - Due to border closures, goods are partly transported via exceptional routes and may subsequently be subject to delays.
- Posti's multi-professional exceptional circumstances working group monitors the coronavirus situation daily.

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Negotiation on possible layoffs in certain business areas due to the coronavirus situation

Freight Services

- Negotiations on temporary layoffs for a fixed period were initiated on 27 April 2020, scope approximately 1,100 persons.
- The objective of the negotiations is to find flexible solutions in order to minimize the impact on personnel.
- The initial estimate is that the negotiations may result in up to 90 days' phased layoffs during 2020.

Home Services

- Negotiations on possible temporary layoffs for a fixed period in personal assistance functions were announced on April 21, 2020.
- The initial estimate on the need for layoffs is minimal.

Transval

- Cooperation negotiations on potential layoffs were initiated on 24 March 2020, scope some 3,600 persons.
- Transval has the option of initiating staggered layoffs for a fixed period among personnel during 2020.
- The scope and duration of possible layoffs can vary significantly between business functions, with the possible duration ranging from 1 to 90 days.

Despite the coronavirus situation, it is important to continue Posti's transformation and the determined implementation of Posti's strategy to ensure our long-term success.

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Financials

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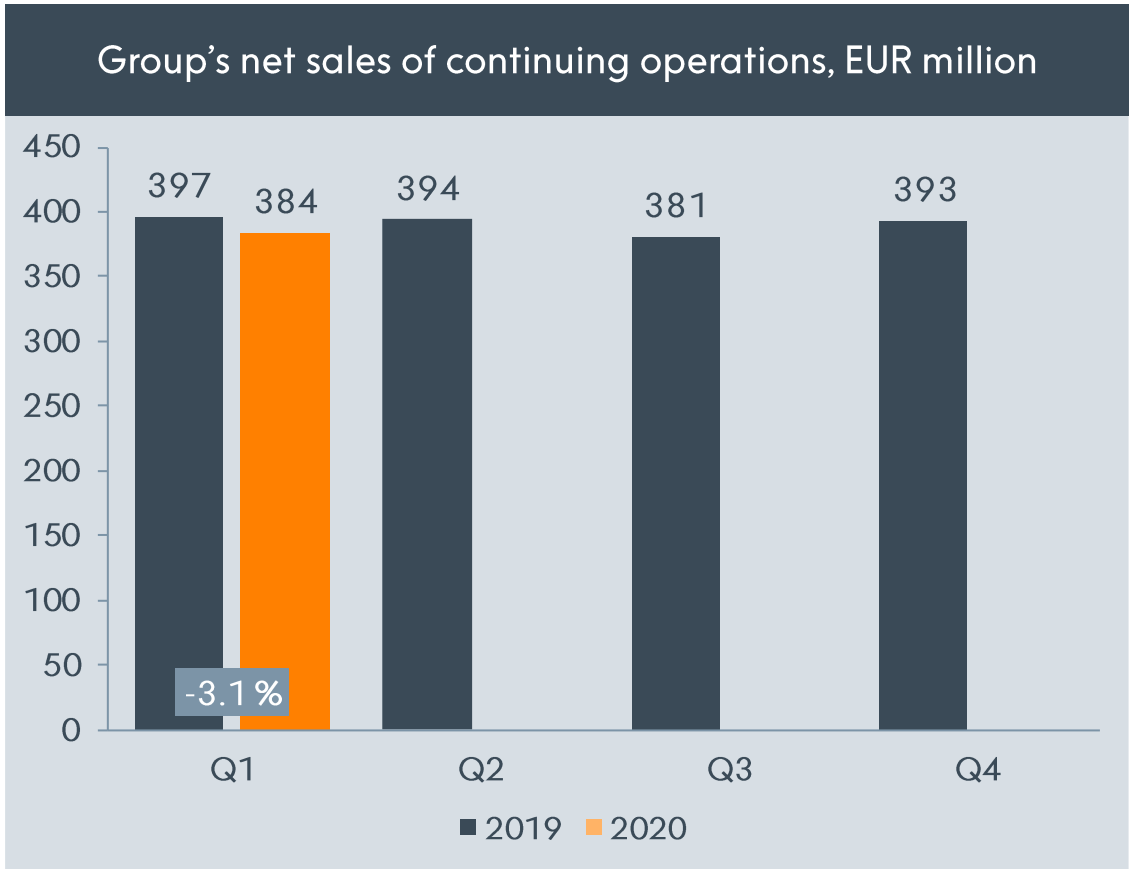
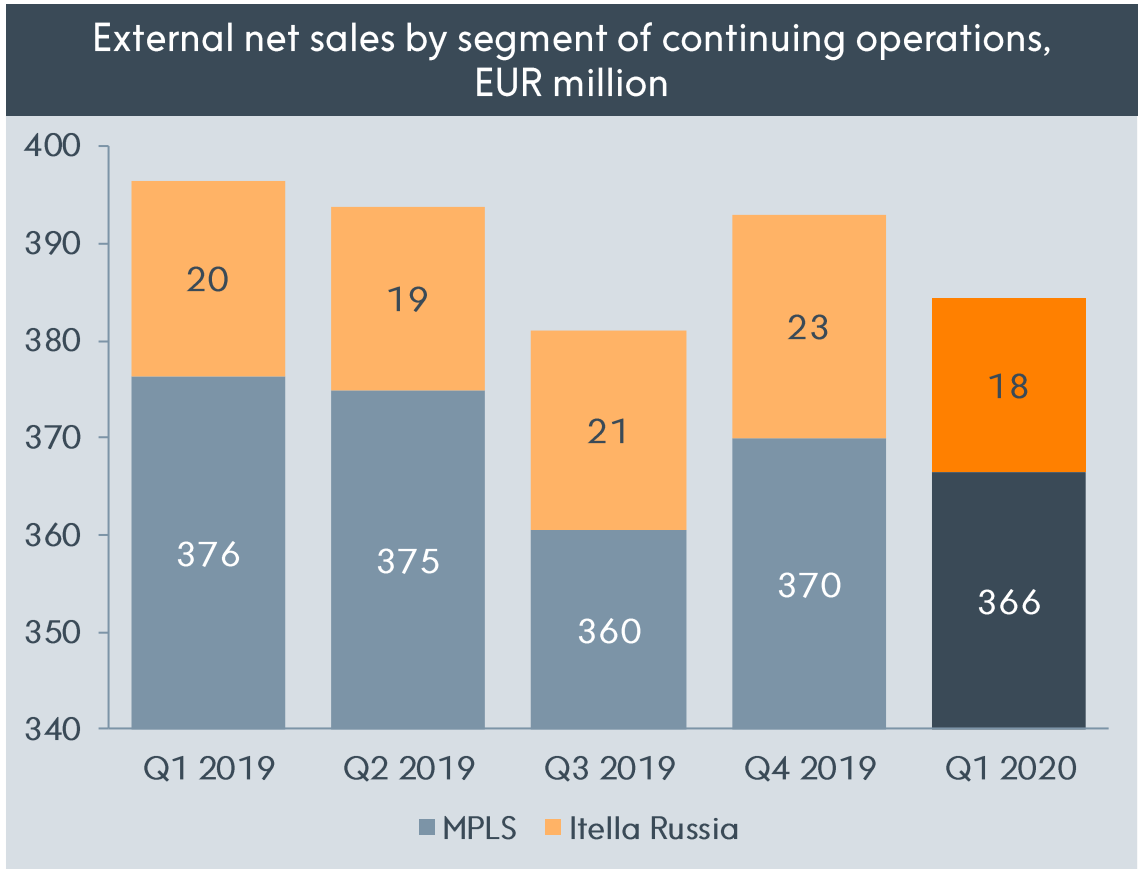
Posti Group Q1 net sales

Q1 net sales decreased by 3.1% to EUR 384.2 (396.6) million

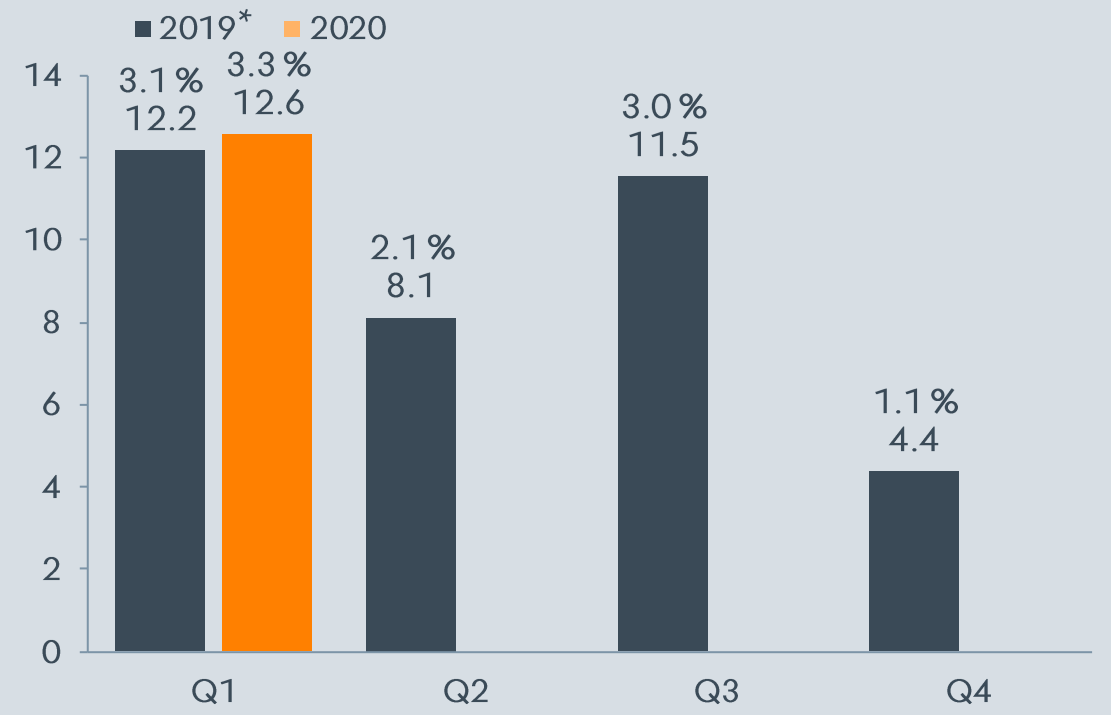




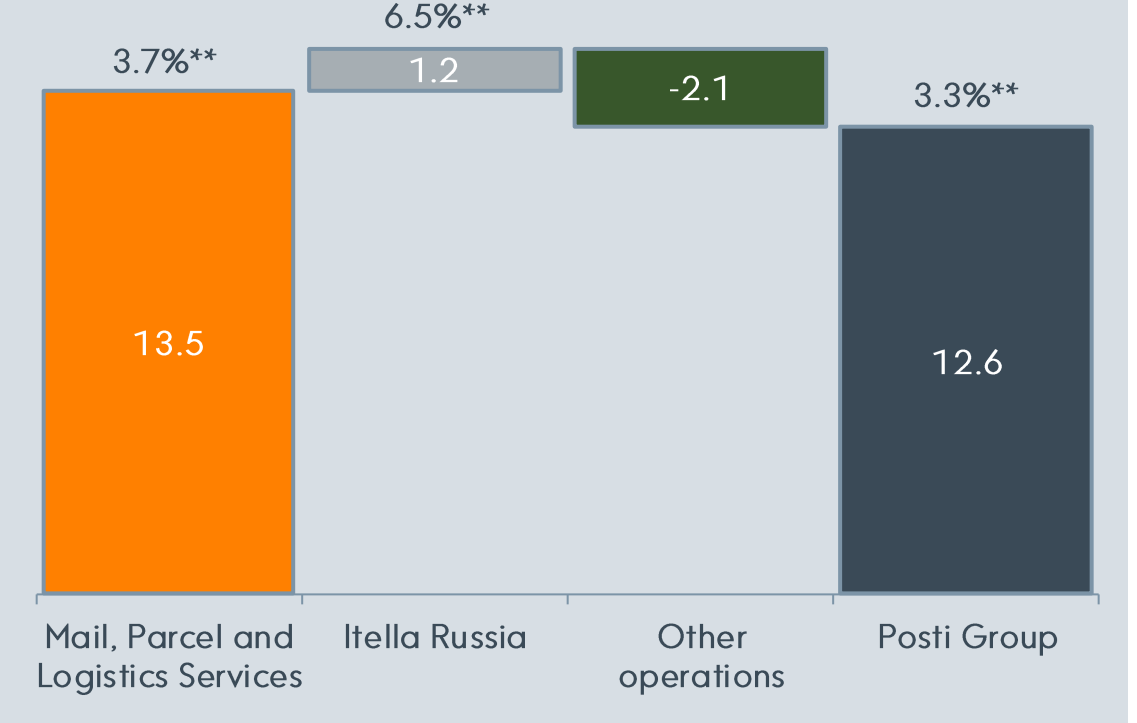
Posti Group Q1 adjusted operating result

Q1 adjusted operating result increased by 3.2% to EUR 12.6 (12.2) million

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



2020 Q1 adjusted operating result by segment, EUR million



* Figures for 2019 restated based on the new definition of special items

** percent of net sales

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Posti Group key figures

	1-3 2020	%	1-3 2019	%
Net sales, EUR million *	**384.2**		**396.6**	
Adjusted EBITDA, EUR million *	**40.8**	**10.6 %**	**40.6****	**10.2 %****
EBITDA, EUR million *	40.1	10.4 %	36.4	9.2 %
Adjusted operating result, EUR million *	**12.6**	**3.3 %**	**12.2****	**3.1 %****
Operating result, EUR million *	11.9	3.1 %	8.0	2.0 %
Result for the period, EUR million *	**7.0**	**1.8 %**	**5.6**	**1.4 %**
Return on equity (12 months), %	3.5		7.6	
Return on capital employed (12 months), %	**3.5**		**6.6**	
Net debt, EUR million	161.5		242.1	
Net debt / Adjusted EBITDA	**1.1x**		**1.9x****	
Operative free cash flow, EUR million	-0.6		24.2	
Gross capital expenditure, EUR million *	28.2		59.7	
Personnel, end of period *	20,890		20,946	
Personnel on average, FTE *	15,894		16,661	

* Continuing operations
** Restated based on the new definition of special items

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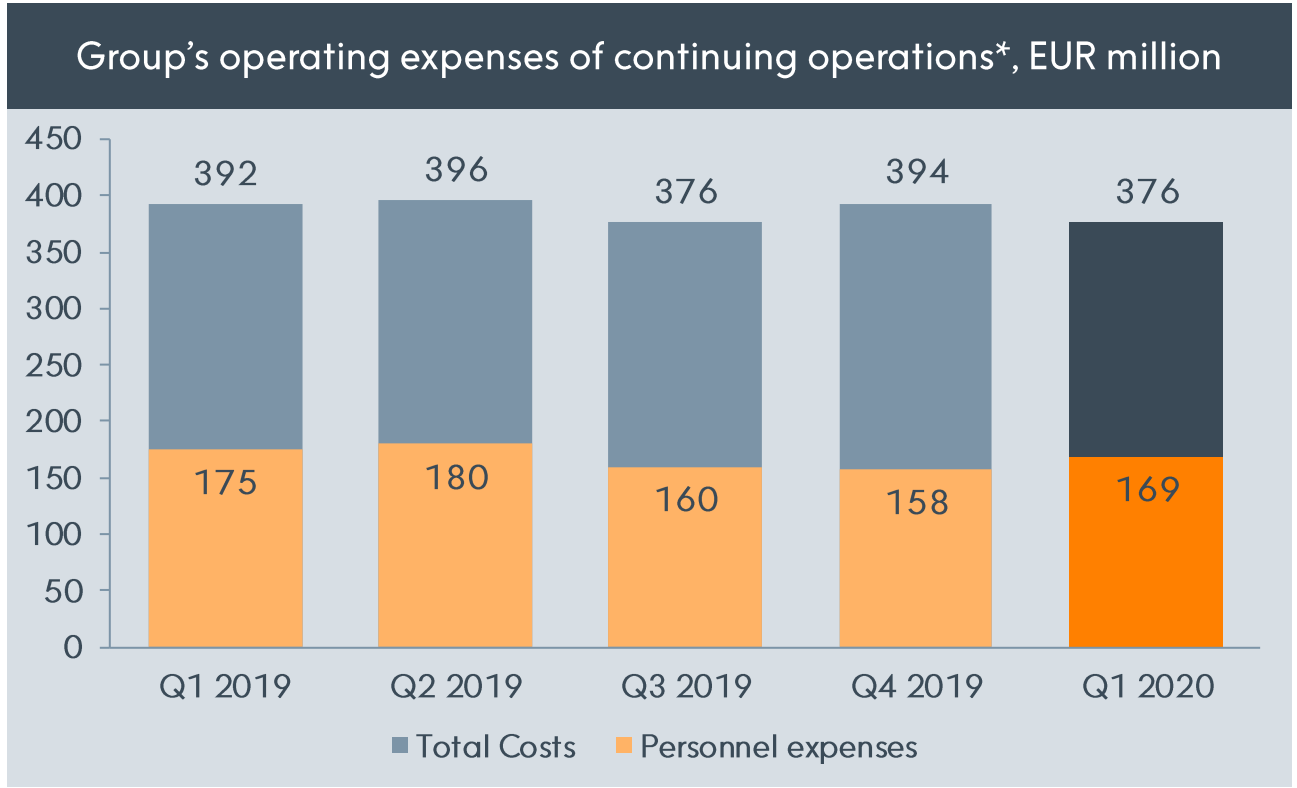
Posti's total cost structure trend

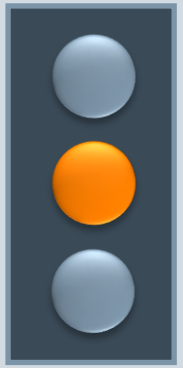
- Declining mail volume needs to be off-set by cost structure development
- Personnel on average FTE in Q1 2020 was 15,894 (16,661)



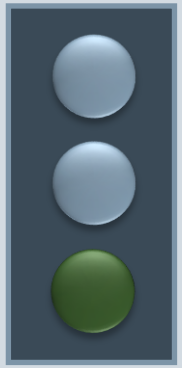
* includes depreciation and amortization, excludes impairment losses

Long term financial targets

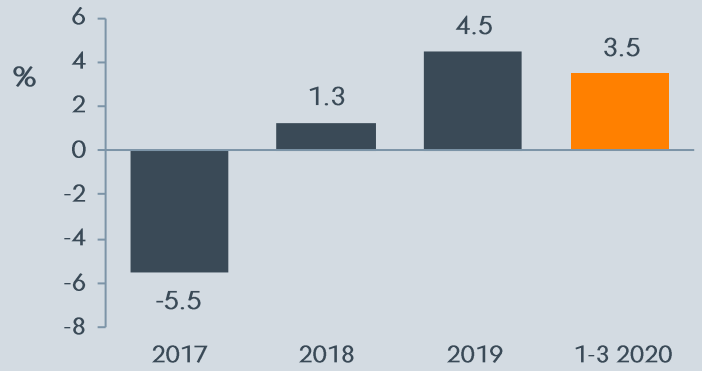
Adjusted operating result percentage 4%

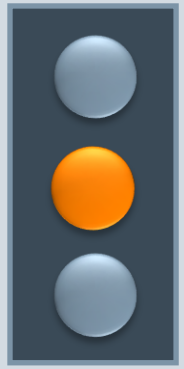


Net debt / Adjusted EBITDA** less than 2.0x

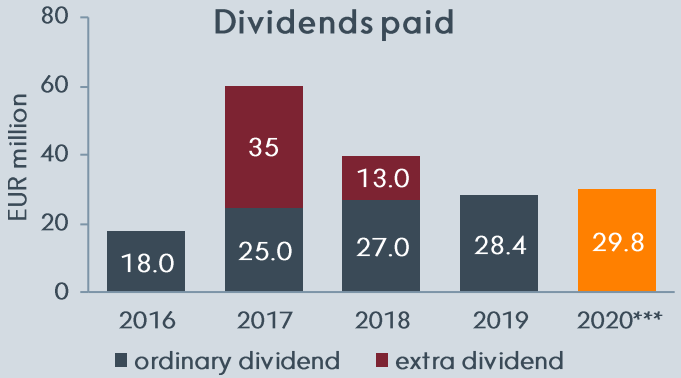


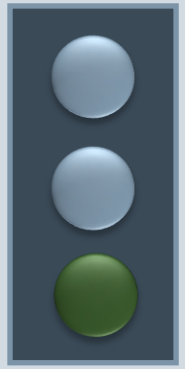
Return on capital employed 10%





Continuously increasing ordinary dividend





* Restated based on the new definition of special items
** 2016–2018 not according to IFRS 16 standard
*** Board of Directors' proposal to the Annual General Meeting

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Outlook

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Posti´s outlook for 2020 (updated):

The coronavirus situation makes the macro economic outlook extremely difficult to predict for the full year. Because of this, also Posti's full year outlook includes a significant level of uncertainty.

Posti's net sales in 2020, excluding possible new acquisitions and divestments, is expected to decrease from the previous year. The Group's adjusted operating result in 2020 is expected to increase from the previous year, when the postal strike had a significant negative impact on Posti's results.

The Group's business is characterized by seasonality. Net sales and operating result in the segments are not accrued evenly over the year. In Postal Services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker.

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Segments

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Mail, Parcel and Logistics Services key figures

Januaray–March

EUR million	1-3 2020	% of Net sales	1-3 2019	% of Net sales
Net sales	366.6		376.4	
Net sales change, %	-2.6%		2.2%	
Adjusted EBITDA	**37.9**	**10.3%**	**41.5**	**11.0%**
EBITDA	37.4	10.2%	39.8	10.6%
Adjusted operating result	**13.5**	**3.7%**	**18.5**	**4.9%**
Operating result	13.0	3.6%	16.8	4.5%

Net sales, EUR million	1-3 2020	1-3 2019	Change, %
Postal Services	172.9	183.5	-5.8%
Parcel and eCommerce	105.6	101.2	+4.4%
Transval	50.2	43.0	+16.7%
Freight Services	41.4	51.2	-19.1%
Other and eliminations	-3.5	-2.5	

- Net sales decreased to EUR 366.6 (376.4) million due to
  - continued mail volume decline, accelerated by the strike in 2019, changes in the product mix and the impact of coronavirus.
  - net sales increased in Parcel and eCommerce and Transval but decreased in Postal Services and Freight Serviced.
- The adjusted operating result decreased to EUR 13.5 (18.5) million due to
  - product mix and volume decline of Postal Services, accelerated by the postal strike, and the decreased profitability of Transval.
  - investments in Parcel and eCommerce business.

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Itella Russia key figures

January–March

EUR million	1-3 2020	% of Net sales	1-3 2019	% of Net sales
Net sales	17.8		20.2	
Net sales change, %	-12.1%		-24.4%	
Adjusted EBITDA	**3.4**	**19.3%**	**1.6**	**7.8%**
EBITDA	3.4	19.3%	1.6	7.8%
Adjusted operating result	**1.2**	**6.5%**	**-1.0**	**-5.1%**
Operating result	1.2	6.5%	-1.0	-5.1%

- Reported euro-denominated net sales decreased by 12.1% to EUR 17.8 (20.2) million.
  - Net sales decreased in Contract Logistics due to restructuring actions of warehouses and in Road Transport.
- The adjusted operating result improved to EUR 1.2 (-1.0) million.
  - The result was positively impacted by the closure of unprofitable warehouses.
- According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

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THANK YOU!