Posti Group Corporation
Interim Report Q1/2016

April 29, 2016

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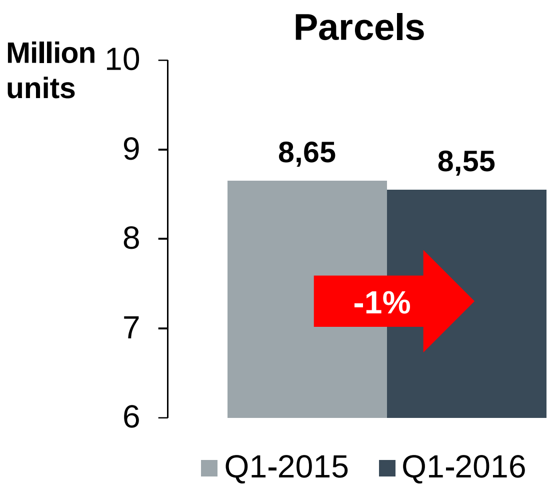
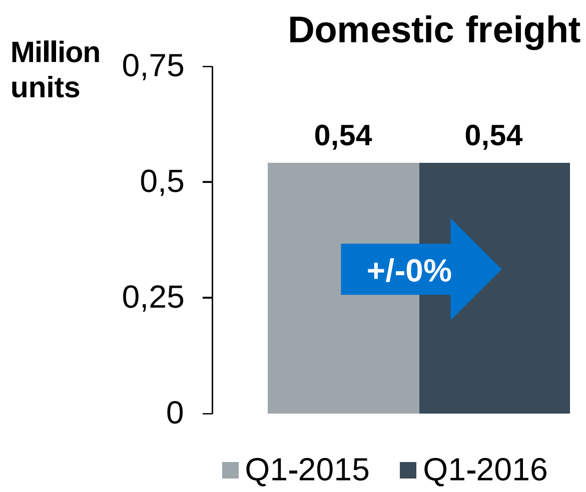
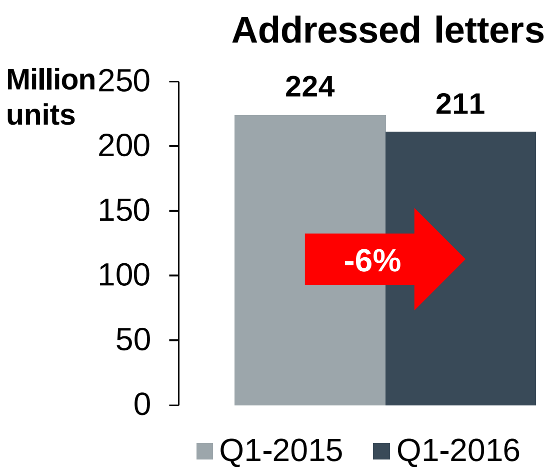
The business environment will remain very challenging in 2016

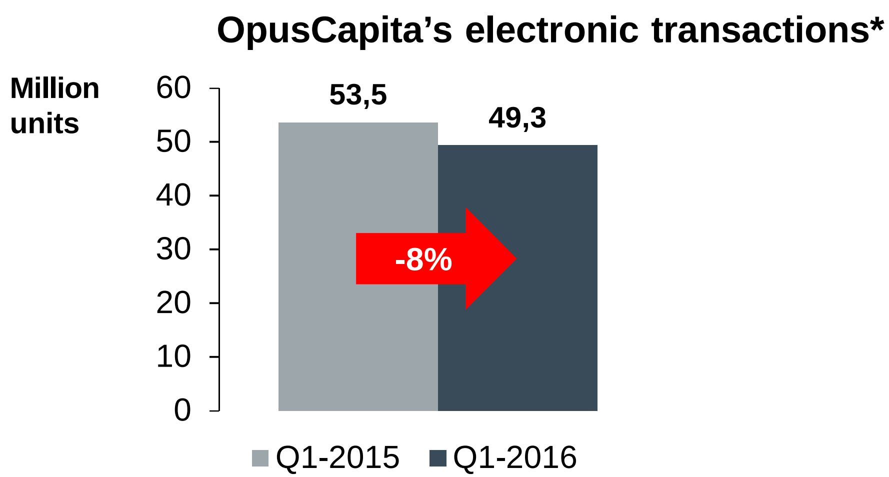
- Recovery of Finnish market and economy has not materialized, and growth prospects remain modest.
- Transport volumes in heavy traffic have decreased in Finland for 47 consecutive months, starting from May 2012.
- Postal Act reform will deregulate the delivery of letter mail in Finland by eliminating the requirements concerning postal licenses and delivery days from other operators.
- The market situation in Russia remains challenging and the Russian GDP continues to decline.
- Itella Russia acquired the Russian courier company MaxiPost in March.
- OpusCapita continued to invest in its new strategy as well as new e-invoicing services and cloud services.
- OpusCapita is acquiring the German software company jCatalog.

Volume development in Q1 2016





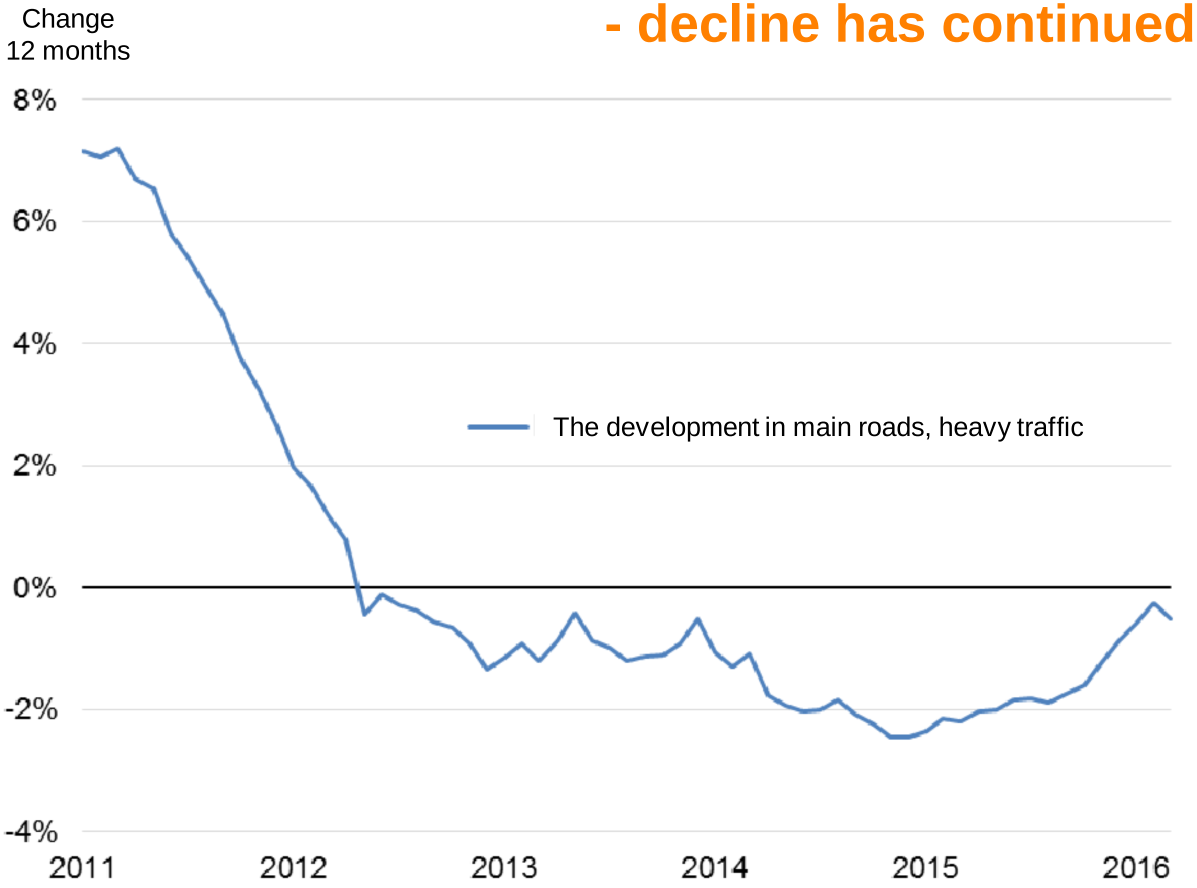




*The decline in the volumes of electronic messages was due to the sale of business operations in the Baltic countries.

Heavy traffic volumes have been declining since May 2012

- decline has continued 47 months



Source: Finnish Transport Agency

January–March
posti

Key events

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- The decline in the volume of addressed mail was more moderate than expected.
- Postal Services achieved a good result thanks to efficiency improvements and stronger net sales than expected.
- The EUR 75 million target of the performance improvement program 2015–2016 was achieved ahead of schedule.
- Parcel and Logistics Services signed significant new customer contracts.
- Parcel Services signed a significant agreement on joining the DHL partner network. A network of 1,200 pickup points will be opened in the Baltic countries.
- Itella Russia acquired the courier company MaxiPost.

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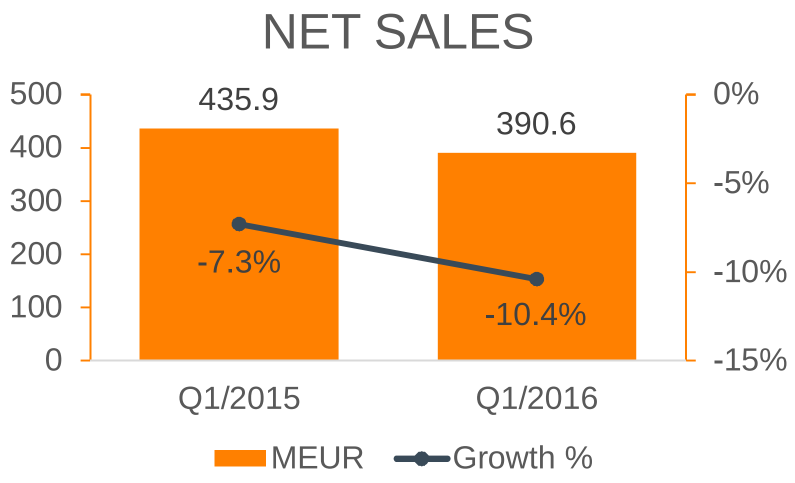
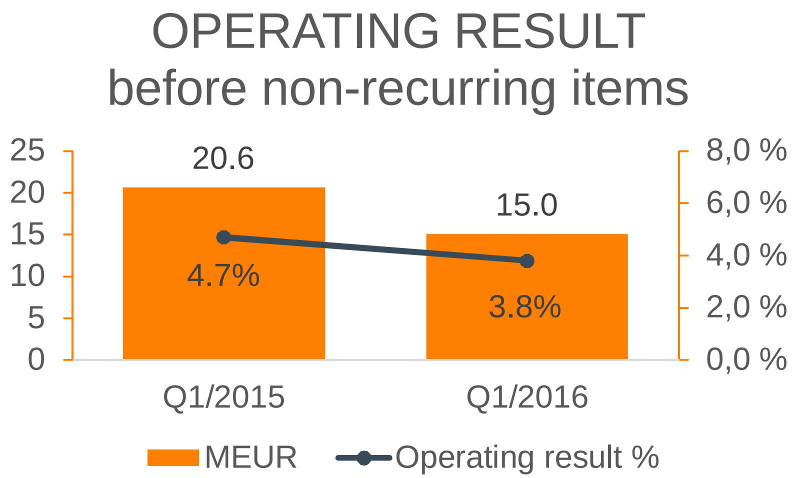
- The business environment remained challenging due to the subdued economic development in Finland.
- Parcel volumes declined due to competition and the weak market.
- Net sales decreased across all business groups, by a total of 10%, while comparable net sales fell by 6%.
- The operating profit of the Parcel and Logistics business fell to loss-making territory.
- Itella Russia's net sales and operating result continued to be weighed down by the weak ruble.





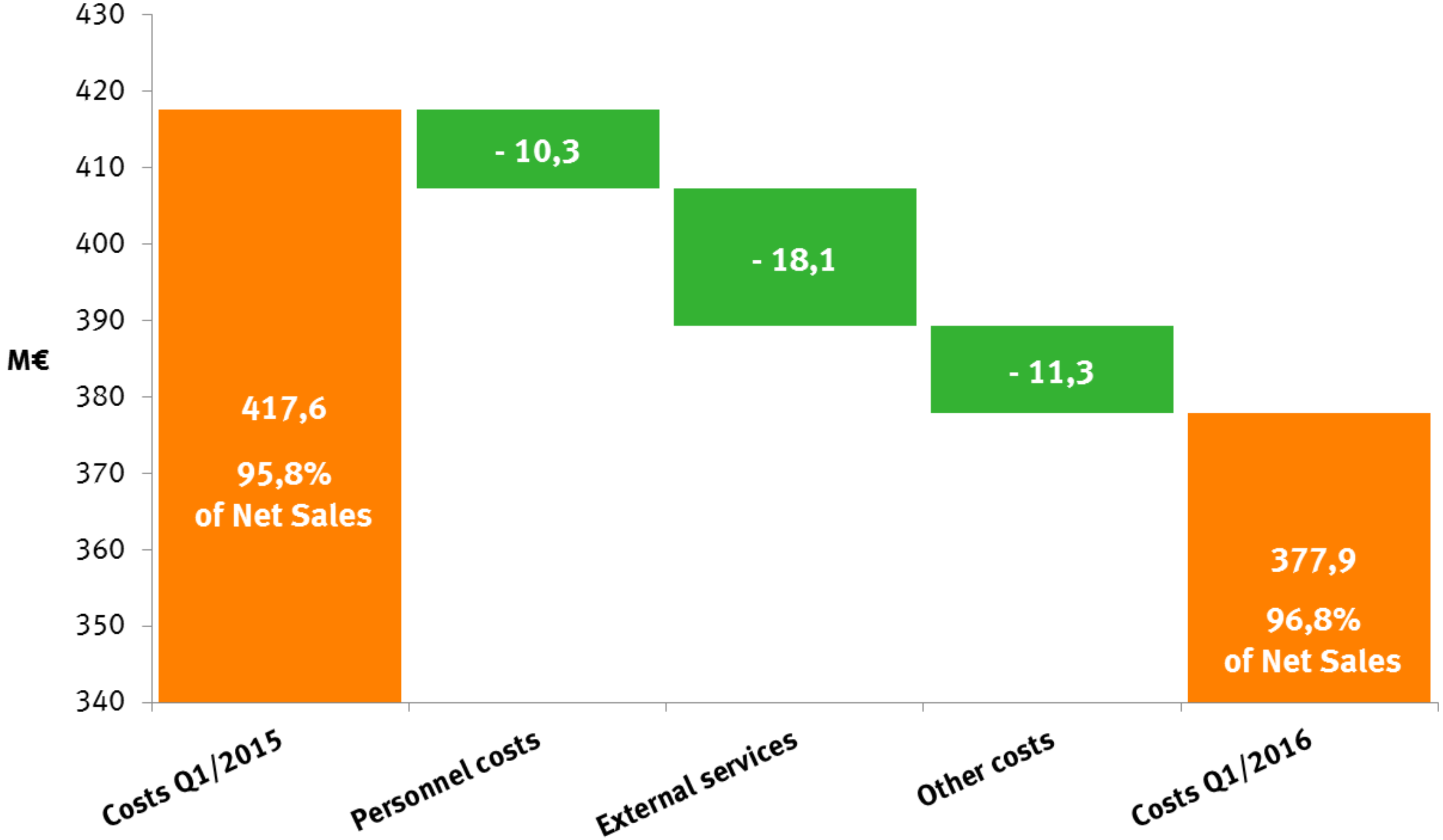
Key figures
January–March 2016

	1–3/ 2016	1–3/ 2015
Net sales, EUR million	390.6	435.9
Operating result (non-IFRS), EUR million*	15.0	20.6
Operating result (non-IFRS), %*	3.8	4.7
Operating result (EBIT), EUR million	4.7	20.5
Operating result (EBIT), %	1.2	4.7
Result before taxes, EUR million	3.5	21.3
Result for the period, EUR million	3.4	15.9
Gross capital expenditure, EUR million	11.4	16.5

- Comparable net sales, excluding divested businesses in Scandinavia and the Baltic countries, decreased by 5.5%.
- In the domestic market, digitization continued and was reflected in a decline in net sales in both Postal Services and OpusCapita.
- Market demand and the ruble were weak in Russia, no growth in domestic parcel and warehousing volumes.
- The operating result before non-recurring items declined to EUR 15.0 (20.6) million.
- Non-recurring costs amounted to EUR 10.3 million and were particularly attributable to restructuring.
- The operating result declined to EUR 4.7 (20.5) million.
- Operations under the universal service obligation amounted to EUR 38.2 (38.4) million in January–March, which was 10% of the entire Group's net sales.

Cost* development

Q1/2015 => Q1/2016

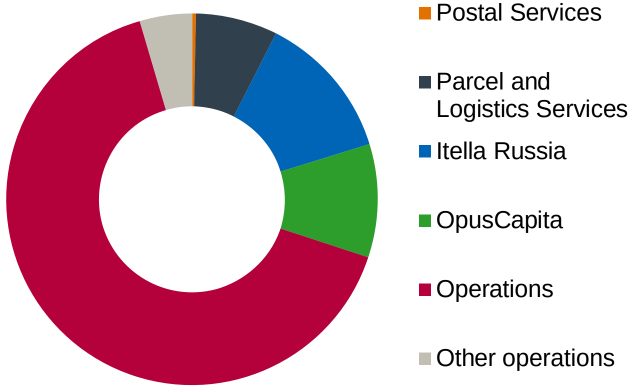


* excluding non-recurring items

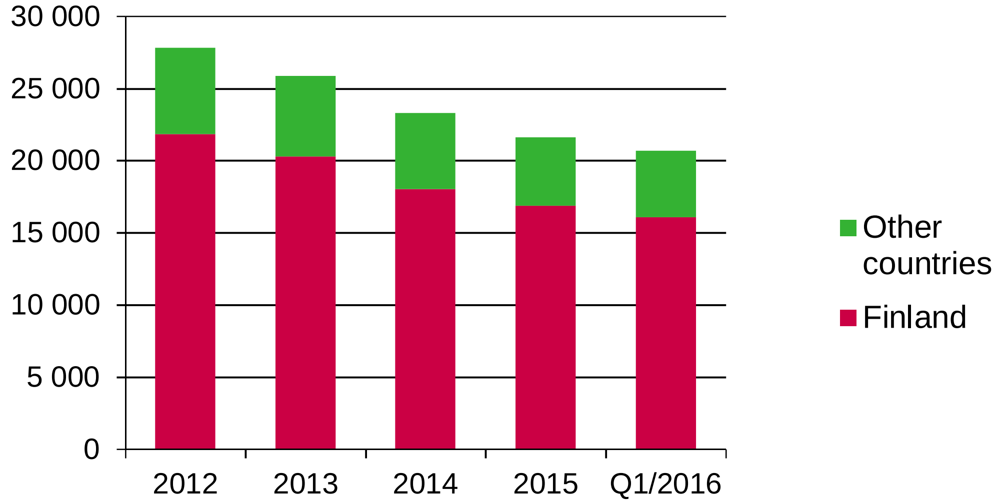
Employees

- At the end of March, the number of employees stood at 20,660. The average number of employees in January–March was 20,577.
- Of these, 16,072 worked in Finland at the end of March.
- The Group's personnel expenses increased by 0.3% year-on-year. Excluding restructuring costs, personnel expenses declined by 5.3% year-on-year.
- As of March 31, 2016, a total of 1,988 employees have applied for the Uusi polku (New path) program and 1,467 have been accepted.

Employees by business group



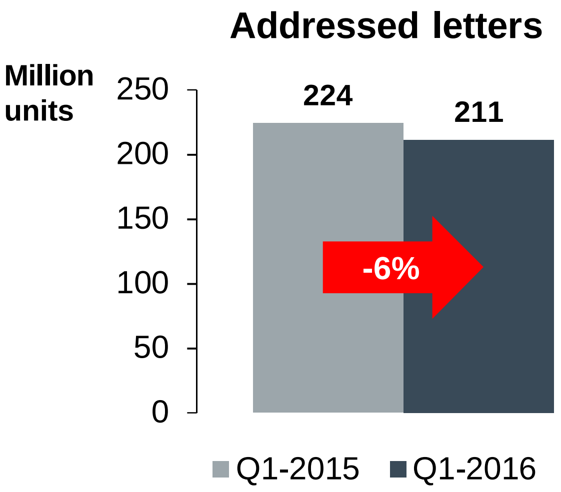
Number of employees in Finland and abroad

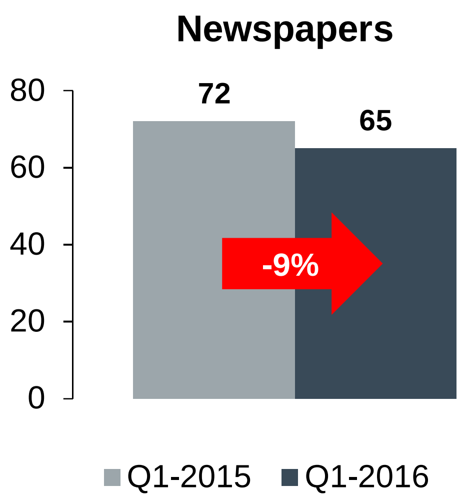


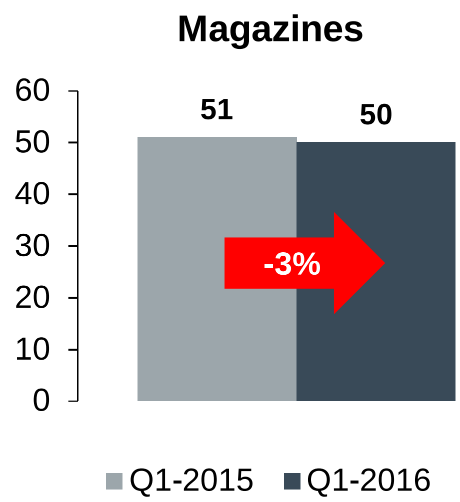
Business groups

Postal Services

- Domestic delivery product volumes declined.
- The volumes of Easter and Valentine's Day card deliveries increased substantially from the previous year thanks to marketing campaigns.
- Deliveries of shipments from Chinese online stores to Russia increased.
- Electronic letter volumes grew by +11%.
- The number of Netposti users increased by +8% year-on-year and stood at 649,000 at the end of March.







Postal Services

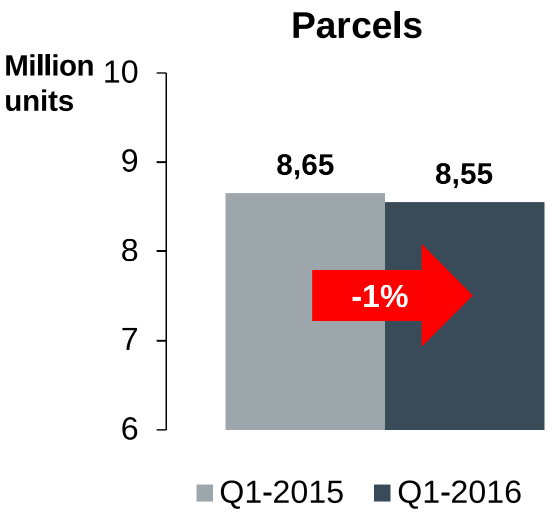
- The decrease in net sales was due to a decline in the domestic delivery product volume.
- The volumes of Easter and Valentine's Day card deliveries increased ~~substantially~~ from the previous year thanks to marketing campaigns.
- Deliveries of shipments from Chinese online stores to Russia increased.
- The operating result was boosted by the increases in postage fees that took effect at the beginning of 2016, as well as Easter deliveries falling in the first quarter.

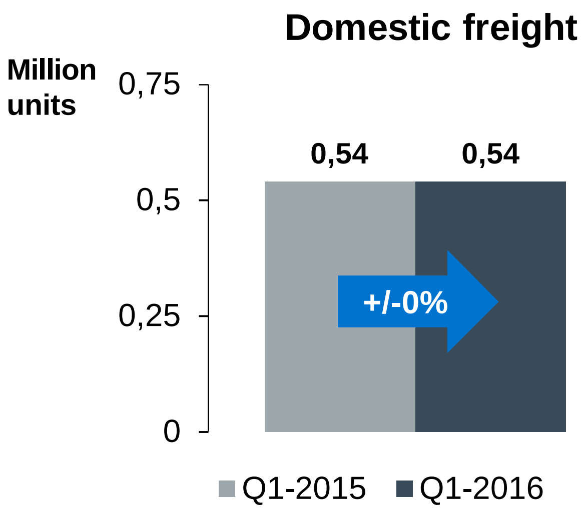
	1–3/2016	1–3/2015	Change %	2015
Net sales	188.6	195.8	-3.7%	742.3
Operating result (non-IFRS)*	24.8	21.0	17.8%	56.4
Operating result (EBIT)	24.8	21.2	16.8%	57.3
Operating result (non-IFRS), %*	13.1%	10.7%	-	7.6%
Operating result (EBIT), %	13.1%	10.8%	-	7.7%

* excluding non-recurring items

Parcel and Logistics Services

- A new network of pickup points in the Baltic countries, Posti joined the DHL partner network that offers harmonized international parcel deliveries in 16 European countries.
- The amount of parcels delivered by Posti decreased by -1%. Volumes declined by -2% in Finland but developed favorably in the Baltic countries. Growth in Estonia was +29%. The number of parcels going through parcel points grew by +26%.
- The decline in domestic freight leveled off and volumes were on par with the previous year.
- The renewal of Posti's Retail Network has progressed according to plan. Posti had 1,405 service points and 480 parcel points at the end of March.





Parcel and Logistics Services

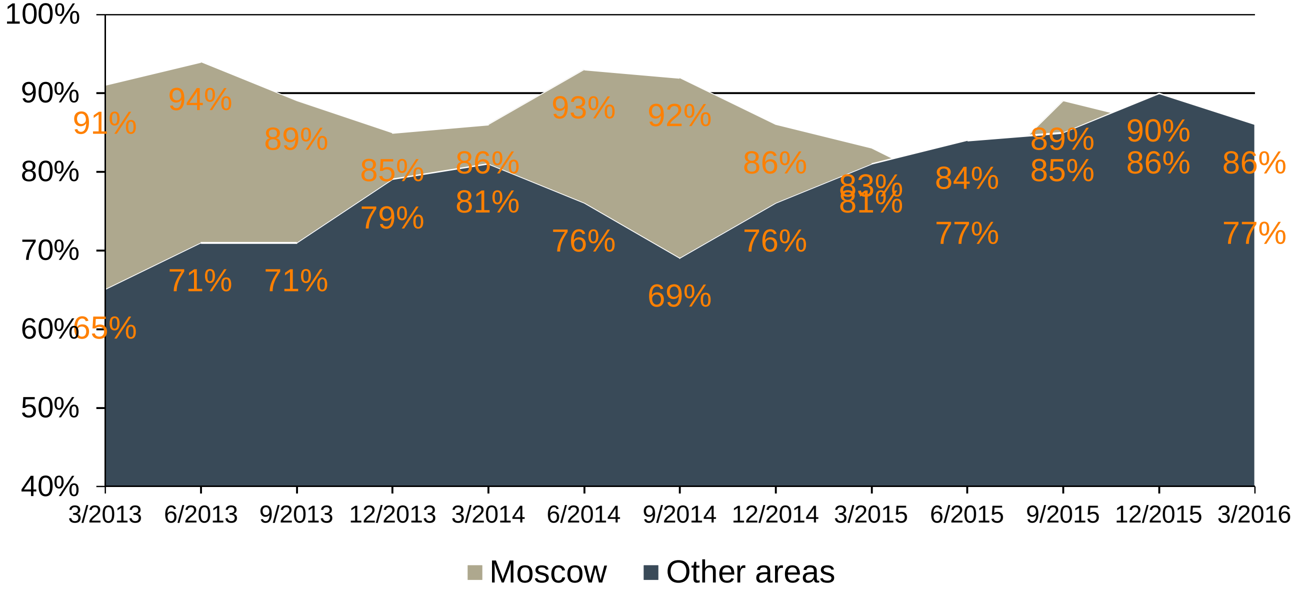
- Net sales declined in parcel services and warehousing services, the decline in freight volume leveled off. The effects of the postal strike that took place in late 2015 continued to be reflected in customer relationships.
- The operating result was weighed down by the low warehouse fill rate, investments in information systems in production operations, and start-up costs arising from new customer relationships.
- The result was also negatively affected by the decline in parcel volume and the decrease of the fuel surcharge.

	1–3/2016	1–3/2015	Change %	2015
Net sales	135.4	161.8	-16.3%	596.7
Operating result (non-IFRS)*	-5.3	1.0	-	0.6
Operating result (EBIT)	-5.7	-1.0	-	-12.6
Operating result (non-IFRS), %*	-3.9%	0.6%	-	0.1%
Operating result (EBIT), %	-4.2%	-0.6%	-	-2.1%

* excluding non-recurring items

Itella Russia

- The fill rates of warehouses decreased from the previous year and were at a satisfactory level at the end of March, 77% in Moscow and 86% in other areas.
- The demand for air and sea freight declined the most.
- The demand for warehousing decreased, but the decline in processing volumes leveled off toward the end of the quarter.
- Itella Russia acquired the Russian courier company MaxiPost in March, strengthening Itella's expertise in e-commerce and parcel services.



Warehouse fill rates March 31, 2016:

Moscow: 77%
Other areas: 86%

Itella Russia

- The decrease in net sales was due to the weak economic climate, the decline in GDP, the depreciation of the ruble and the weak demand for logistics services.
- The demand for air and sea freight declined the most. The demand for warehousing also decreased, but the decline in processing volumes leveled off toward the end of the quarter.
- The weaker result was attributable to lower net sales and fill rates as well as partly currency-linked lease agreements. The operating result was improved by a non-recurring adjustment to a provision.
- The ruble depreciated by 22% year-on-year.

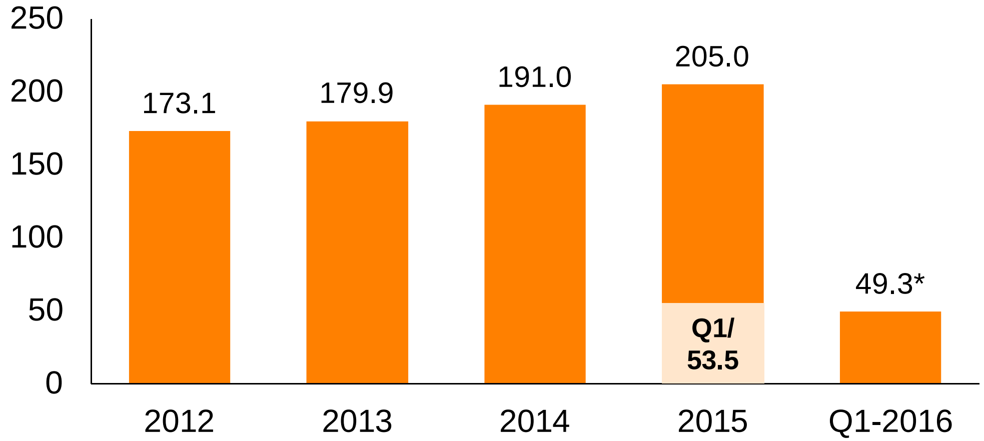
	1–3/2016	1–3/2015	Change %	2015
Net sales	21.0	27.7	-24.3%	118.9
Operating result (non-IFRS)*	-2.4	-0.9	-	-5.1
Operating result (EBIT)	-0.2	-1.0	-	-25.0
Operating result (non-IFRS), %*	-11.2%	-3.2%	-	-4.3%
Operating result (EBIT), %	-1.2%	-3.5%	-	-21.0%

* excluding non-recurring items

OpusCapita

- OpusCapita sold its business operations in Estonia, Latvia, and Lithuania, which served the local markets in the Baltic countries. The transaction did not include the service centers or the centers of expertise related to OpusCapita’s global business.
- The volumes of iPost products declined by -10% year-on-year.
- Continuous service business operations accounted for 93.4% of net sales.
- The total transaction volume was 130 million. The total transaction volume includes printed letters, mailed paper letters and electronic transactions.
- The electronic transaction volume was 49.3 million transactions, or 38% of the total transaction volume.

Electronic messages



*The decline in the volumes of electronic messages was due to the sale of business operations in the Baltic countries.

OpusCapita

- The decrease in net sales was attributable to the divestment of the businesses serving the local markets in the Baltic countries, the decline in traditional mail delivery volumes and the accelerating shift from paper to online communications.
- Comparable net sales, excluding the divested Baltic businesses, decreased by -4.8%.
- The decline in the adjusted operating result was due to the decrease in traditional print volumes, the divestment of the businesses serving the local markets in the Baltic countries and investments in OpusCapita's new strategy.

	1–3/2016	1–3/2015	Change %	2015
Net sales	61.3	67.5	-9.1%	256.7
Operating result (non-IFRS)*	2.0	4.7	-57.6%	14.5
Operating result (EBIT)	-1.5	3.9	-	13.3
Operating result (non-IFRS), %*	3.2%	7.0%	-	5.7%
Operating result (EBIT), %	-2.5%	5.8%	-	5.2%

* excluding non-recurring items

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 remain on par with the previous year. 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.

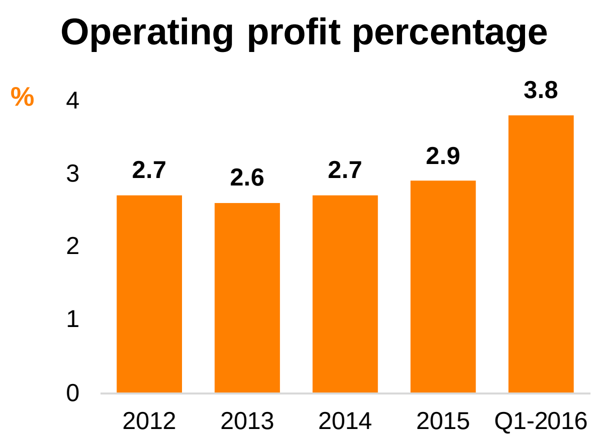
Capital expenditure

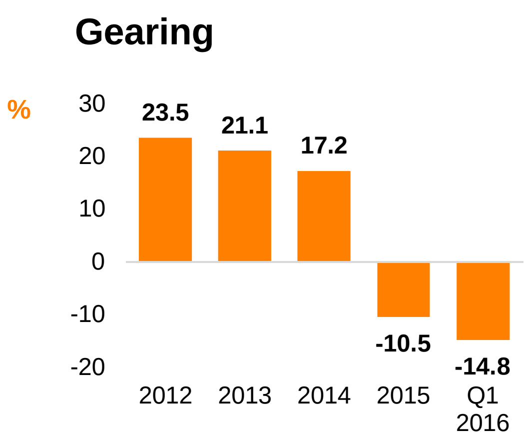
- Capital expenditure is expected to increase from 2015.

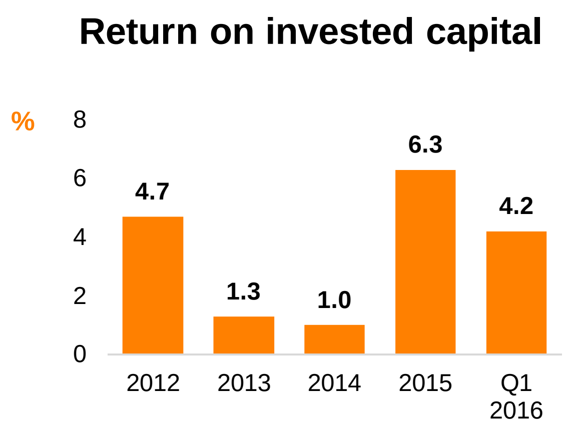
Appendices

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.

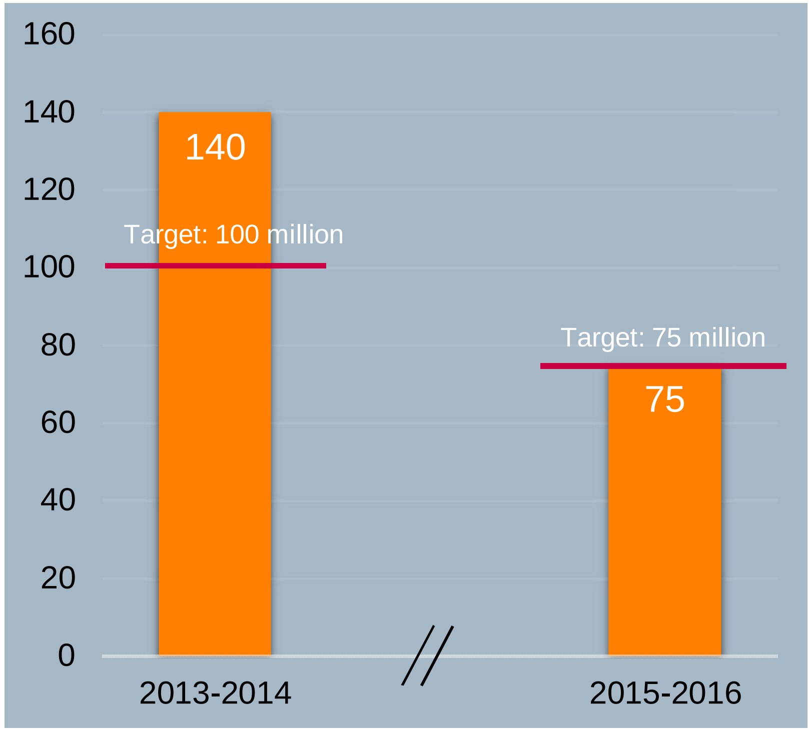






Performance improvement programs

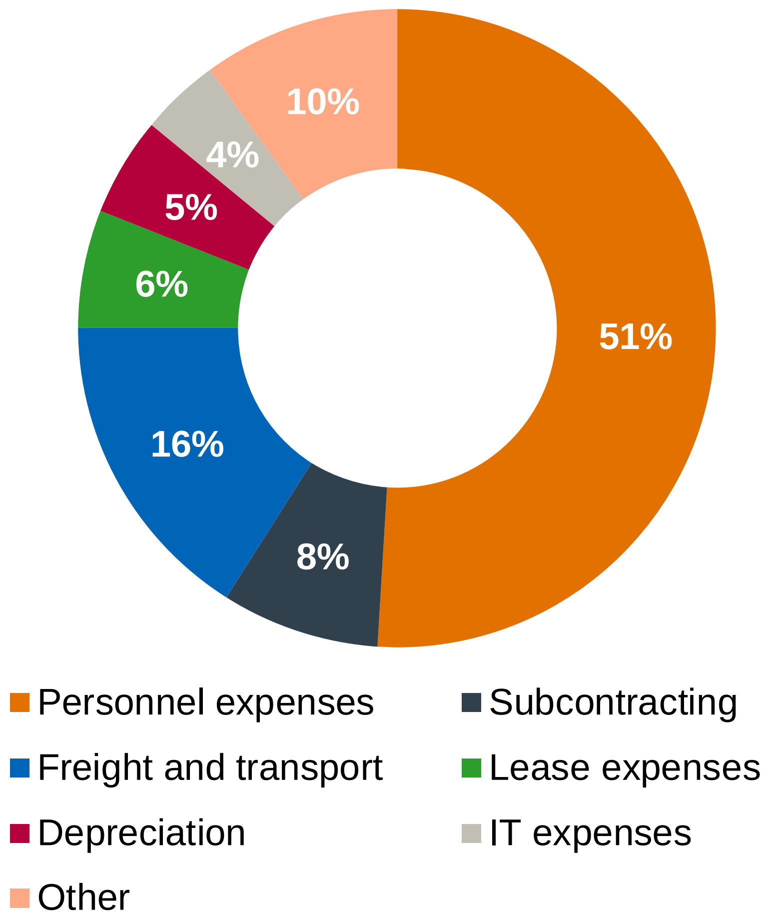
EUR million



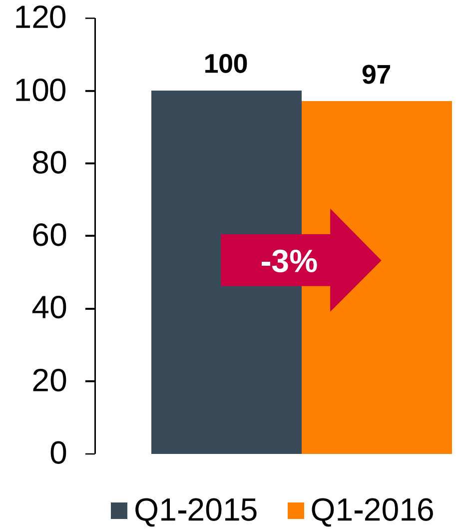
- The EUR 100 million target for the performance improvement program 2013–2014 was reached ahead of schedule. The total savings amounted to nearly EUR 140 million.
- The EUR 75 million savings target for the performance improvement program 2015–2016 was achieved in the first quarter of 2016.
- Savings have been achieved in all areas of the Group, particularly through improving the efficiency of production in both postal and freight operations and reducing ICT costs and the Group's general expenses.
- Group-wide measures will continue to increase operational efficiency and achieve savings through methods including automation. In addition, the sourcing function will continue to implement annual savings targets.

Group cost structure

January–March 2016



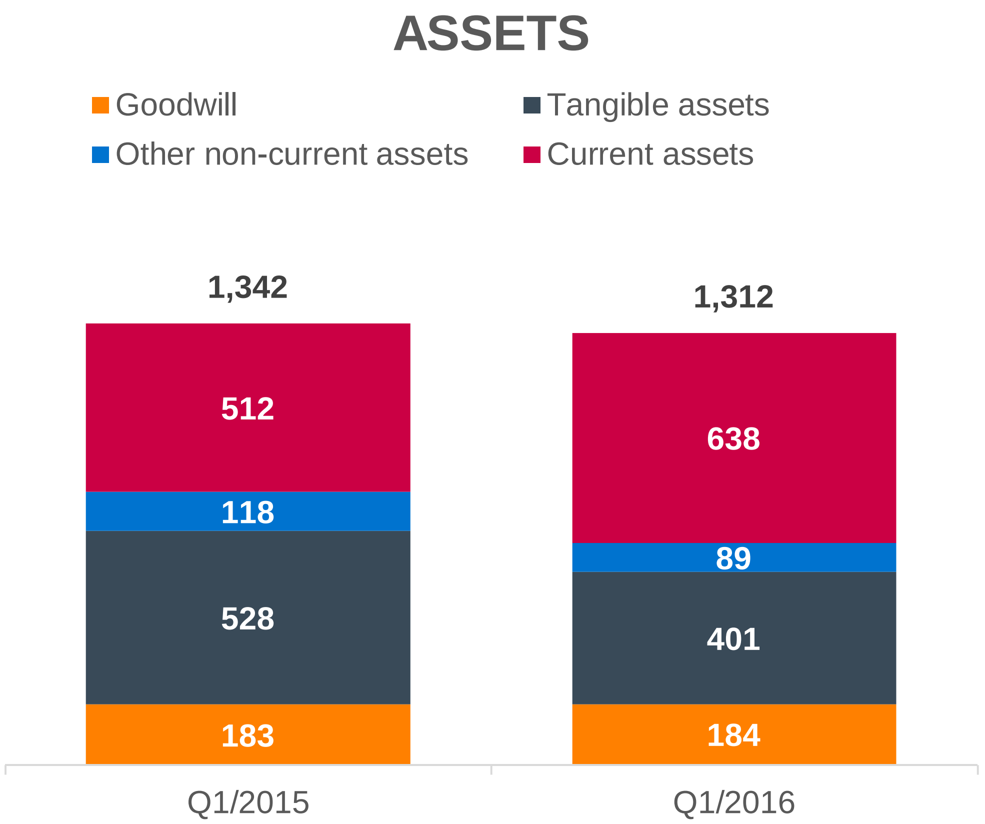
Indirect costs*, EUR million

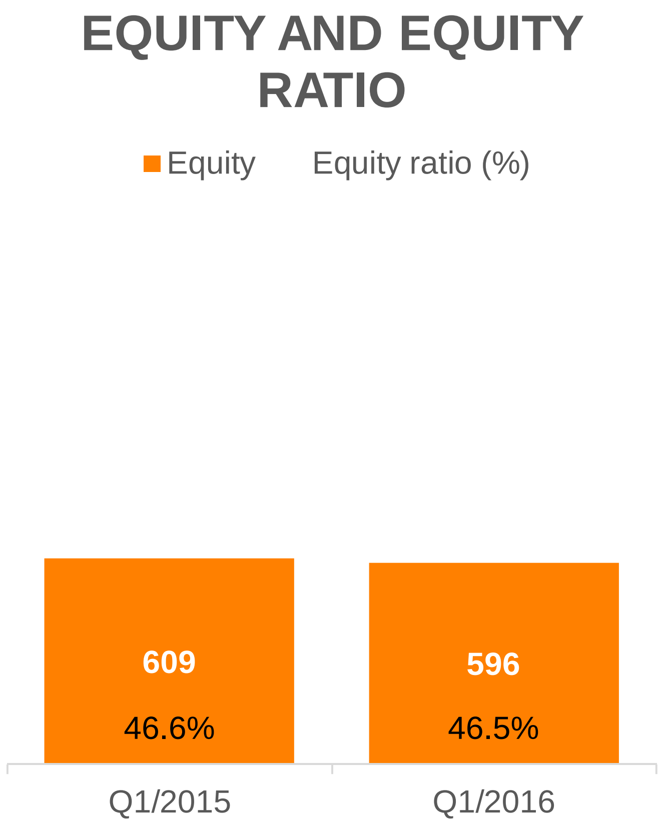


* excluding non-recurring items and the Scandinavian business

Balance sheet

EUR million

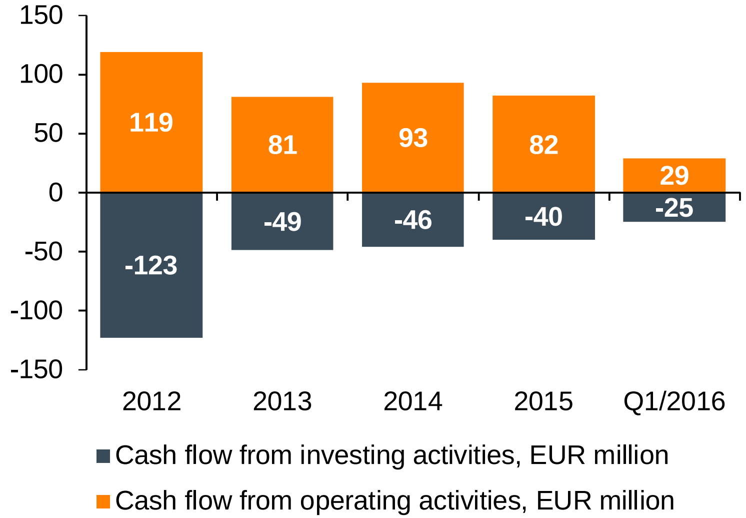




Cash flow

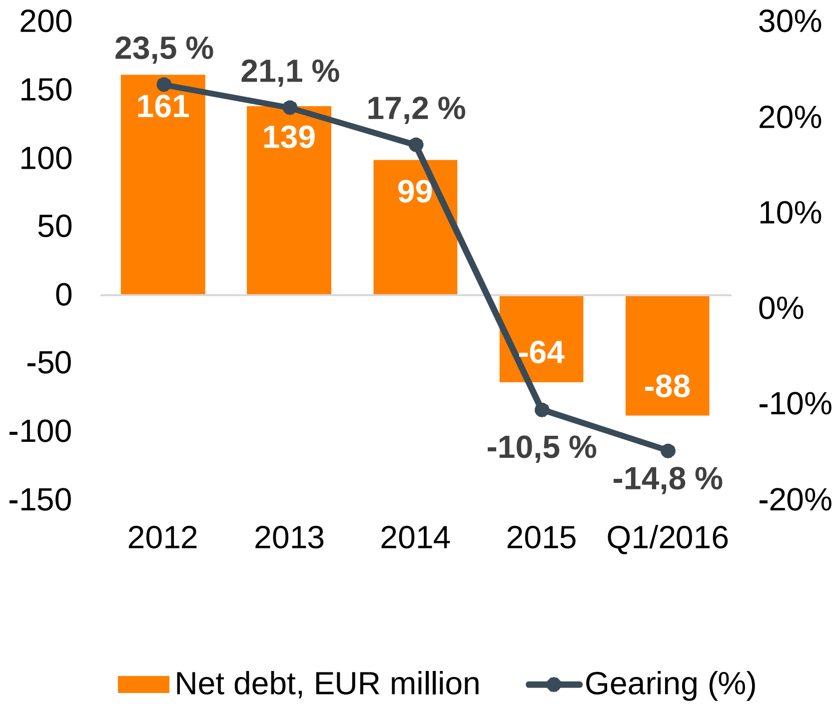
	Q1/2016	Q1/2015
Result for the period	3.4	15.9
Cash flow from operating activities before financial items and taxes	28.7	35.9
Cash flow from operating activities	29.1	35.2
Cash flow from investing activities	-25.3	-37.5
Cash flow from financing activities	-3.3	-2.6
Change in cash and cash equivalents	0.5	-4.9
Cash and cash equivalents at the end of the review period	130.9	95.2

- Cash flow from operating activities before capital expenditure was EUR 29.1 million.
- Capital expenditure amounted to EUR 11.3 million. The Group invested in information systems, the transport fleet, production projects and an acquisition during the quarter.
- Proceeds from divestments totaled EUR 8.5 million. The most significant divestment was OpusCapita's sale of its businesses serving the local markets in the Baltic countries.

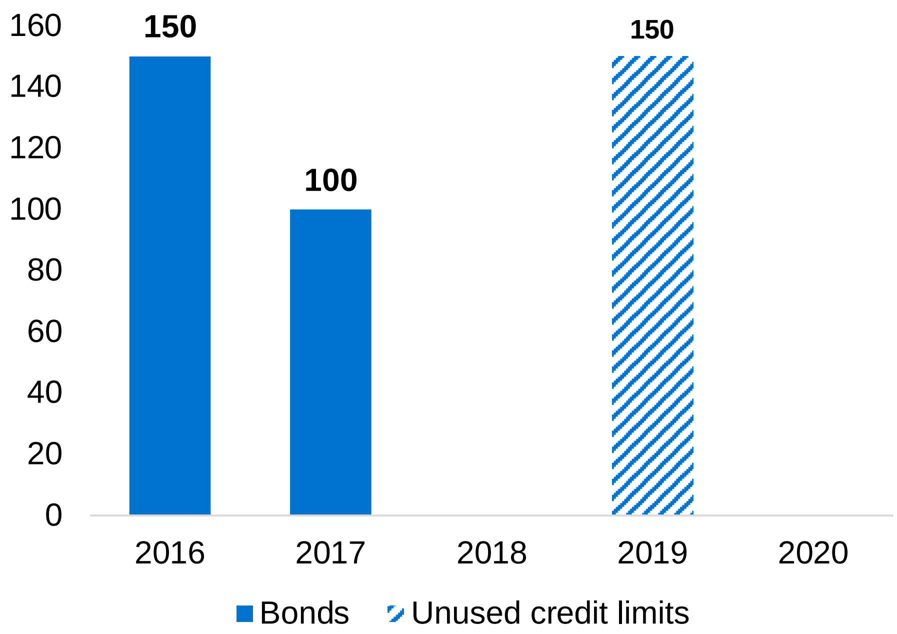


Net debt and the maturity structure of loans

Net debt and gearing



Maturity structure of loans and financing arrangements, EUR million



Result announcements in 2016

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.