

Posti Group Corporation Interim Report

November 2, 2015

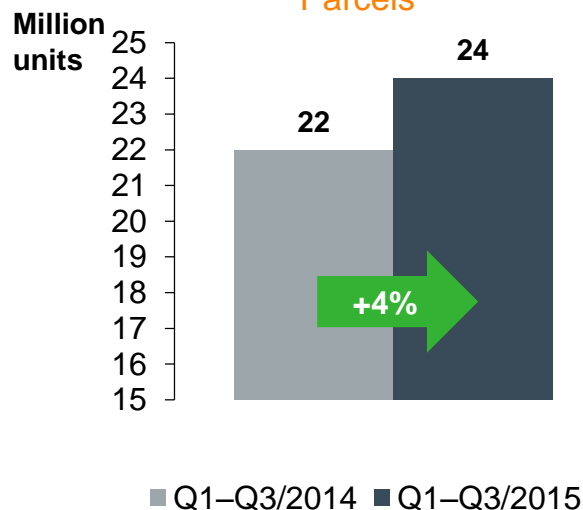


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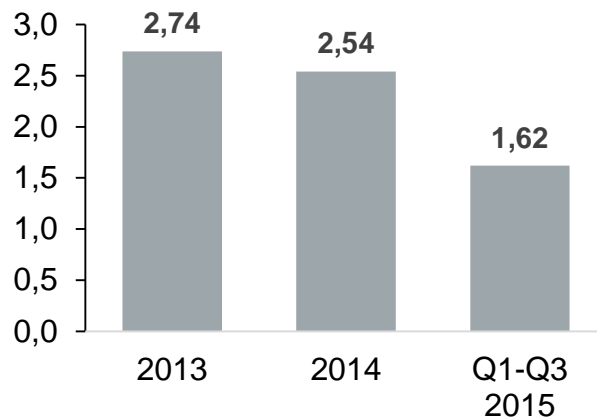
- July–September 2015
- January–September 2015
- Business groups
 - Postal Services
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Volumes Q1–Q3/2015

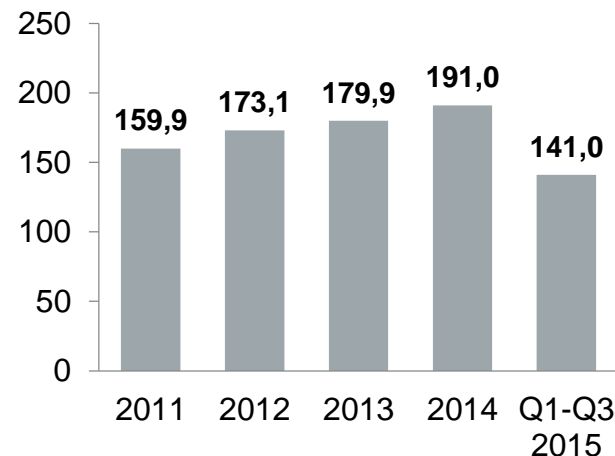
Parcels



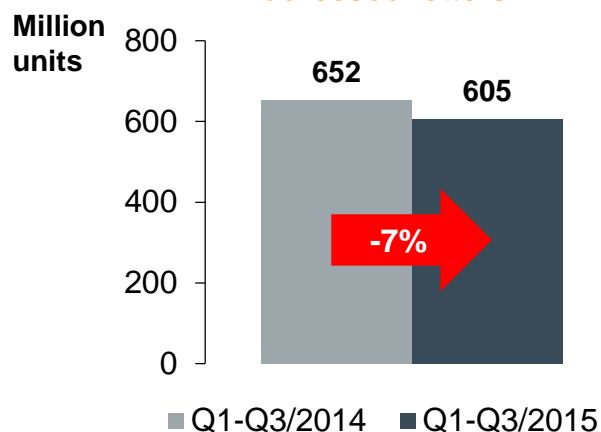
Domestic freight



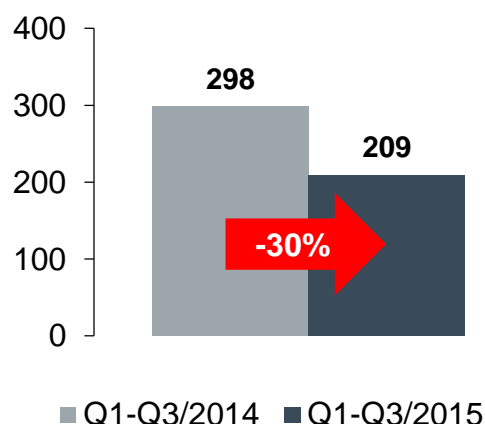
OpusCapita's electronic transactions



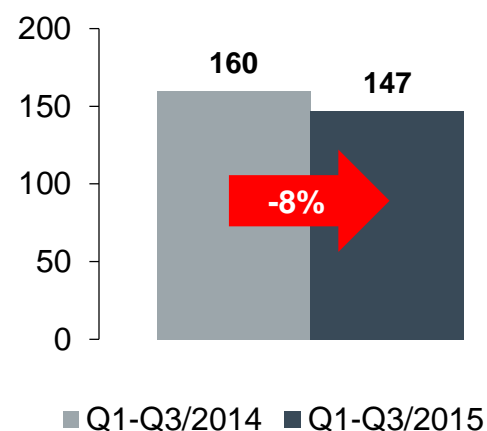
Addressed letters



Newspapers



Magazines



July–September



Key events

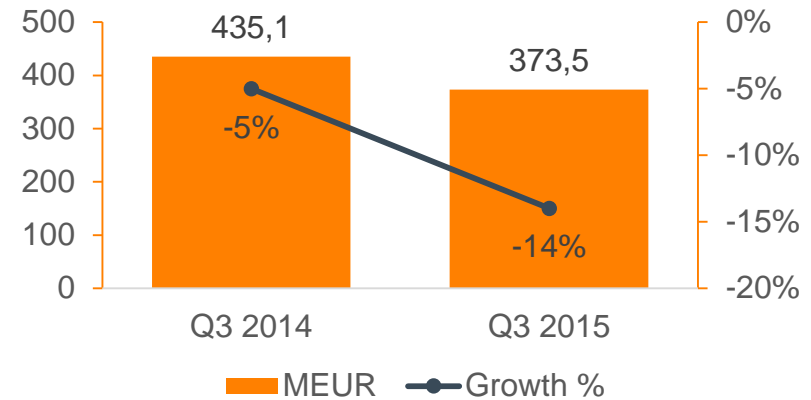


- Operating result before non-recurring items improved to EUR 9.6 (6.8) million.
- Positive result in Parcel and Logistics Services.
- Parcel services volume grew by 2.5%.
- Sales of logistics properties in Sweden and Norway.
- Positive ruling for Posti in VAT case.

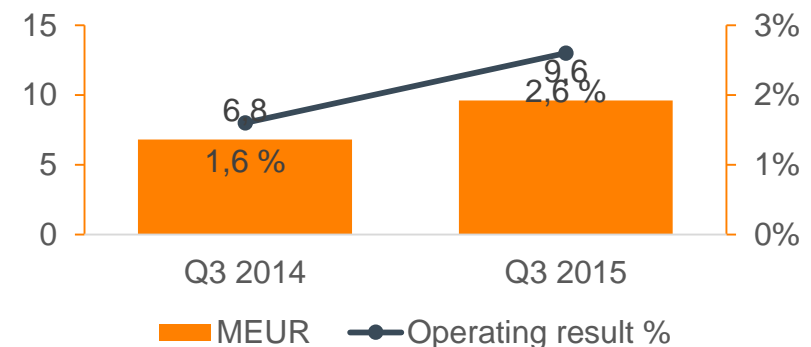


- Comparable net sales down 7.5%.
- Continued decline in mail delivery volumes.
- Logistics market continues to decline.
- High season delayed in Russia and weak in Finland.
- Non-recurring items EUR -11.8 million, including impairment losses in Russia and an adjustment in gain on real estate sale.

NET SALES



OPERATING RESULT before non-recurring items



Key figures

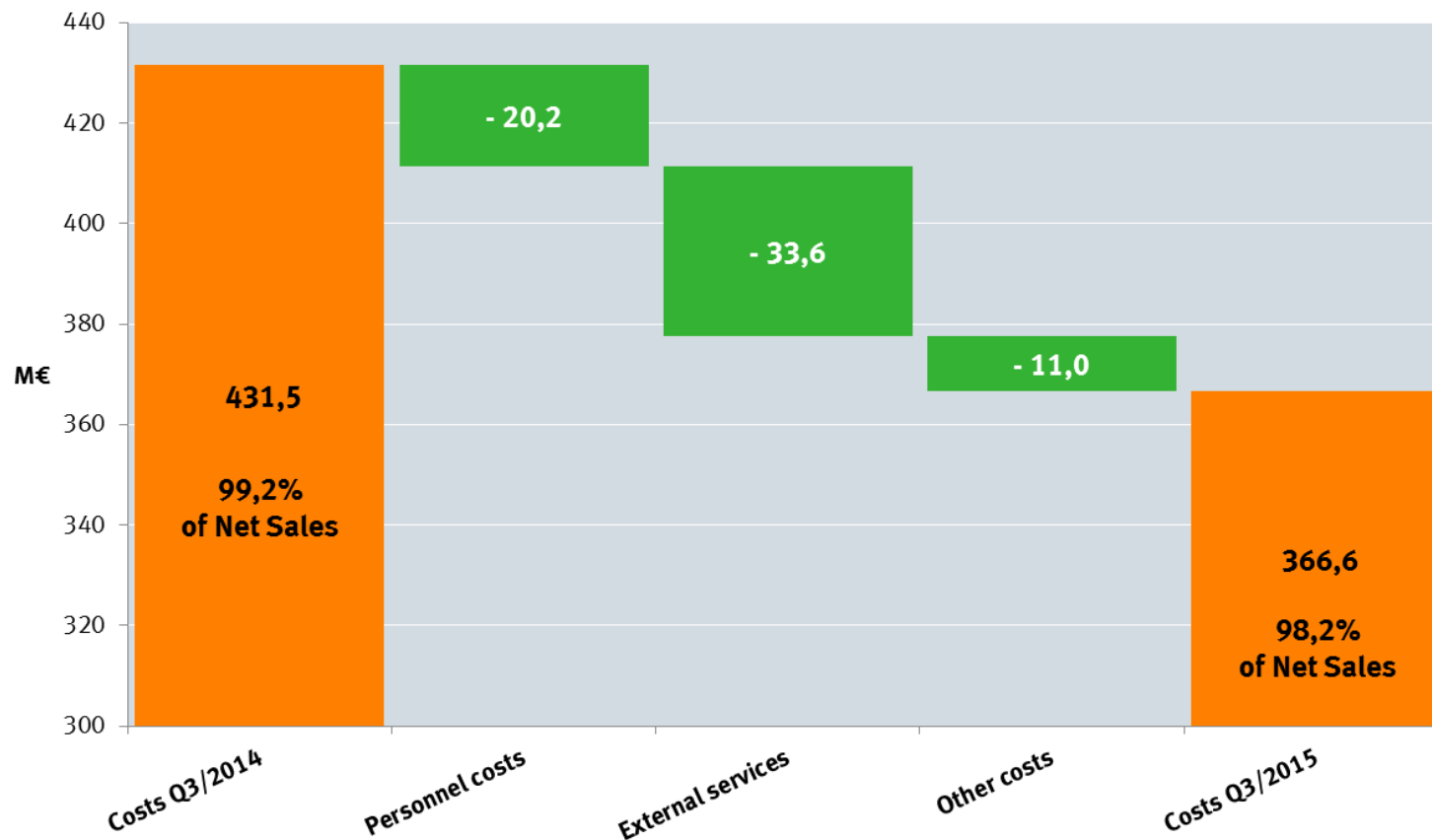
July–September 2015

	7–9/2015	7–9/2014	2014
Net sales, EUR million	373.5	435.1	1,858.7
Operating result (non-IFRS), EUR million*	9.6	6.8	50.8
Operating result (non-IFRS), %*	2.6	1.6	2.7
Operating result (EBIT), EUR million	-2.2	-7.4	5.8
Operating result (EBIT), %	-0.6	-1.7	0.3
Result before taxes, EUR million	-7.0	-10.1	-4.6
Result for the period, EUR million	-1.1	-9.1	-4.4
Return on equity (12 months), %			-0.7
Return on invested capital (12 months), %			1.0
Equity ratio			45.9
Gearing, %			17.2
Gross capital expenditure, EUR million	11.8	12.0	57.5

- Net sales down 14.2%.
- Decline in net sales due to falling postal delivery volumes, the weak logistics market and the depreciation of the ruble.
- Operating result before non-recurring items improved.
- Operating result was boosted by the divestment of international freight operations as well as efficiency improvement measures.
- Operating result improved.

Change in costs*

Q3/2014 => Q3/2015



* excluding non-recurring items

January–September

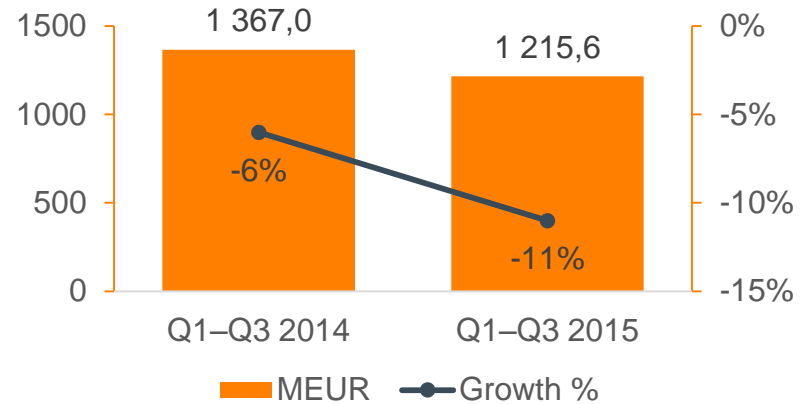


Key events

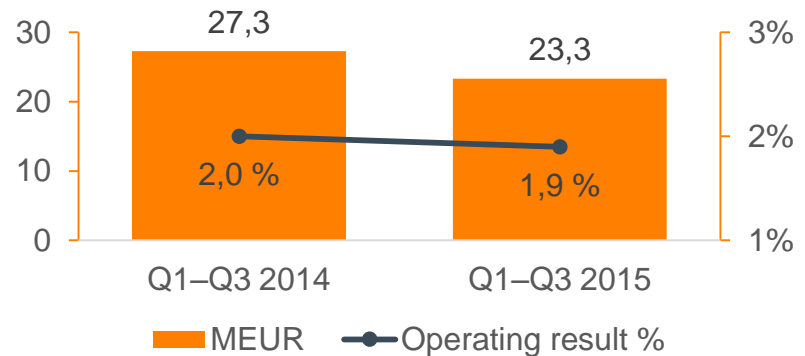
- The Group's operating result % excluding non-recurring items was nearly unchanged year-on-year despite the decline in net sales.
- The result of Parcel and Logistics Services turned to positive.
- Postal Services' operating result improved.
- Parcel services volume grew by 4%.
- International freight operations were divested to improve profitability.
- Return on investment improved to 6.3%.
- The sell and lease back of three postal centers and one warehouse.

- Net sales down 11%, comparable net sales down 6%.
- Operating result in Russia turned losses.
- OpusCapita's operating result before non-recurring items declined by 33%.
- Continued decline in mail delivery volumes.
- The ruble depreciated by 47% from the previous year.

NET SALES



OPERATING RESULT before non-recurring items



Key figures

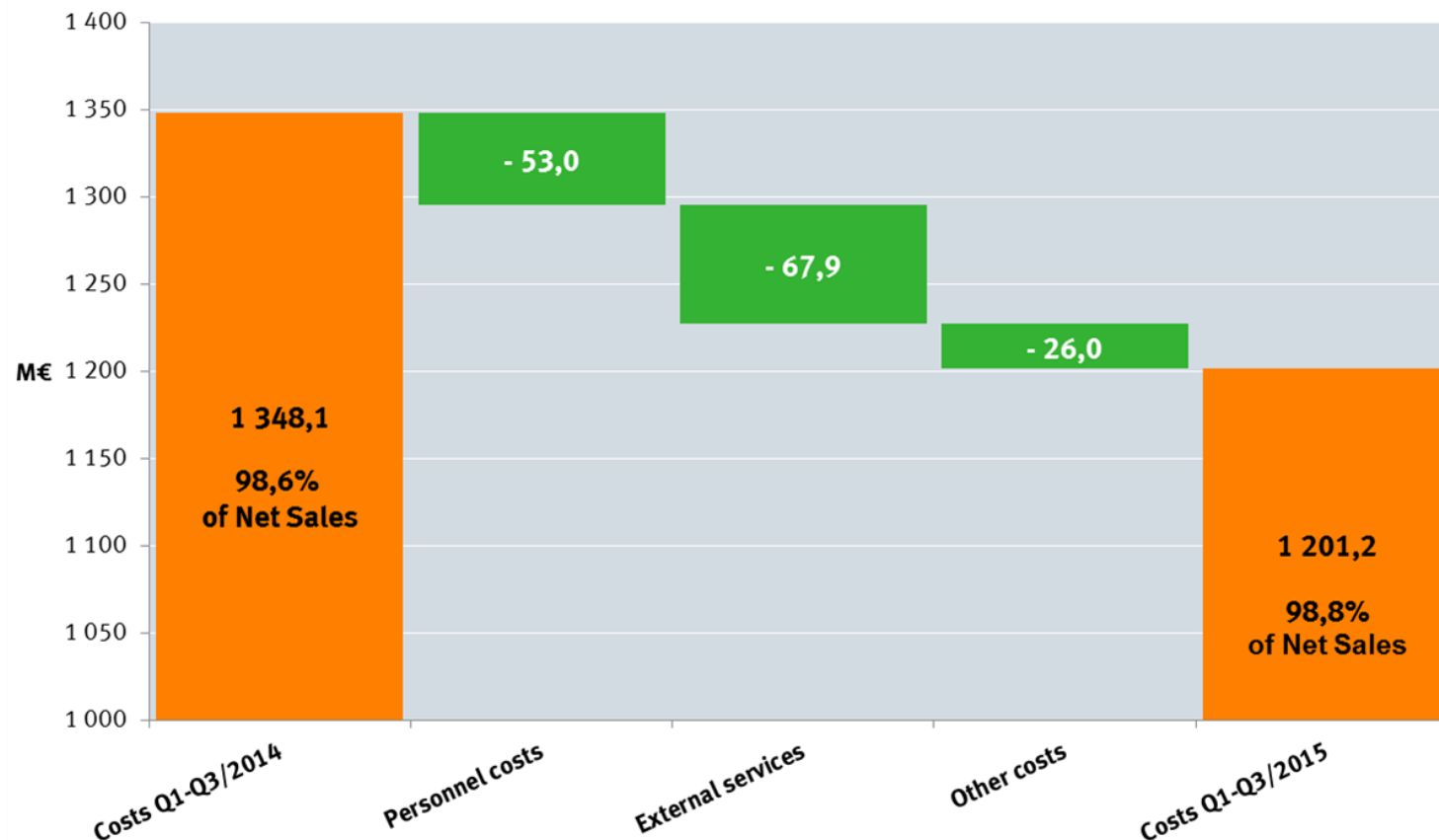
January–September 2015

	1–9/2015	1–9/2014	2014
Net sales, EUR million	1,215.6	1,367.0	1,858.7
Operating result (non-IFRS), EUR million*	23.3	27.3	50.8
Operating result (non-IFRS), %*	1.9	2.0	2.7
Operating result (EBIT), EUR million	46.2	-5.1	5.8
Operating result (EBIT), %	3.8	-0.4	0.3
Result before taxes, EUR million	37.2	-12.2	-4.6
Result for the period, EUR million	31.7	-8.9	-4.4
Return on equity (12 months), %	5.9	1.4	-0.7
Return on invested capital (12 months), %	6.3	1.3	1.0
Equity ratio	48.8	47.2	45.9
Gearing, %	8.1	19.9	17.2
Gross capital expenditure, EUR million	43.7	42.9	57.5

- Net sales down 11%.
- Decline in net sales due to falling postal delivery volumes, the weak logistics market and the depreciation of the ruble.
- The operating result before non-recurring items declined.
- The operating result was improved by non-recurring items of EUR +23 million.
- Operating result improved.

Change in costs*

Q1–Q3/2014 => Q1–Q3/2015



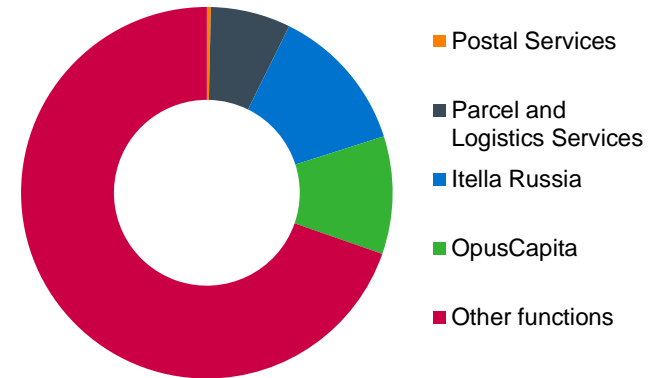
* Before non-recurring items

Employees

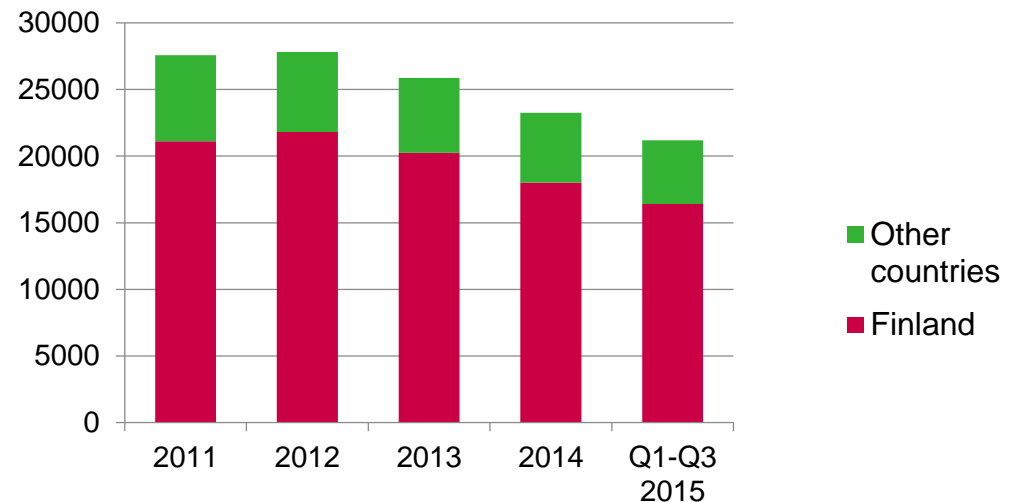
- At the end of September, the number of employees stood at 21,187 (23,459).
- Of these, 16,406 (18,340) worked in Finland.
- The Group's personnel expenses decreased by nearly 11% year-on-year.
- As of September 30, 2015, a total of 1,195 employees have applied for the Uusi polku (New path) program, and 797 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

July–September

- The decrease in net sales was attributable to a decline in domestic delivery product volumes. Chinese e-commerce deliveries to Russia started this year.
- Cost adaptation measures have not fully compensated for the decline in the volume of delivery products. The operating result declined.

January–September

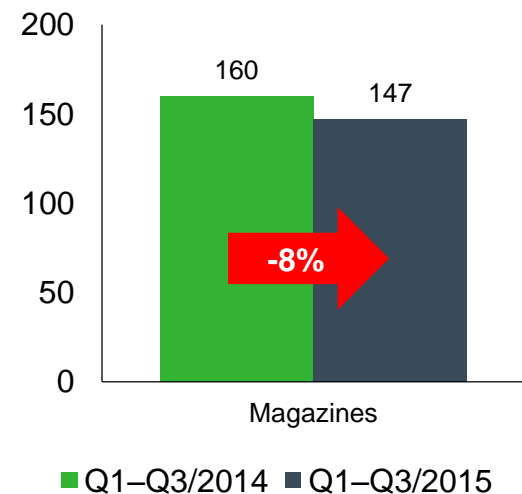
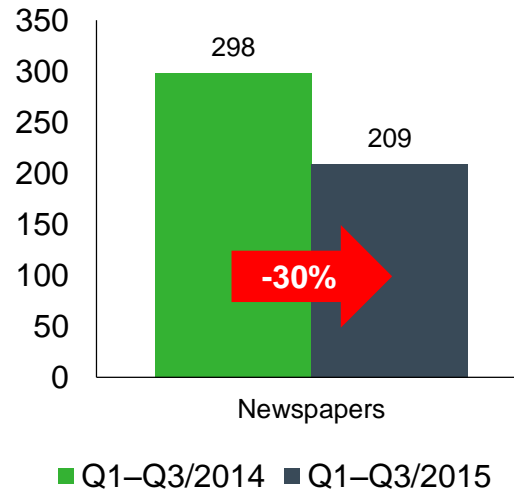
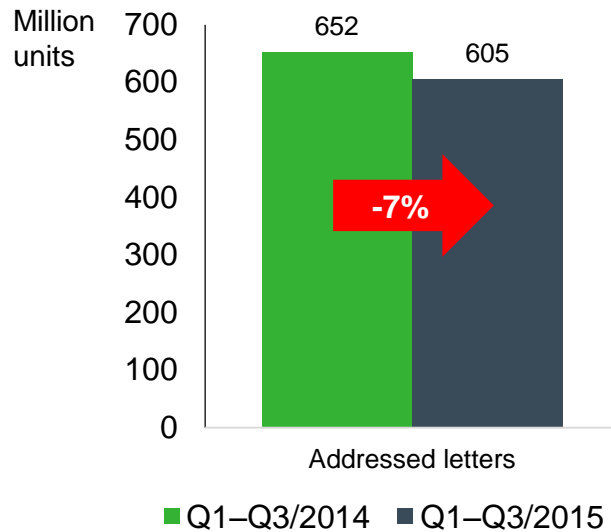
- The operating result before non-recurring items improved due to the strong first quarter, improvements in operational efficiency and the increases in postage fees that took effect at the beginning of 2015.
- Operating result improved.

	7–9/2015	7–9/2014	Change %	1–9/2015	1–9/2014	Change %
Net sales	161.6	168.6	-4.2%	535.0	553.5	-3.3%
Operating result (non-IFRS)*	5.7	7.5	-24.0%	31.6	29.0	8.7%
Operating result (EBIT)	6.4	7.5	-14.6%	32.5	29.0	11.7%
Operating result (non-IFRS), %*	3.5%	4.4%		5.9%	5.2%	
Operating result (EBIT), %	4.0%	4.4%		6.1%	5.2%	

Postal Services

July–September

- The volumes of addressed letters, newspapers and magazines decreased.
- Chinese e-commerce deliveries to Russia started this year.



January–September

- Electronic letter volume grew by 4%.
- The volumes of unaddressed deliveries increased significantly due to Postinen.
- The number of Netposti users increased by 7% and stood at 622,000 at the end of September.

Parcel and Logistics Services

July–September

- Comparable net sales decreased.
- The decline in net sales was due to falling volumes in domestic freight, a decline in the 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.

January–September

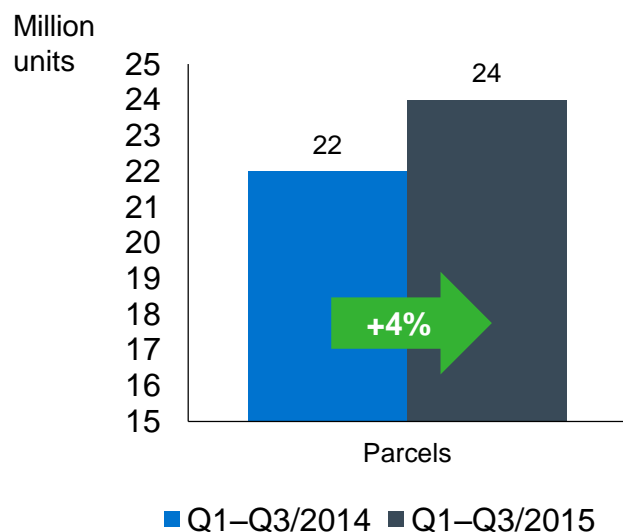
- Comparable net sales decreased.
- The operating result before non-recurring items improved particularly due to higher demand for parcel services as well as the effects of warehouse consolidation and efficiency improvement measures implemented in supply chain solutions. Operating result improved.

	7–9/2015	7–9/2014	Change %	1–9/2015	1–9/2014	Change %
Net sales	137.5	174.9	-21.4%	448.1	538.4	-16.8%
Operating result (non-IFRS)*	2.1	-6.8	-	1.0	-9.1	-
Operating result (EBIT)	4.3	-10.7	-	-10.4	-14.0	-
Operating result (non-IFRS), %*	1.5%	-3.9%		0.2%	-1.7%	
Operating result (EBIT), %	3.1%	-6.1%		-2.3%	-2.6%	

Parcel and Logistics Services

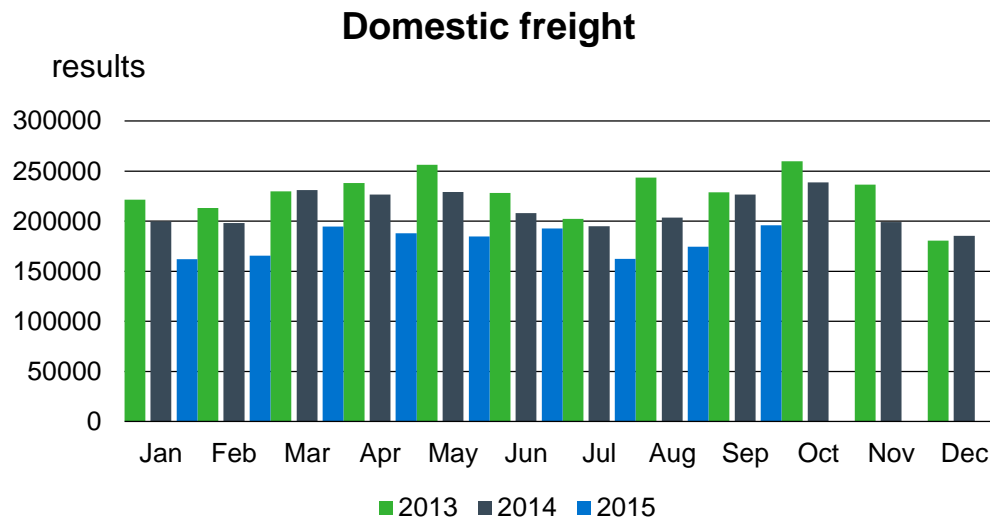
July–September

- Volumes continued to fall in domestic freight, warehouse handling volumes and fill rates declined.
- Parcel services volume continued to grow. Posti delivered 7.8 million parcels. Parcel services volume grew by 2.5%.



January–September

- Posti delivered 24.2 million parcels. Of these 7% went through parcel points. The number of parcels going through parcel points grew by 48% year-on-year. Parcel services volume grew by 4%.
- 1,406 service points at the end of September. 23 new parcel points went into service and their number totaled 482.



Itella Russia

July–September

- Measured in local currency, net sales decreased by 8.6% due to the weak general economic situation and the resulting fall in warehousing, processing and transport volumes.
- Euro-denominated net sales decreased by 37.8%.

January–September

- Operating result in Russia turned losses.
- The ruble depreciated by 47% year-on-year.
- The decrease in the operating result was due to lower volumes as well as the development of the ruble exchange rate and the currency basis of lease expenses.

	7–9/2015	7–9/2014	Change %	1–9/2015	1–9/2014	Change %
Net sales	29.3	47.2	-37.8%	88.1	131.3	-32.9%
Operating result (non-IFRS)*	-1.4	2.7	-	-4.3	0.4	-
Operating result (EBIT)	-9.0	2.7	-	-12.2	0.3	-
Operating result (non-IFRS), %*	-4.6%	5.7%		-4.8%	0.3%	
Operating result (EBIT), %	-30, 7%	5.7%		-13.8%	0.2%	

Itella Russia

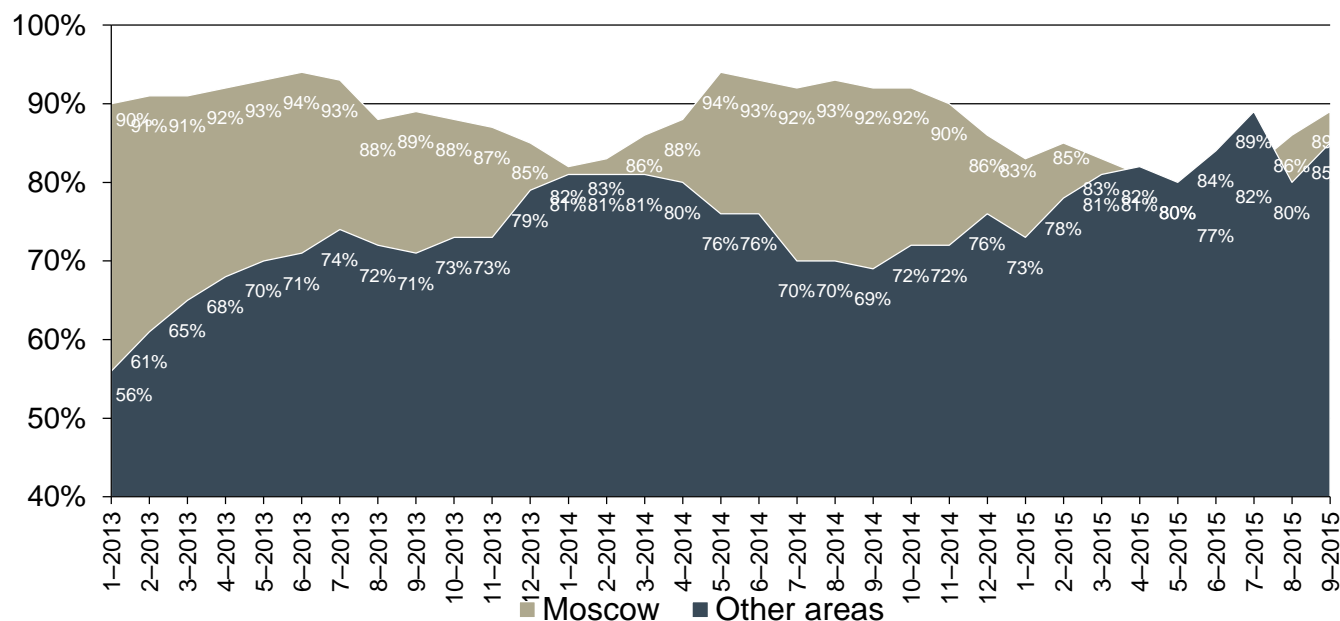
July–September

- Warehousing, handling and transport volumes fell.
- Operational efficiency in warehousing was improved.

January–September

- As of September 30, 2015, the ruble had depreciated by 47% year-on-year.
- The average warehouse fill rate in January–September was 83% in Moscow and 85% in other areas.

Warehouse fill rates



OpusCapita

July–September

- The non-IFRS operating result was reduced by a decline in volumes in the printing business across all countries of operation. The outsourcing business was weakened by extra personnel expenses related to customer projects. Investments in development programs related to supply chain financing solutions, robotics and internationalization increased.

January–September

- Net sales grew slightly.
- The operating result before non-recurring items declined. The operating result declined.

	7–9/2015	7–9/2014	Change %	1–9/2015	1–9/2014	Change %
Net sales	60.8	60.4	0.6%	193.5	192.5	0.5%
Operating result (non-IFRS)*	4.2	5.1	-16.5%	11.1	16.6	-33.2%
Operating result (EBIT)	3.8	3.0	24.5%	9.7	12.7	-23.9
Operating result (non-IFRS), %*	7.0%	8.4%		5.7%	8.6%	
Operating result (EBIT), %	6.2%	5.0%		5.0%	6.6%	

OpusCapita

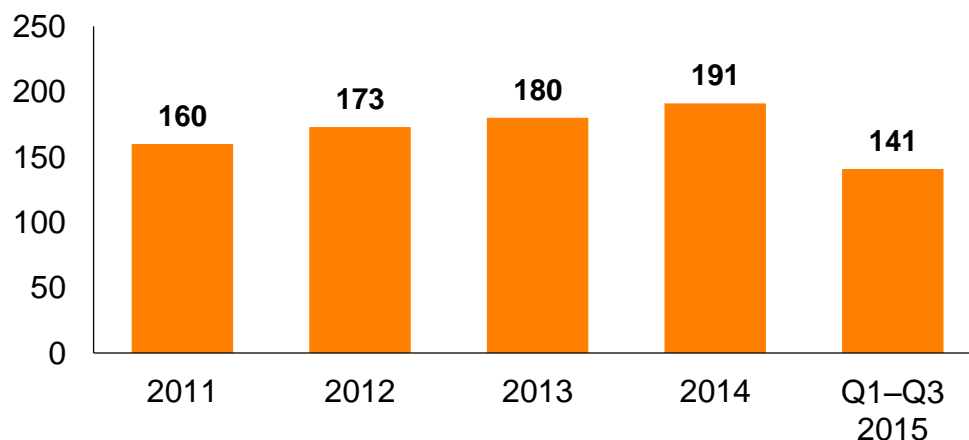
July–September

- OpusCapita ceased its operations in Slovakia on September 30, 2015.

January–September

- Continuous service business operations accounted for 94% of net sales.
- Total transaction volume 400 million.
- Electronic transaction volume grew to 141 million, 35% of the total transaction volume.
- Patrik Sallner took up his post as CEO on October 5.

Electronic messages



Outlook for the rest of the year

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, in particular, are typically strong, while the second and third quarters are weaker in comparison.
- Uncertainty in Russia continues.

Net sales

- Comparable net sales in euros for 2015 are expected to decrease significantly compared to 2014.

Operating result (EBIT)

- The Group's operating result before non-recurring items is expected to remain on par with the previous year if the negotiations on the collective agreement reach a conclusion without significant operational disruption. The operating result for 2015 will include significant non-recurring items.

Capital expenditure

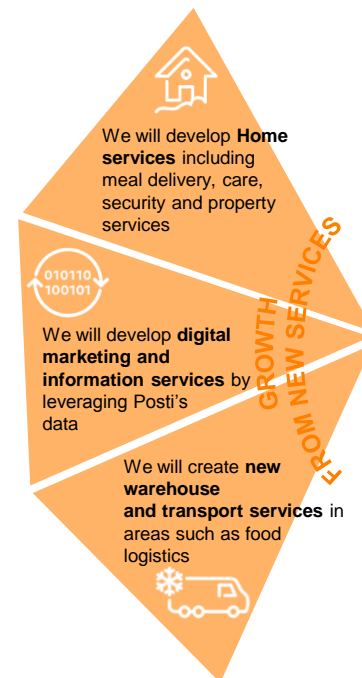
- Capital expenditure is expected to increase from 2014.

Appendices

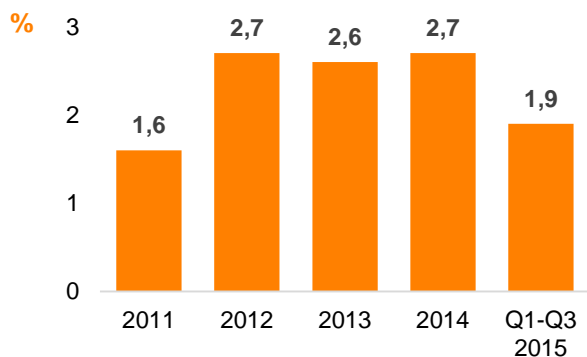


Financial targets

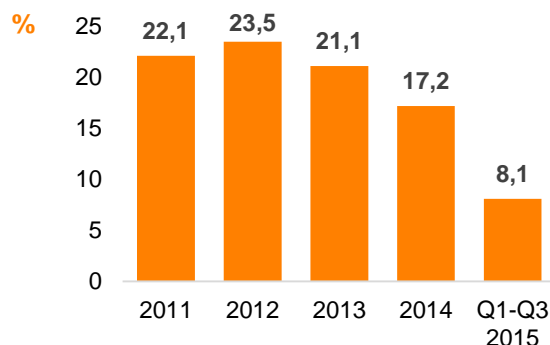
- Operating profit percentage exceeds 5%
- Gearing does not exceed 35%
- Return on invested capital is at least 10%
- More than 10% of the Group's net sales will come from new business areas in 2018.



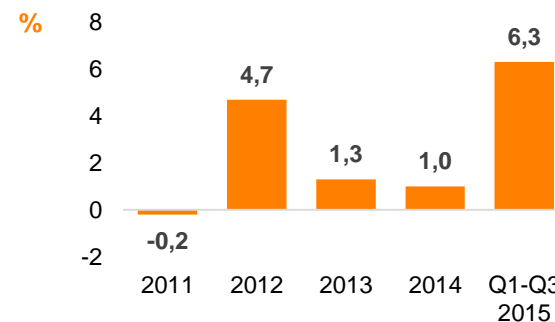
Operating profit percentage



Gearing

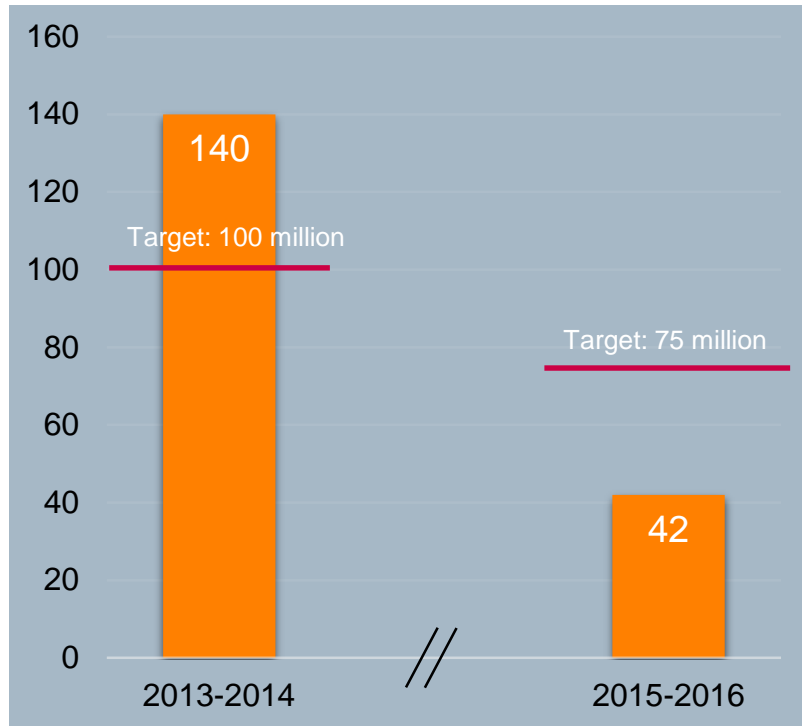


Return on invested capital



Performance improvement programs

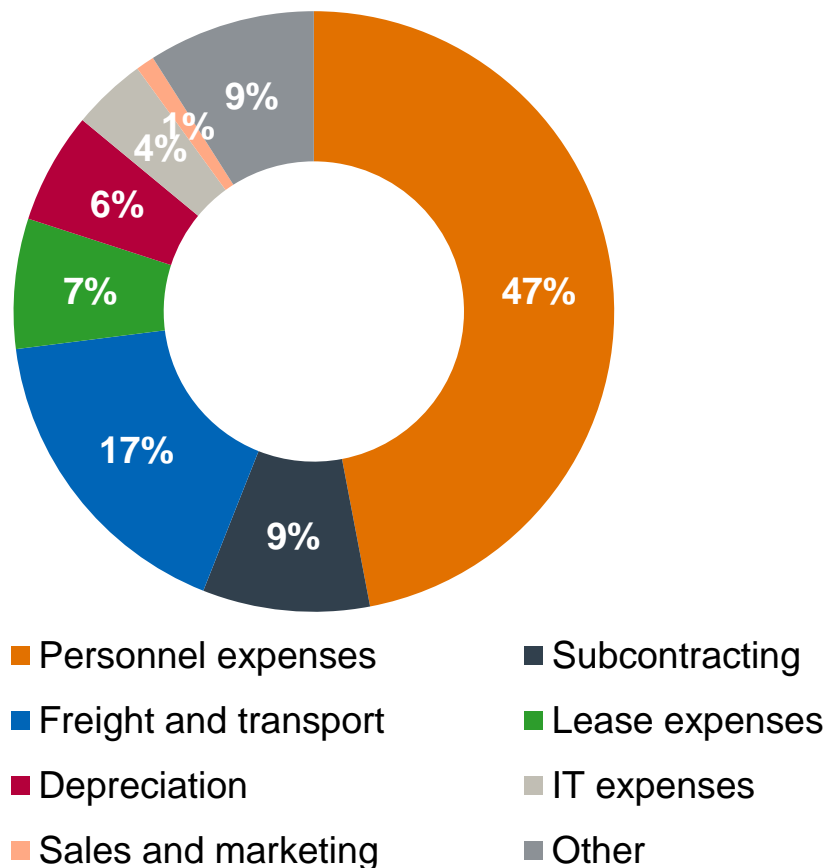
EUR million



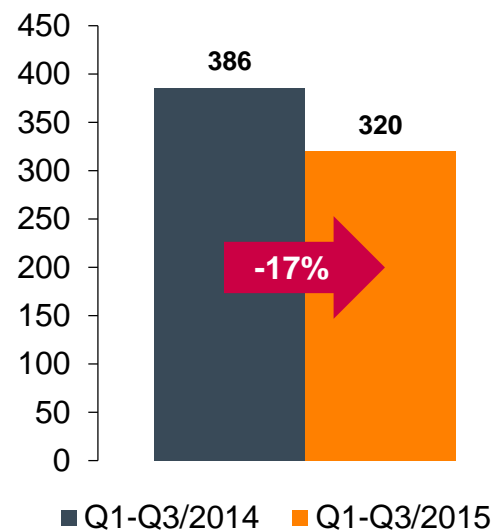
- The EUR 100 million target for the performance improvement program for 2013–2014 was reached ahead of schedule. The target was exceeded, with total savings amounting to nearly EUR 140 million.
- A new performance improvement program for 2015–2016 targeting savings of EUR 75 million. The Group expects to reach this target ahead of schedule.
- 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.

Group cost structure

January–September 2015



Indirect costs, EUR million

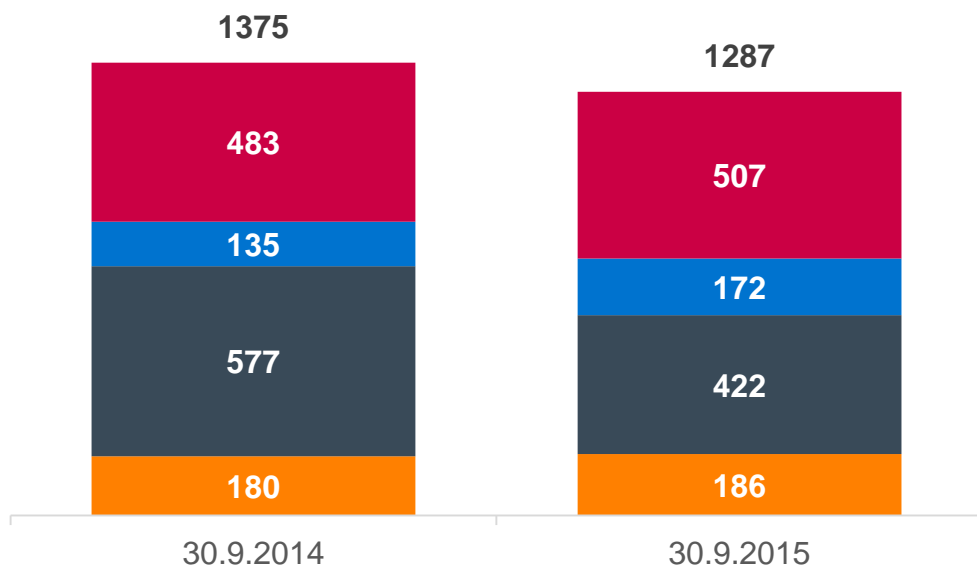


Balance sheet

EUR million

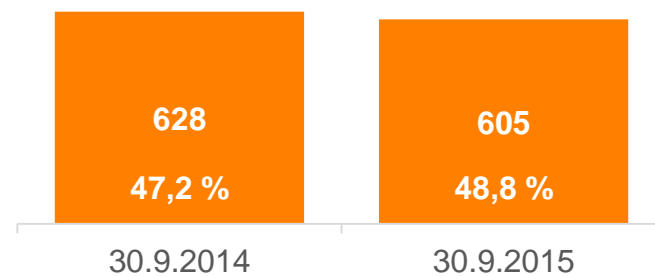
TOTAL ASSETS

- Goodwill
- Other non-current assets
- Property, plant & equipment
- Current assets



EQUITY AND EQUITY RATIO

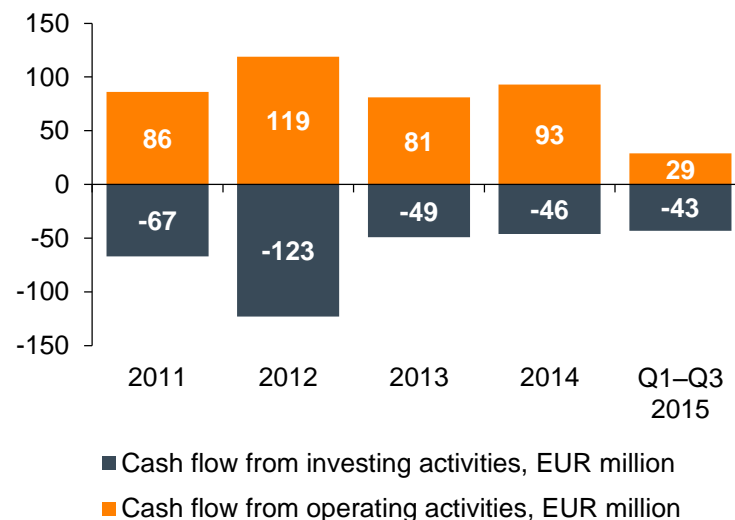
- Total equity
- Equity ratio (%)



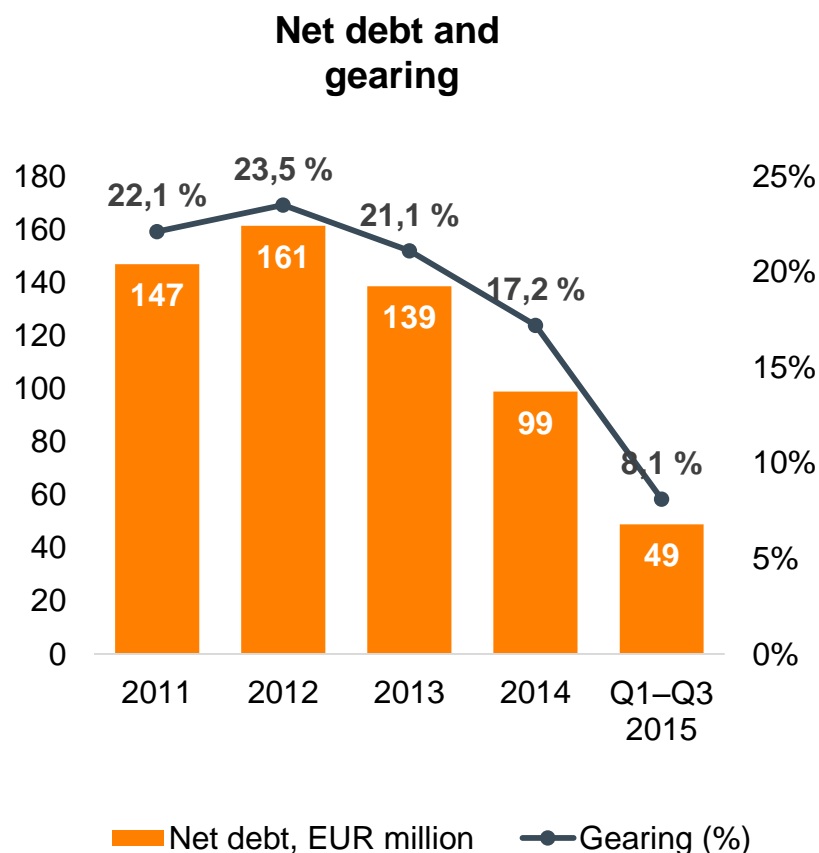
Cash flow

	1–9/2015	1–9/2014	2014
Result for the period	31.7	-8.9	-4.4
Cash flow from operating activities before financial items and taxes	30.9	65.8	108.6
Cash flow from operating activities	29.2	50.7	93.2
Cash flow from investing activities	-42.9	-18.3	-46.3
Cash flow from financing activities	-4.8	-19.8	-23.2
Change in cash and cash equivalents	-18.5	12.5	23.7
Cash and cash equivalents at the end of the review period	79.6	91.7	98.7

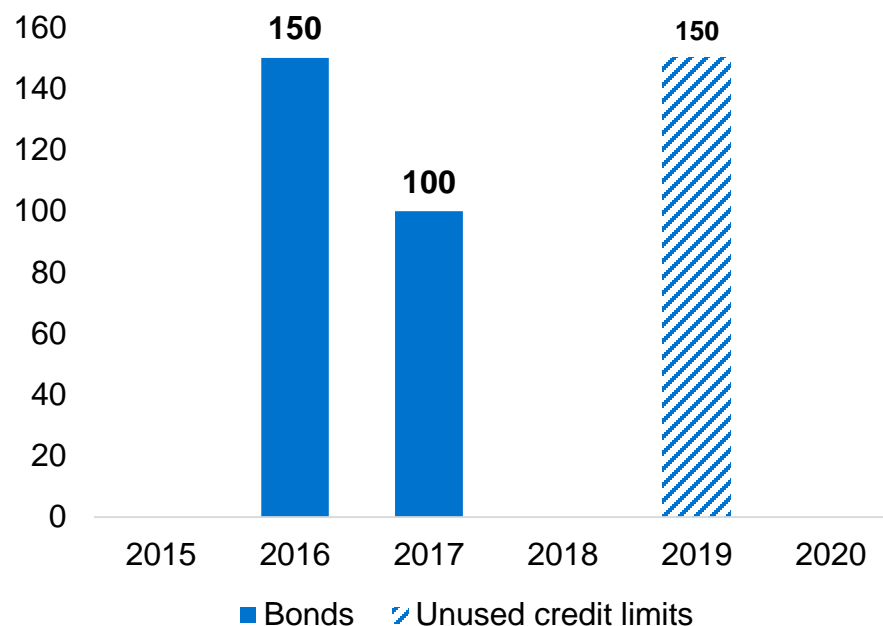
- Cash flow from operating activities before capital expenditure was EUR 29.2 (50.7) million.
- Capital expenditure amounted to EUR 38.7 (32.5) million. The Group invested in vehicles, production projects, parcel points, terminal improvement projects and the transport fleet.
- Proceeds from divestments totaled EUR 135.8 million.



Net debt and the maturity structure of loans



Maturity structure of loans and financing arrangements, EUR million



Result announcements in 2016

Financial statements for 2015:
February 12, 2016, at 10:00 a.m.
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.

