

# Posti Group Corporation

Financial result 2015

February 12, 2016



posti

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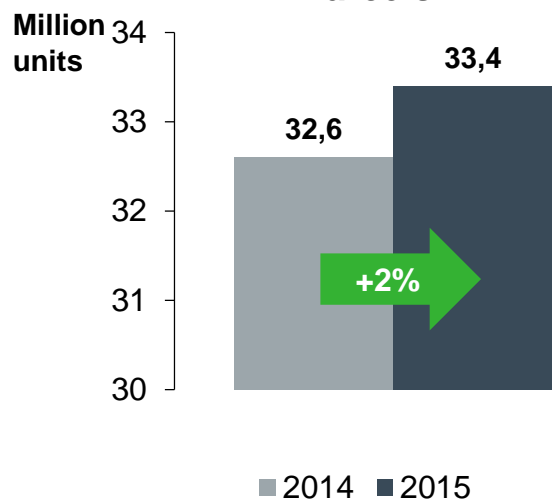
- October–December 2015
- Year 2015
- Business groups
  - Postal Services
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# The market situation remained challenging

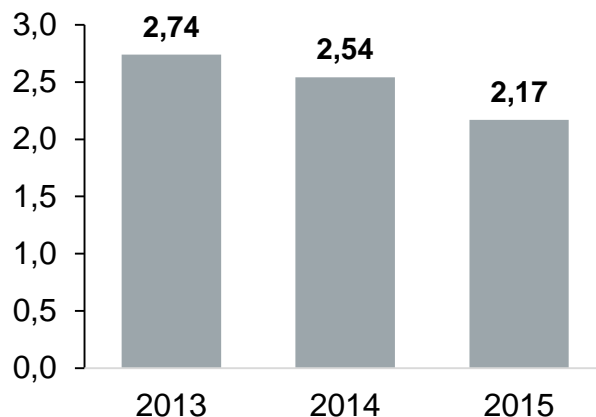
- The year 2015 was difficult for Posti due to digitalization in the communications sector, the economic recession and the weak market situation.
- Volumes in heavy traffic (changes over 12 months) on Finnish main roads have decreased for 44 consecutive months since May 2012.
- Competition has intensified further. Posti's competitors started building a network of parcel points in Finland, and media companies started delivering letters in early-morning delivery.
- The number of parcels delivered by Posti reached a new record; a total of over 33 million parcels.
- In OpusCapita, demand of traditional iPost product decreased, volumes of electronic invoices increased.
- Posti found new business by providing delivery services to Russia for Chinese online stores.
- The economic problems in Russia became more severe, and the closing rate of the ruble was down 12% year-on-year.

# Volumes 2015

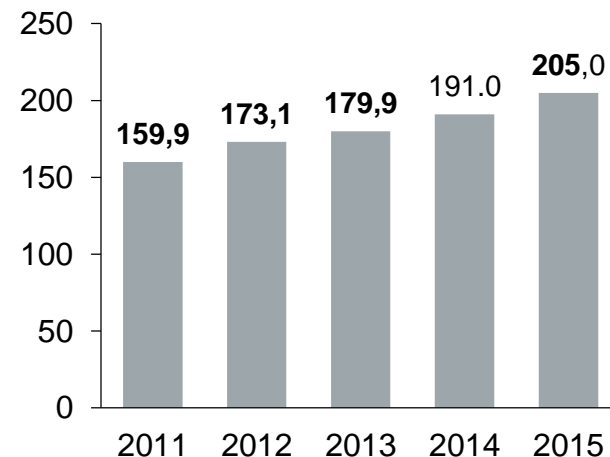
## Parcels



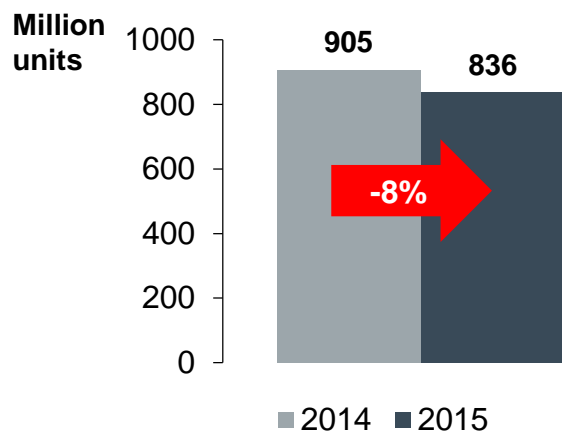
## Domestic freight



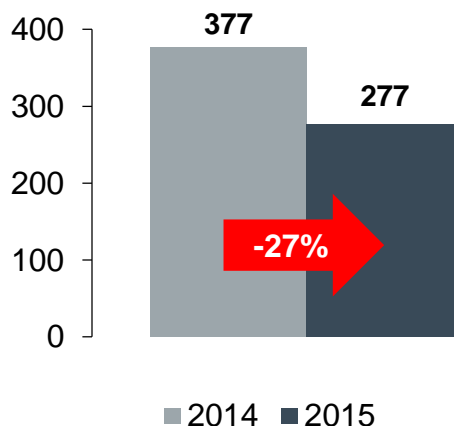
## OpusCapita's electronic transactions



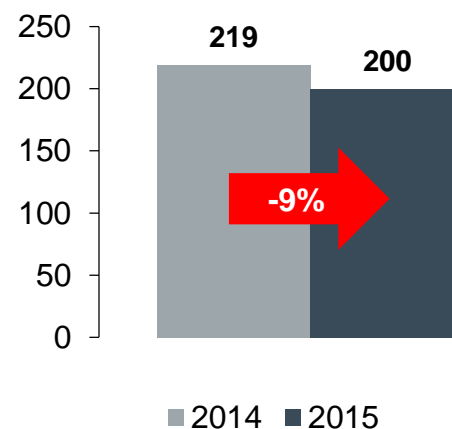
## Addressed letters



## Newspapers



## Magazines



# October–December

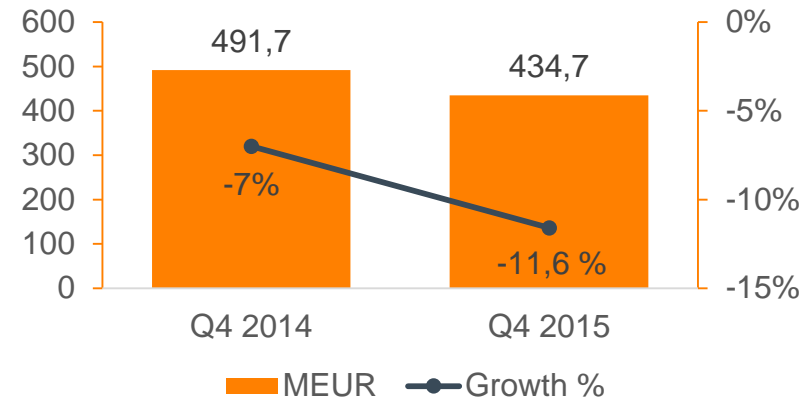


# Key events

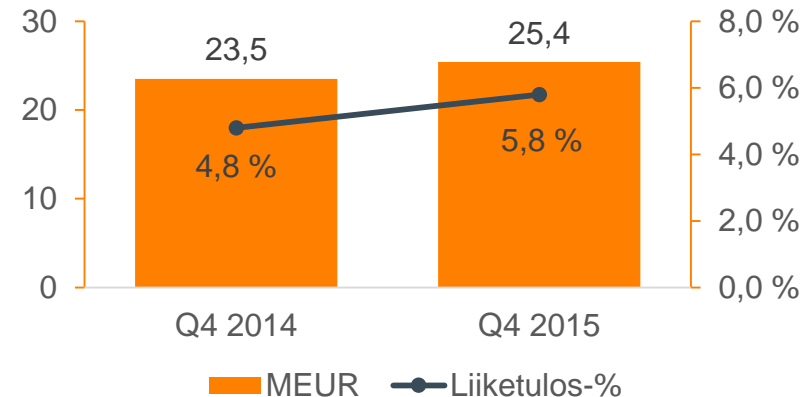
- Operating result before non-recurring items improved, particularly due to the improved result of Parcel and Logistics Services and Posti's successful Christmas season.
- Posti delivered over 30 million Christmas cards, and the number of parcels delivered to consumers in December grew by 7%.
- Posti signed several logistics outsourcing agreements. A robot-assisted hybrid warehouse was opened in Vantaa and a new logistics center in Lieto.
- Posti recruited 3,350 seasonal assistants for the Christmas season.

- The Group's comparable net sales decreased by 6%.
- The decline in the volume of addressed letters accelerated in Q4.
- Q4 was weak in Russia as demand fell and the ruble depreciated.
- Posti had no labour agreement in force in November. Strikes had a negative impact particularly on parcel volumes.

## NET SALES



## OPERATING RESULT\*





# Key figures

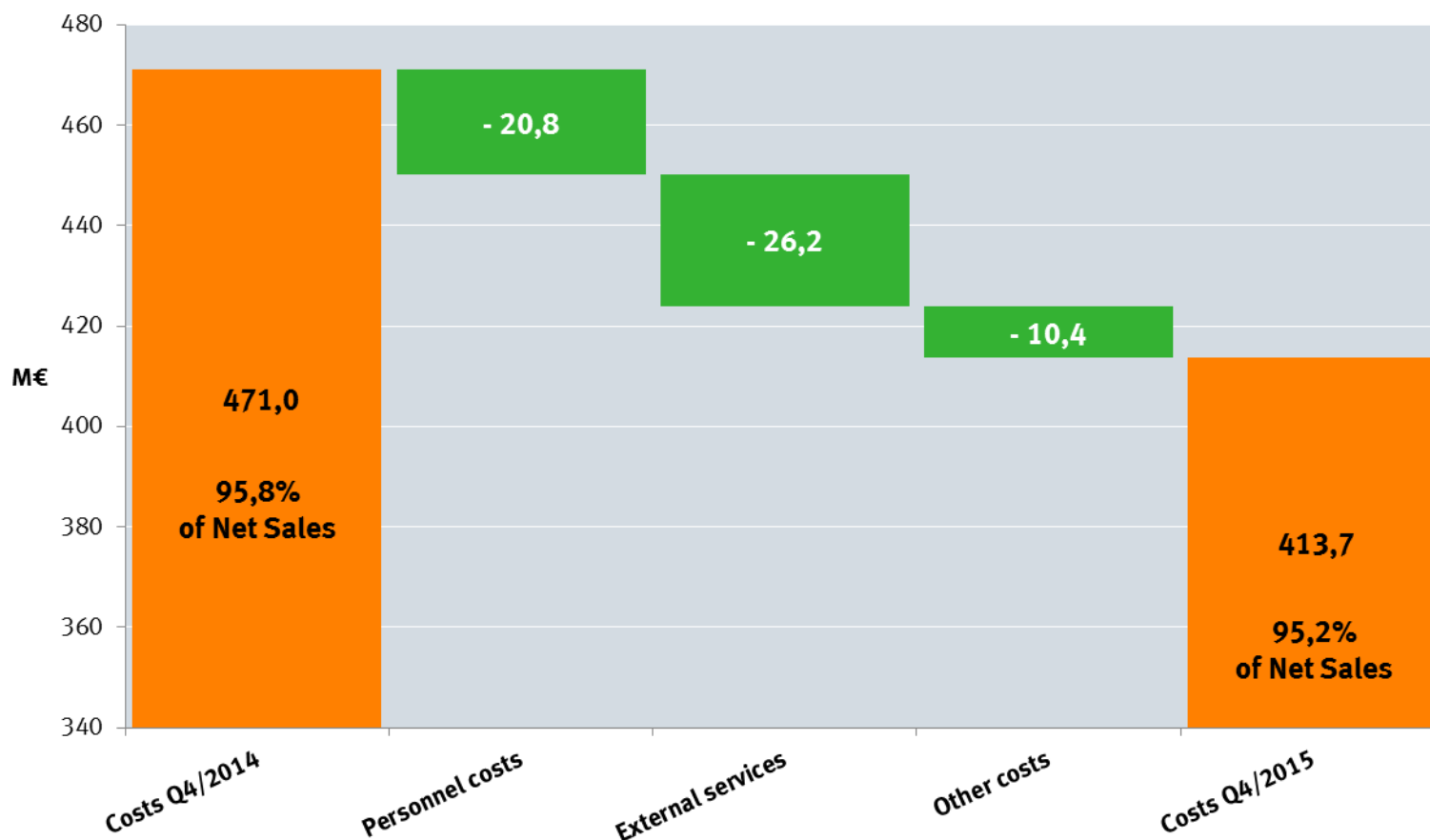
October–December 2015

	10-12/ 2015	10-12/ 2014
Net sales, EUR million	434.7	491.7
Operating result (non-IFRS), EUR million*	25.4	23.5
Operating result (non-IFRS), %*	5.8	4.8
Operating result (EBIT), EUR million	9.7	10.9
Operating result (EBIT), %	2.2	2.2
Result before taxes, EUR million	6.1	7.6
Result for the period, EUR million	4.2	4.5
Gross capital expenditure, EUR million	16.8	14.6

- Net sales decreased by 11.6%. Comparable net sales, excluding the international freight business, decreased by 6.4%.
- Operating result before non-recurring items was satisfactory and improved thanks to the strong performance of Parcel and Logistics Services.
- The operating result was weighed down by non-recurring items of EUR -15.7 million, which includes provisions related to Itella Russia's warehousing business.
- Strikes in October–November resulted in losses, particularly through lost parcel volume to competitors.

# Change in costs\*

Q4/2014 => Q4/2015







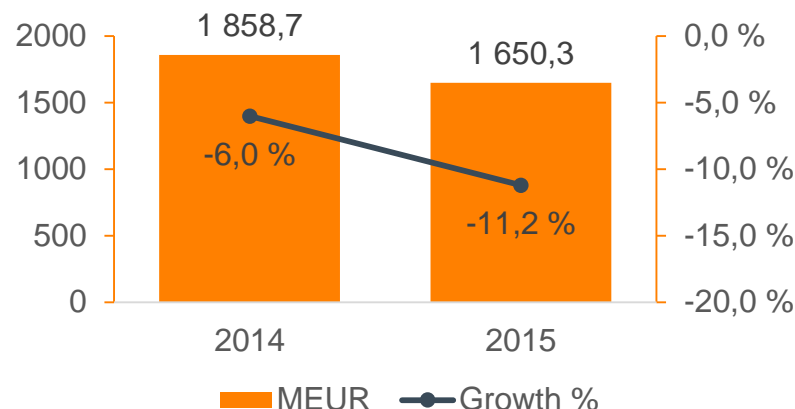
Year 2015

# Key events 2015

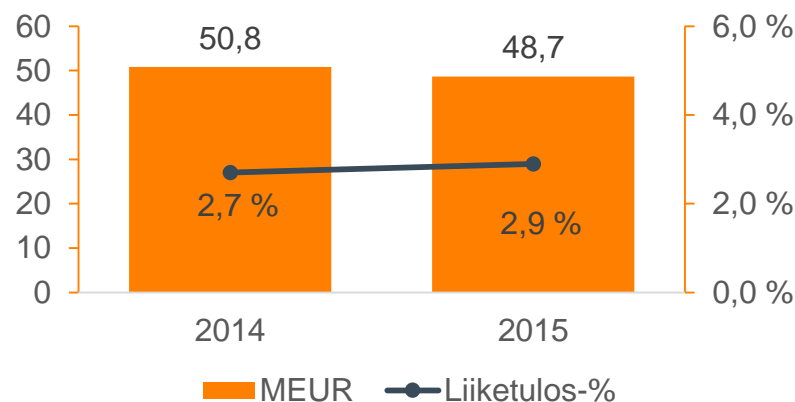
- Operating result before non-recurring items improved in relative terms, and the operating result improved substantially due to property sales.
- Parcel services volume grew by 2.3%.
- OpusCapita's electronic transaction volume was 205 million transactions, electronic invoice volume grew by 6%.
- Posti launched a renewal of its retail network.
- The Group continued its EUR 75 million performance improvement program and achieved 90% of its targets.

- Consolidated net sales declined by 11%, particularly due to the divestment of the international freight business. Comparable net sales decreased by -6%.
- Volumes continued to decline, with addressed letters down -8% and OpusCapita's iPost volumes -12%.
- The logistics market continued to be weak, and the fall in fuel prices reduced net sales further.
- In Russia, the market situation and demand deteriorated substantially. The exchange rate of ruble remained highly volatile.

## NET SALES



## OPERATING RESULT\*



# Key figures

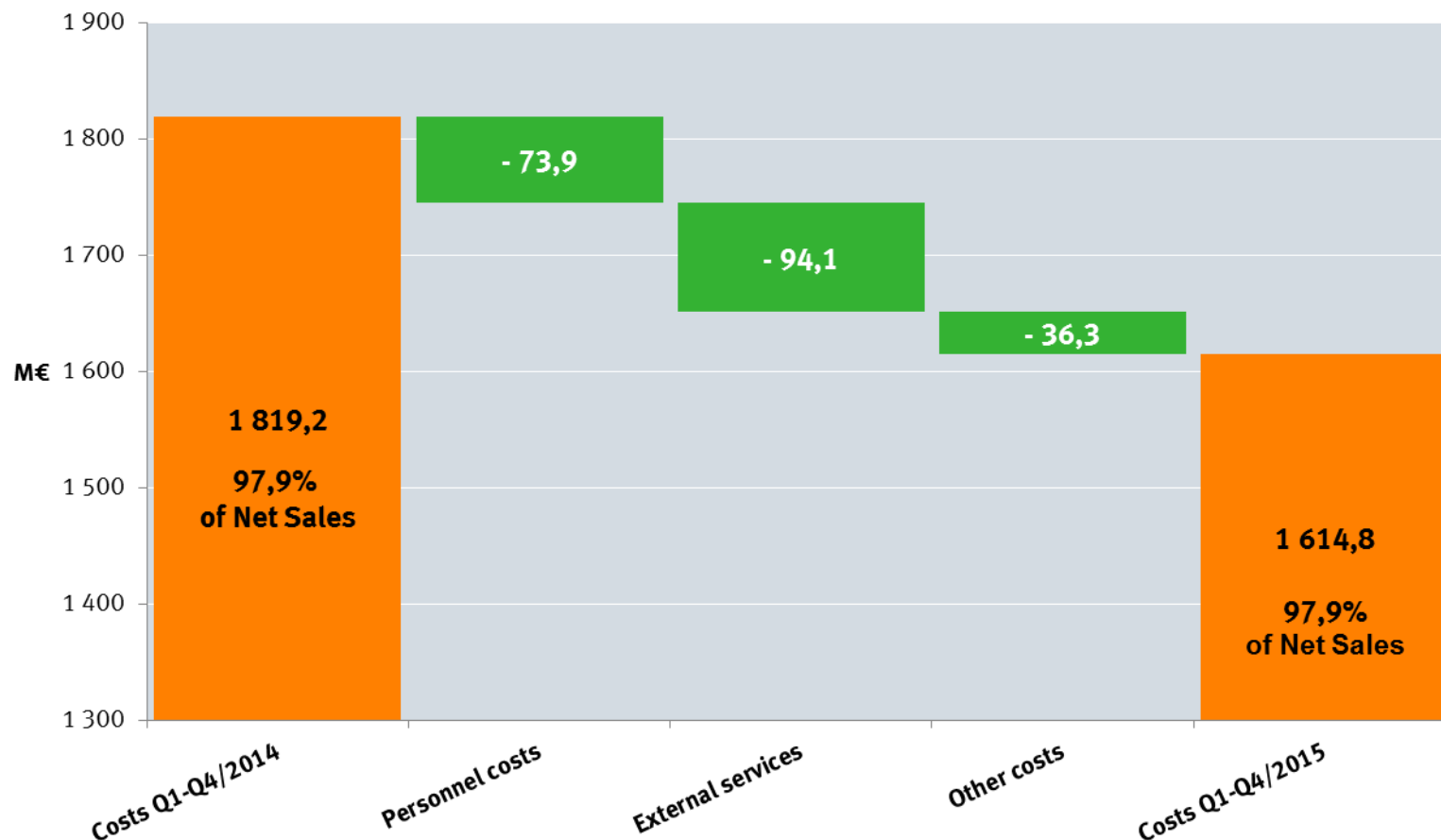
## Year 2015

	2015	2014
Net sales, EUR million	1,650.3	1,858.7
Operating result (non-IFRS), EUR million*	48.7	50.8
Operating result (non-IFRS), %*	2.9	2.7
Operating result (EBIT), EUR million	55.9	5.8
Operating result (EBIT), %	3.4	0.3
Result before taxes, EUR million	43.3	-4.6
Result for the period, EUR million	36.0	-4.4
Return on equity (12 months), %	6.1	-0.7
Return on invested capital (12 months), %	6.3	1.0
Equity ratio	47.8	45.9
Gearing, %	-10.5	17.2
Gross capital expenditure, EUR million	60.6	57.5

- Net sales decreased by 11%. Net sales decreased in all business groups.
- The decline was due to the divestment of the international freight business, falling postal delivery volumes, the weak logistics market and the depreciation of the ruble.
- The operating result before non-recurring items amounted to EUR 48.7 (50.8) million.
- The operating result was improved by income from real estate sales.
- Operations under the universal service obligation amounted to EUR 154.8 million, or 9.4% of the Group's net sales.

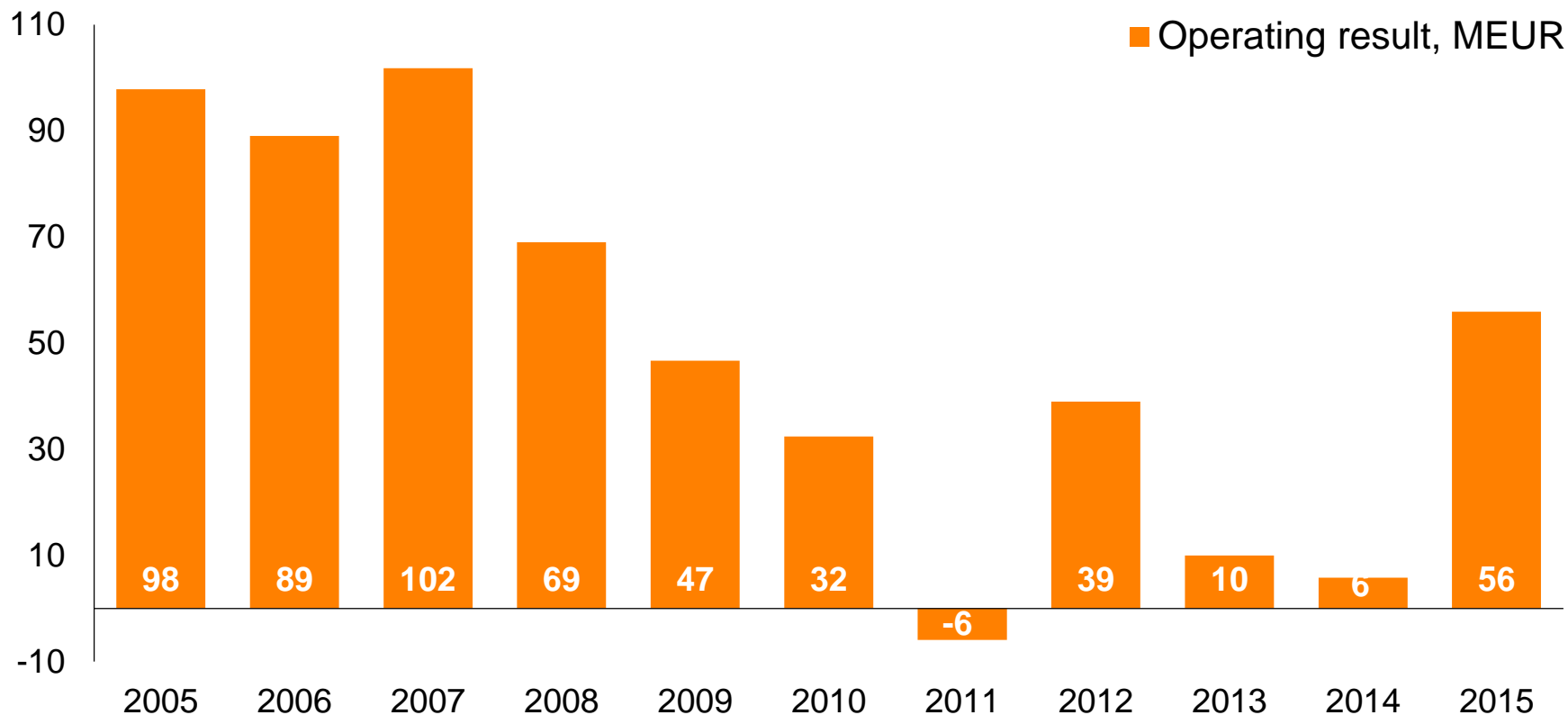
# Change in costs\*

2014 => 2015



# Posti's profitability has declined

The rate of decline was accelerated by the 2008 economic crisis



Return on invested capital, % (12 months), target is at least 10%

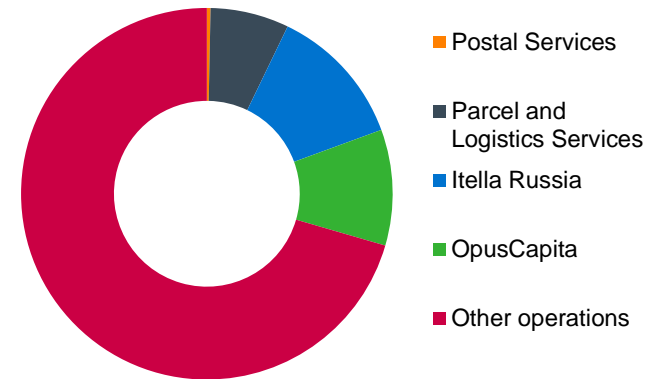
15.4%	14.1%	15.6%	12.4%	5.8%	4.2%	-0.2%	4.8%	1.3%	1.0%	6.3%
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# Employees

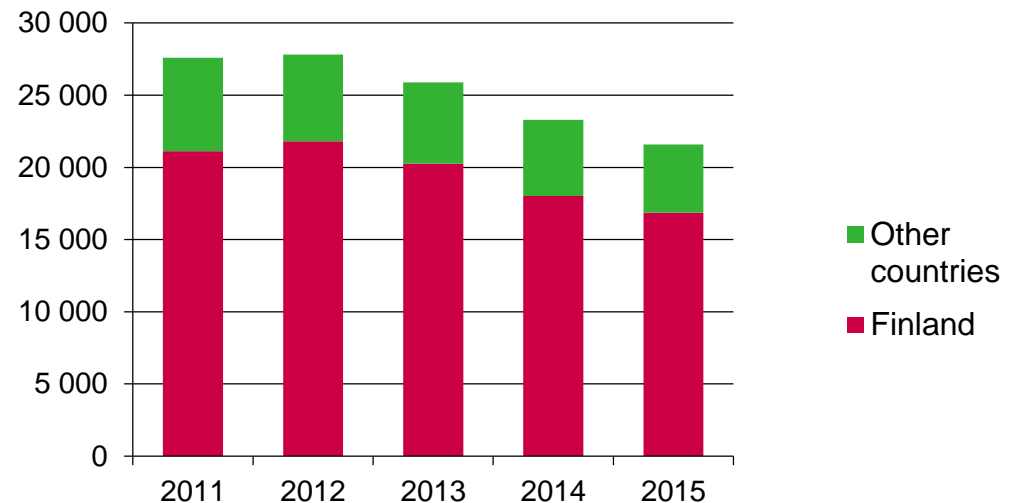
- At the end of the year, the number of employees stood at 21,598.
- Of these, 16,874 worked in Finland.
- The Group's personnel expenses decreased by nearly 11% year-on-year.
- As of December 31, 2015, a total of 1,327 employees have applied for the Uusi polku (New path) program, and 925 have been accepted.

**Employees by business group**

**Other operations** includes all employees in Operations and Group Functions.



**Number of employees in Finland and abroad**





# Business groups





# Postal Services

## October–December

- The decrease in net sales was due to a decline in the domestic delivery product volume.
- Cost adaptation measures have not fully compensated for the decline in the volume of domestic delivery products.

## Year 2015

- Mail delivery volumes continued to decline as expected.
- The volumes of unaddressed deliveries increased as a result of Postinen, which was launched in March.
- New business from delivering items shipped by Chinese online stores to Russia.

	10-12/2015	10-12/2014	Change %	2015	2014	Change %
Net sales	207.3	215.5	-3.8%	742.3	769.0	-3.5%
Operating result (non-IFRS)*	24.8	36.9	-32.8%	56.4	66.0	-14.5%
Operating result (EBIT)	24.8	37.0	-33.0%	57.3	66.1	-13.3%
Operating result (non-IFRS), %*	12.0%	17.1%		7.6%	8.6%	
Operating result (EBIT), %	12.0%	17.2%		7.7%	8.6%	

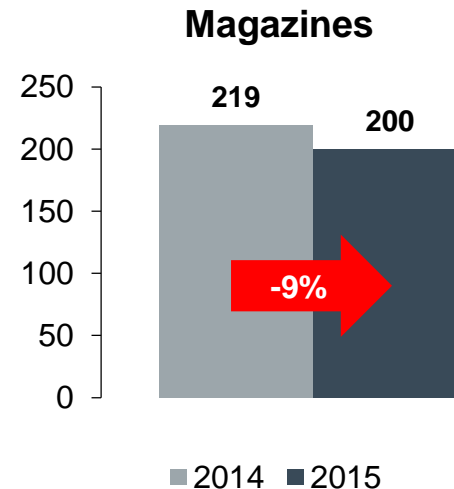
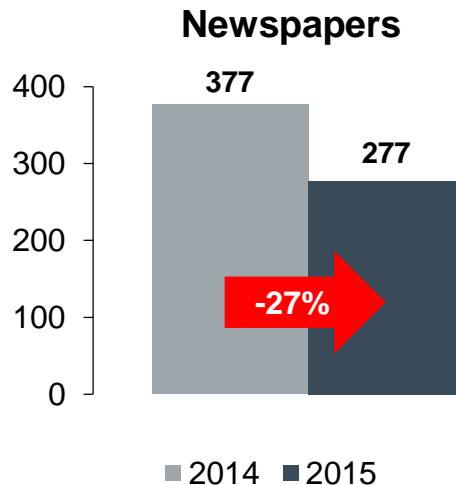
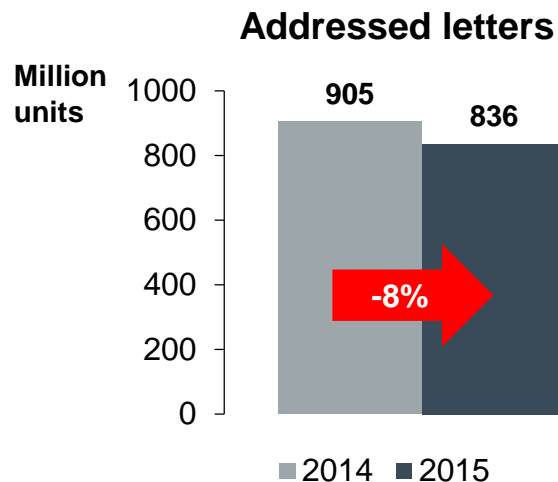
# Postal Services

## October–December

- The decline in the volume of addressed domestic letters accelerated.
- Posti delivered more than 30 million Christmas cards, 4% fewer than the previous year.

## Year 2015

- The volumes of addressed letters, newspapers and magazines decreased.
- Electronic letter volume grew by +4%.
- The number of Netposti users increased by 8% to 636,000 at the end of the year.



# Parcel and Logistics Services

## October–December

- Comparable net sales decreased. The decline was due to falling volumes in domestic freight, lower fuel surcharges due to the development of oil prices, declining processing volumes and fill rates in the warehousing business, and the general economic situation.
- Significant improvement in the result, particularly due to the divestment of international freight operations.

## Year 2015

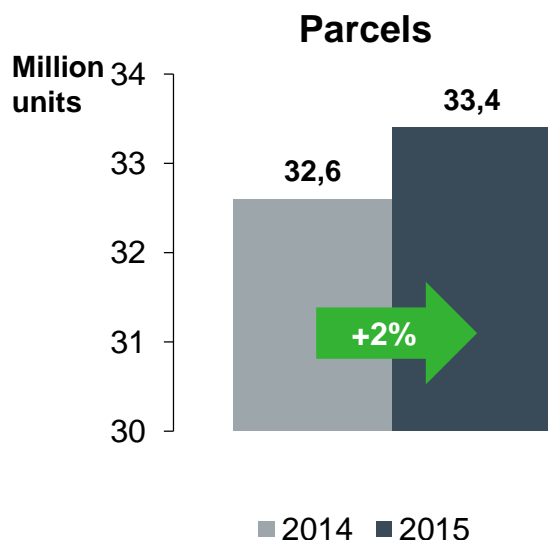
- Net sales decreased, but the operating result before non-recurring items turned to profit.
- The improved operating result was particularly attributable to the divestment of international freight operations, higher demand for parcel services, and measures implemented by the Group to increase the efficiency of production operations.

	10-12/2015	10-12/2014	Change %	2015	2014	Change %
Net sales	148.6	184.3	-19.4%	596.7	722.7	-17.4%
Operating result (non-IFRS)*	-0.4	-12.6	-	0.6	-21.7	-
Operating result (EBIT)	-2.2	-20.2	-	-12.6	-34.2	-
Operating result (non-IFRS), %*	-0.3%	-6.8%		0.1%	-3.0%	
Operating result (EBIT), %	-1.5%	-11.0%		-2.1%	-4.7%	

# Parcel and Logistics Services

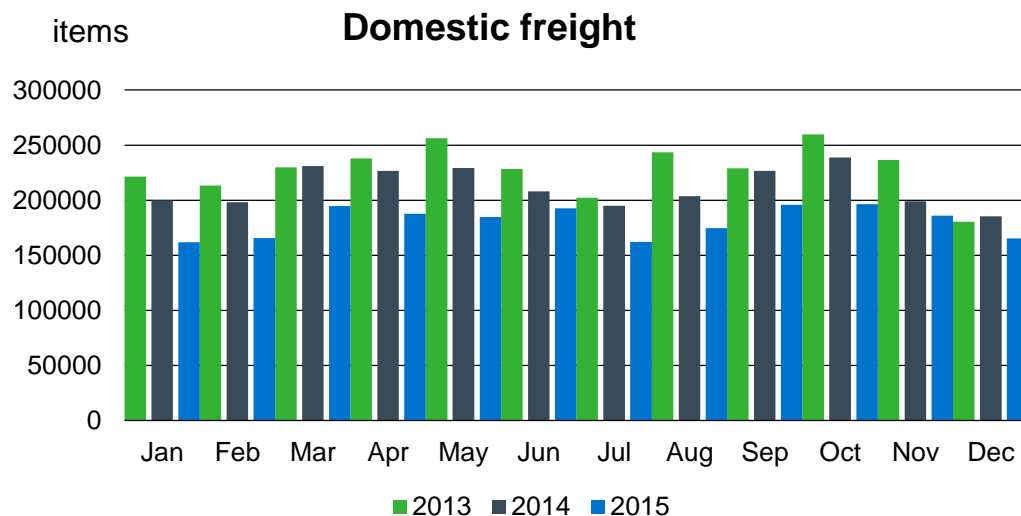
## October–December

- Volumes grew in consumer parcels. The number of parcels to consumers Posti delivered in December increased by 7%.
- Posti signed several logistics outsourcing agreements. A robot-assisted hybrid warehouse was opened in Vantaa and a new logistics center in Lieto.



## Year 2015

- Parcel services volume grew by 2.3%. Posti delivered over 33 million parcels in Finland.
- Road freight operations in Sweden, Norway and Denmark, as well as the international freight business in Finland were sold in April.
- 1,401 service points and 480 parcel points on December 31, 2015.



# Itella Russia

## October–December

- Measured in local currency, net sales decreased by 10%.
- The decline was due to the general weak economic situation as well as lower demand for air and sea freight and lower warehouse processing volumes.
- Euro-denominated net sales decreased by 24.5%.

## Year 2015

- The operating result declined due to lower volumes as well as the development of the ruble exchange rate and currency-linked lease expenses.
- By December 31, 2015, the closing rate of the Russian ruble had declined by 12% year-on-year.

	10-12/2015	10-12/2014	Change %	2015	2014	Change %
Net sales	30.8	40.7	-24.5%	118.9	172.0	-30.9%
Operating result (non-IFRS)*	-0.9	2.1	-	-5.1	2.5	-
Operating result (EBIT)	-12.8	2.1	-	-25.0	2.4	-
Operating result (non-IFRS), %*	-2.8%	5.2%		-4.3%	1.5%	
Operating result (EBIT), %	-41.6%	5.2%		-21.0%	1.4%	

# Itella Russia

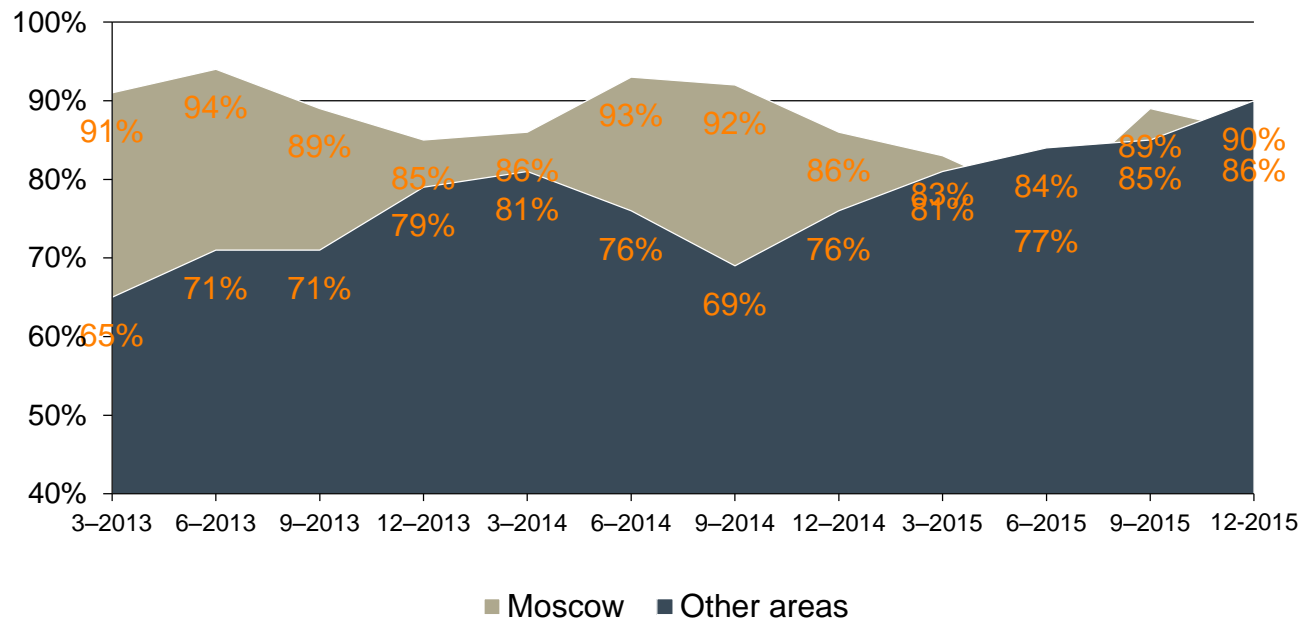
## October–December

- Operational efficiency in warehousing was improved.
- The warehouse fill rate was at a good level.

## Year 2015

- The average warehouse fill rate during the year was 84% in Moscow and 86% in other areas.

### Warehouse fill rates



**Dec 31, 2015:**  
Moscow: 86%  
Other areas: 90%

# OpusCapita

## October–December

- Net sales were reduced by a decline of 14% in iPost product volumes. The decline in volumes accelerated in Q4.
- The operating result before non-recurring items remained at the previous year's level. The operating result was improved by cost saving measures implemented in Q4.

## Year 2015

- Net sales down 1.2%.
- The operating result improved to EUR 13.3 (12.7) million. Due to digitalization, paper communications are moving online at an accelerating rate.
- OpusCapita transmitted a total of 540 million transactions during the year.

	10-12/2015	10-12/2014	Change %	2015	2014	Change %
Net sales	63.2	67.2	-6.0%	256.7	259.6	-1.2%
Operating result (non-IFRS)*	3.5	3.4	1.8%	14.5	20.0	-27.2%
Operating result (EBIT)	3.6	-0.1	-	13.3	12.7	5.1%
Operating result (non-IFRS), %*	5.5%	5.1%		5.7%	7.7%	
Operating result (EBIT), %	5.7%	-0.1%		5.2%	4.9%	



# OpusCapita

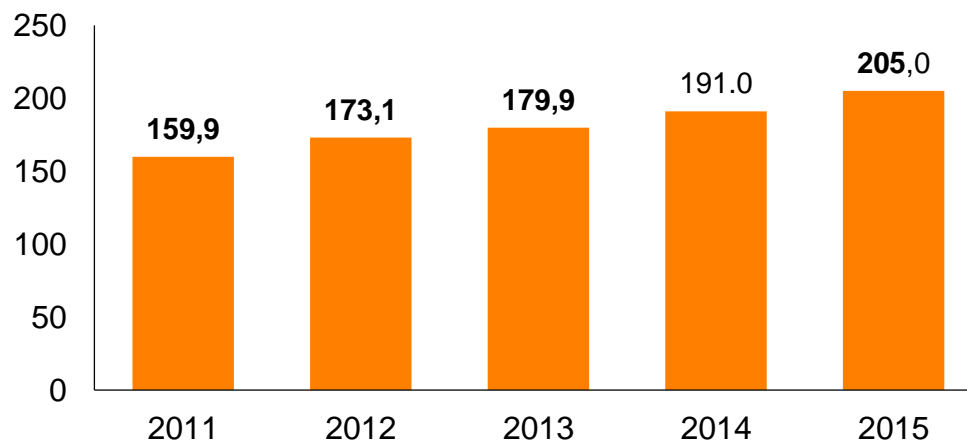
## October–December

- On November 11, 2015, OpusCapita signed an agreement to sell all of its business operations serving the local markets in the Baltic states to BaltCap. The transaction supports greater focus on strategic business areas in Europe.

## Year 2015

- On April 30, 2015, OpusCapita acquired the Swedish companies Kredithanterarna and Svenska Fakturaköp. The acquisitions see OpusCapita further strengthen its offering in Order-to-Cash management.
- Patrik Sallner was appointed as OpusCapita's CEO effective from October 5, 2015.
- OpusCapita ceased its operations in Slovakia.

## Electronic messages



# Outlook for 2016

## Market environment

- The Group's business is characterized by seasonality. Net sales and operating profit in the business groups 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.

## Net sales

- Comparable net sales in euros for 2016 are expected to decrease compared to 2015.

## Operating result (EBIT)

- The Group's operating result before non-recurring items is expected to improve from 2015. There is significant uncertainty related to the development prospects of the result achieved in Russia. The operating result for 2016 will continue to include significant non-recurring items. The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

## Capital expenditure

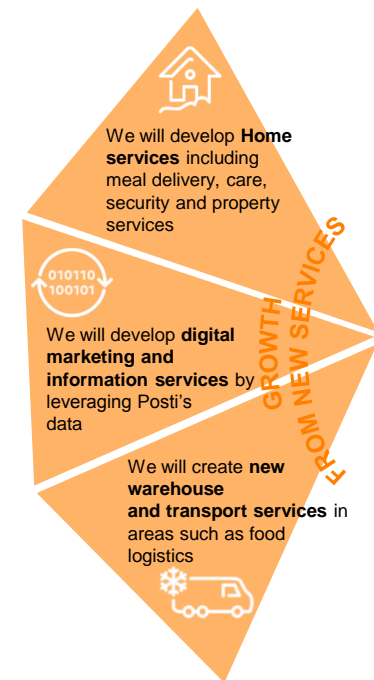
- Capital expenditure is expected to increase remarkably from 2015.

# Appendices

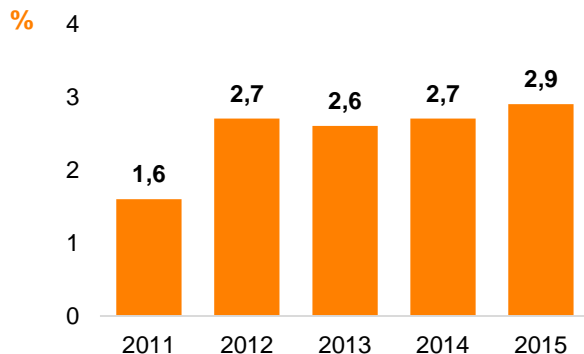


# Financial targets

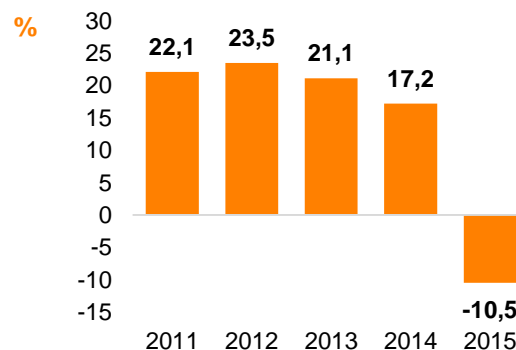
- Operating profit percentage exceeds 5%
- Gearing does not exceed 35%
- Return on invested capital is at least 10%
- More than 10% of the Group's net sales will come from new business areas in 2018.



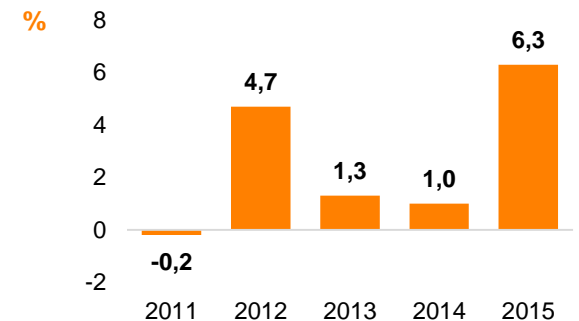
## Operating profit percentage



## Gearing

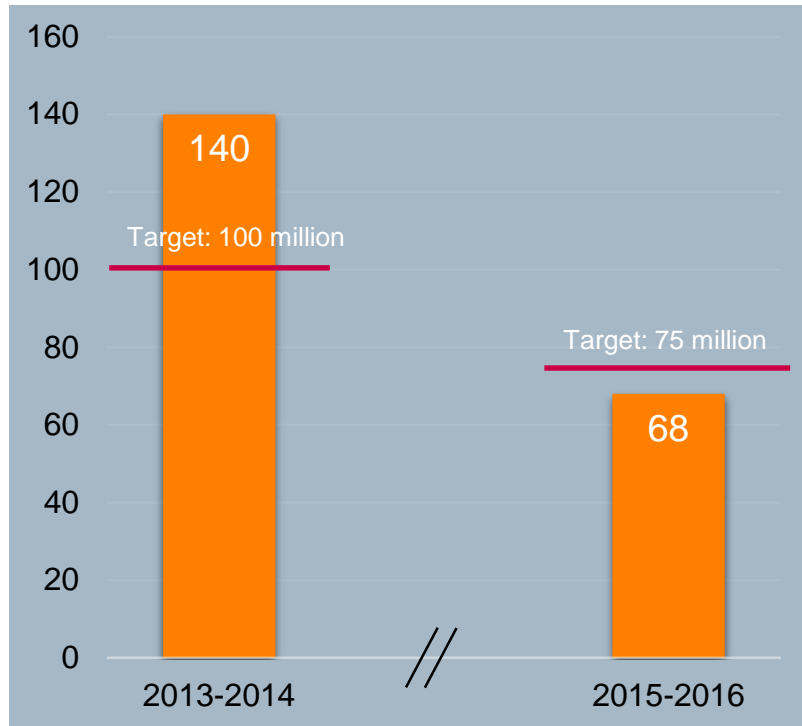


## Return on invested capital



# Performance improvement programs

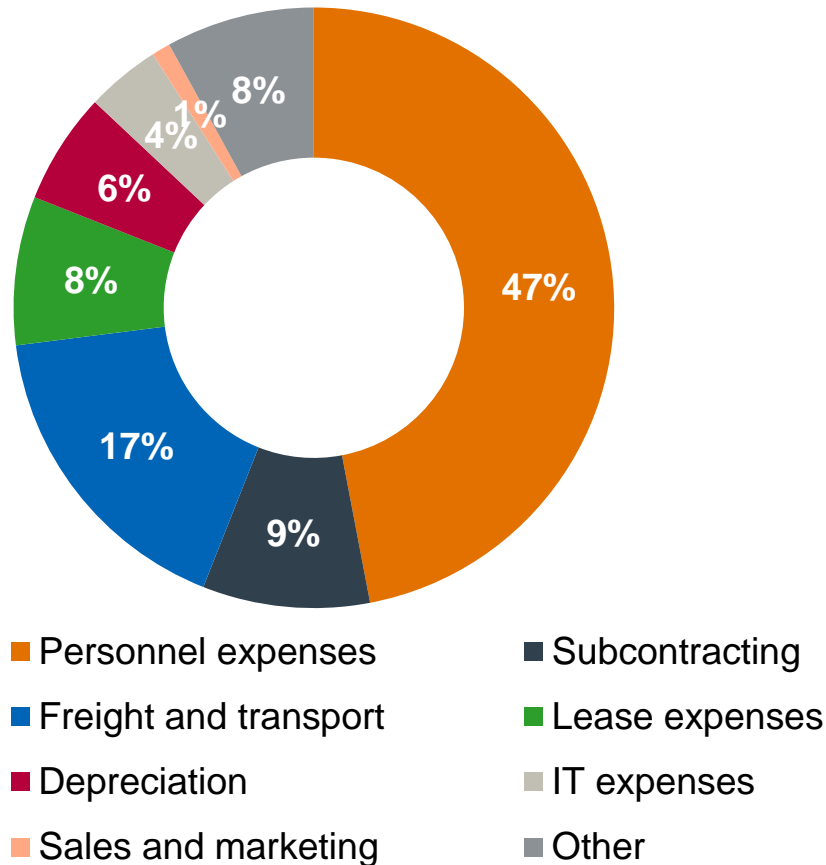
EUR million



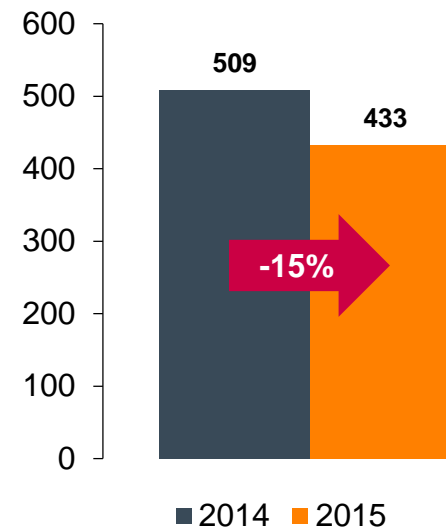
- The EUR 100 million target for the performance improvement program for 2013–2014 was reached ahead of schedule. The total savings amounted to nearly EUR 140 million.
- The Group continued its EUR 75 million performance improvement program with 90% of its targets achieved to date. The full target is expected to be reached in Q1/2016.
- The aims include achieving synergy benefits through the consolidation of production, improving the efficiency of the ICT function, achieving savings in sourcing, and simplifying the product portfolio.
- In the ‘Way of Working’ program, nearly EUR 5 million in savings were achieved in travel, recreation and training costs.

# Group cost structure

Year 2015



Indirect costs, EUR million

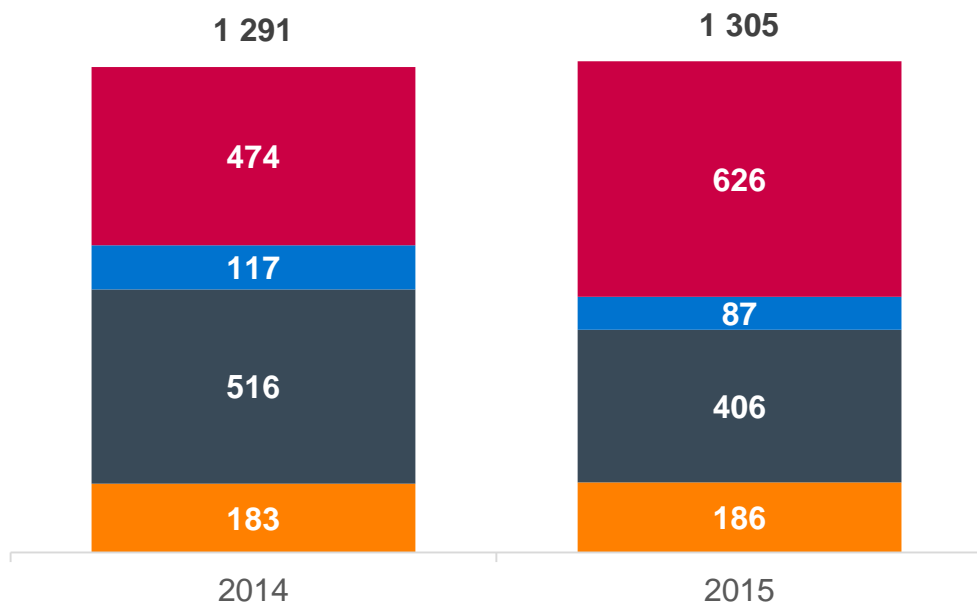


# Balance sheet

EUR million

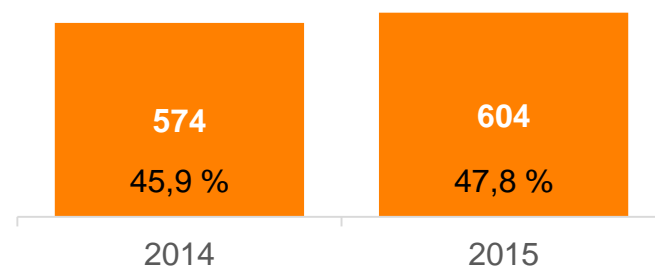
## ASSETS

- Goodwill
- Other non-current assets
- Tangible assets
- Current assets



## EQUITY AND EQUITY RATIO

- Equity
- Equity ratio (%)

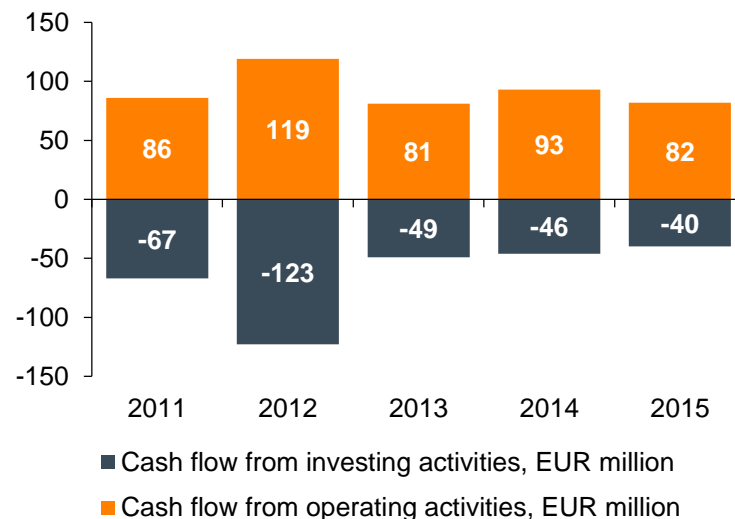




# Cash flow

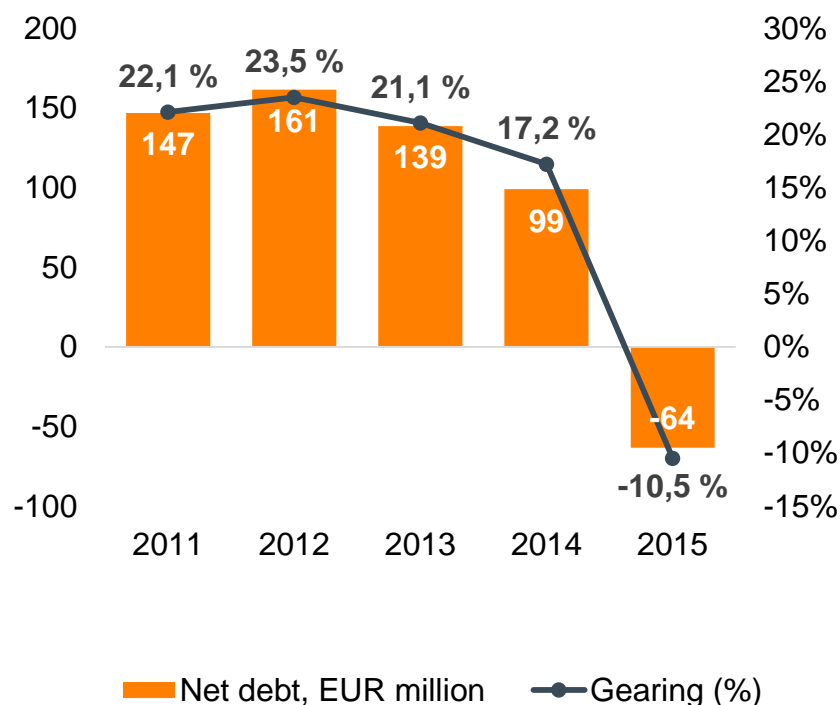
	2015	2014
Result for the period	36.0	-4.4
Cash flow from operating activities before financial items and taxes	92.4	108.6
Cash flow from operating activities	81.9	93.2
Cash flow from investing activities	-40.4	-46.3
Cash flow from financing activities	-8.0	-23.2
Change in cash and cash equivalents	33.4	23.7
Cash and cash equivalents at the end of the review period	130.1	98.7

- The consolidated cash flow from operating activities before capital expenditure was EUR 81.9 (93.2) million.
- Capital expenditure amounted to EUR 55.9 (46.6) million, including investments in transport vehicles, production-related projects, Parcel Points, and terminal improvement projects.
- Proceeds from the sale of property, plant and equipment totaled EUR 136.4 (2.6) million.

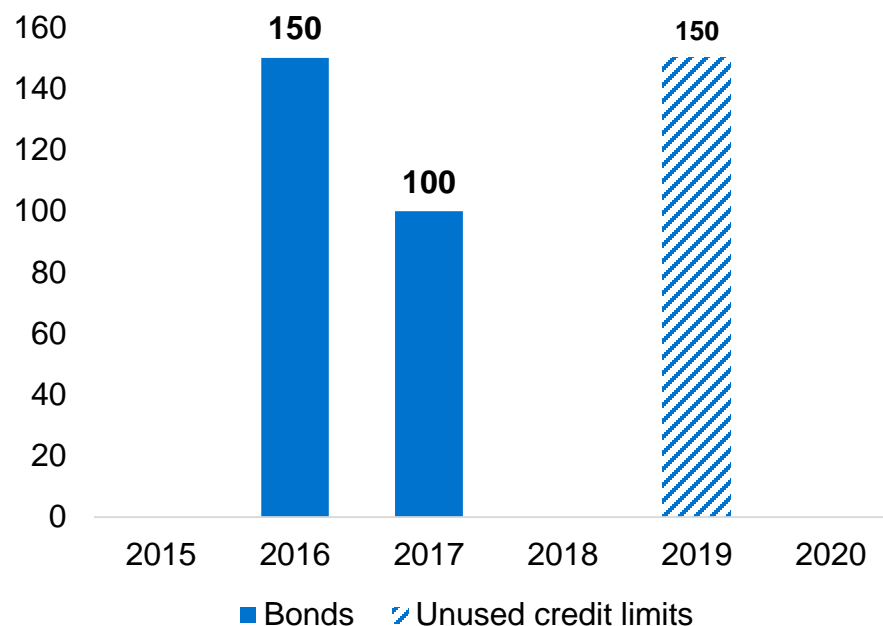


# Net debt and the maturity structure of loans

Net debt and gearing



Maturity structure of loans and financing arrangements, EUR million



# Result announcements in 2016

Annual Report: March 17, 2016

Q1: April 29, 2016, at 10:00 a.m.

Q2: July 18, 2016, at 10:00 a.m.

Q3: October 31, 2016, at 10:00 a.m.

