

Posti Group Corporation

# Financial Statement 2016

February 28, 2017



posti

# Agenda

- October-December 2016
- Year 2016
- Segments
  - Mail, Parcel and Logistics Services
  - Itella Russia
  - OpusCapita
- Current Topics
- Attachments



# Change in reportable segments and the revenue recognition principle

- The Postal Services and the Parcel and Logistics Services have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services.
- Posti reports its result: Mail, Parcel and Logistics Services, Itella Russia and OpusCapita.
- In addition, the company will report net sales: mail and marketing services, parcel services, press services and logistics services.
- Posti has changed the Group's revenue recognition principle for stamps and other prepaid services. Under the new revenue recognition principle, the Group will recognize revenue for prepaid services based on their estimated usage. Previously, revenue from these prepaid services has been recognized at the point of customer purchase.
- The changes are presented retrospectively starting from Jan 1, 2014.



# Year 2016 in a nutshell

## Posti in figures

1,608

Net sales  
(EUR million)



126.7

Adjusted EBITDA  
(EUR million)



47.1

Adjusted operating  
result (EUR million)



20,497

Personnel  
(Dec 31, 2016)



6%

Share of USO  
deliveries



10

Countries of  
operation

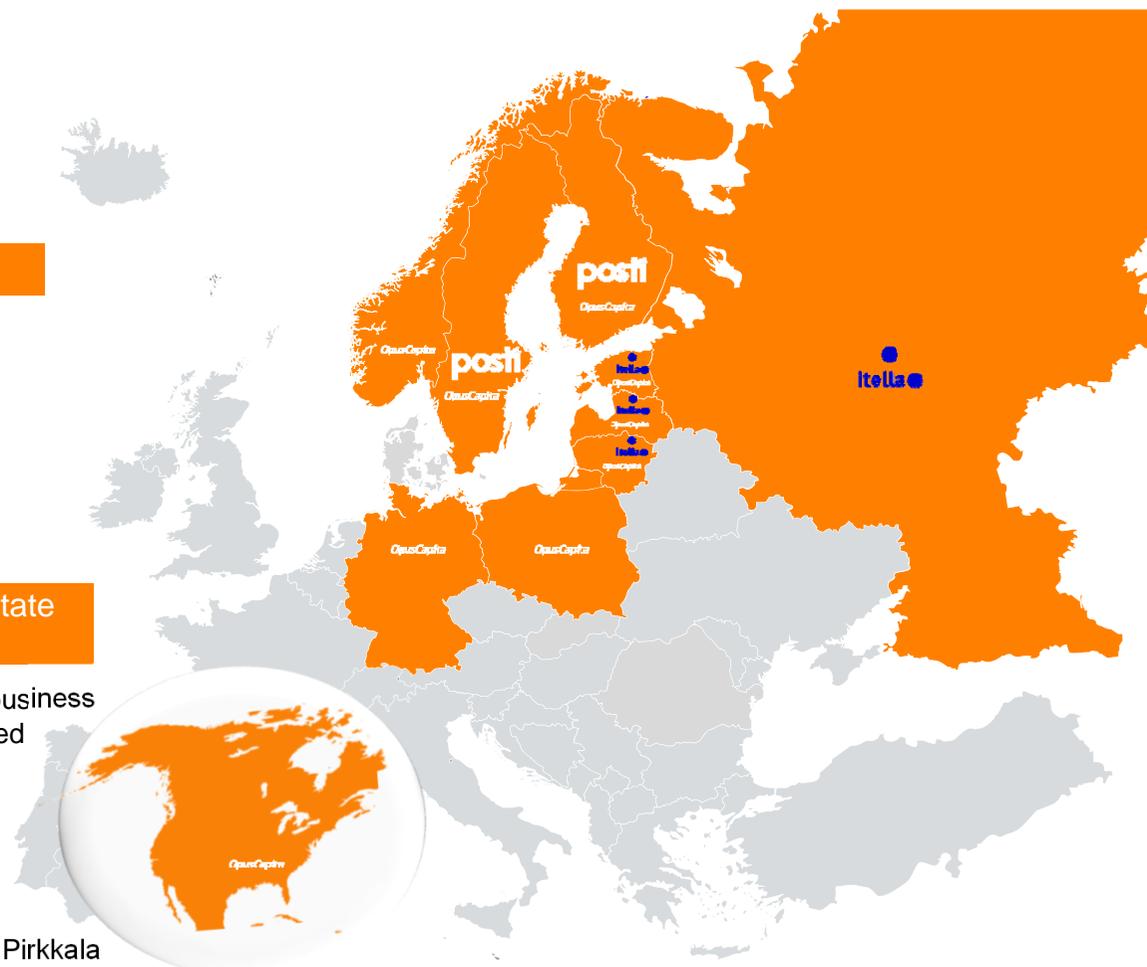


## Acquisitions

- Veine
- Kuljetus Kovalainen
- MaxiPost
- jCatalog

## Business and real estate sales

- Sale of OpusCapita's business operations, which served the local markets in the Baltic countries
- Sale of a real estate in Orimattila
- Sale of a real estate in Pirkkala

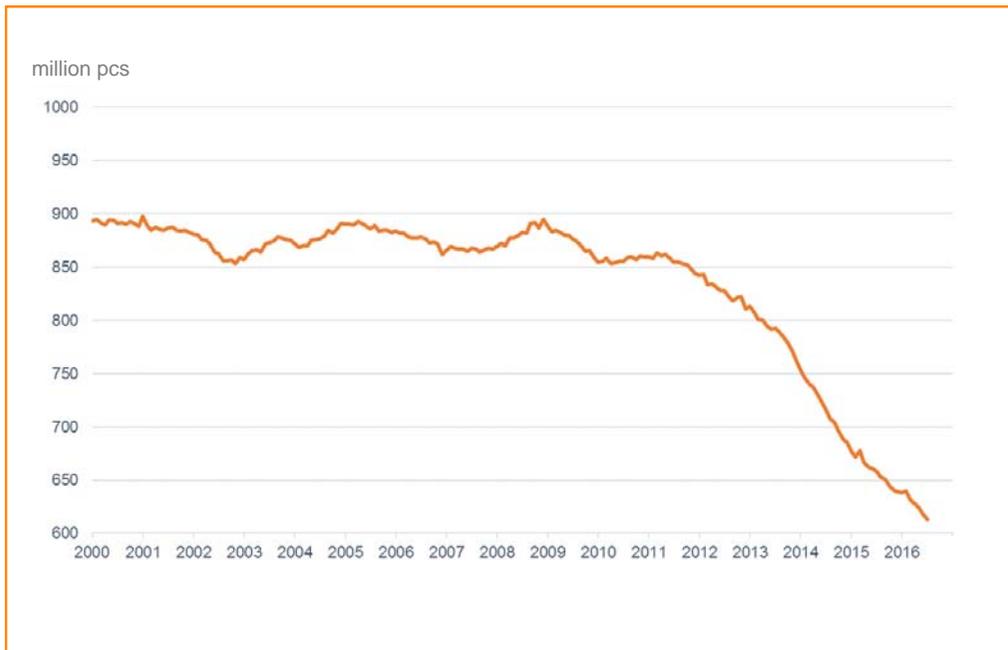


## Other changes

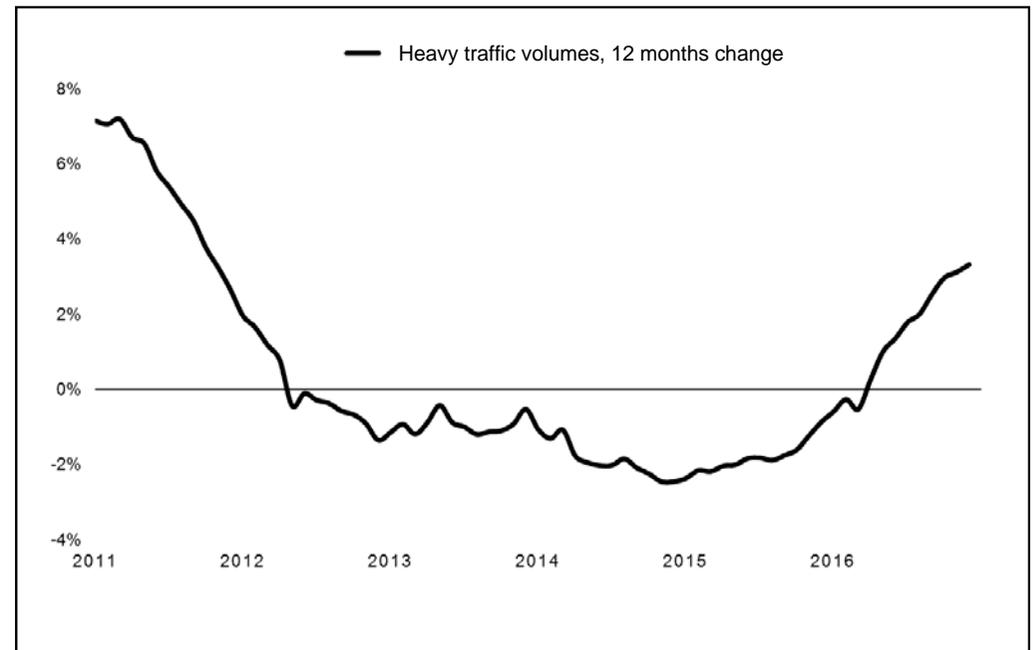
- By the parliament's decision in June, the Finnish State can decrease its ownership in Posti Group Corporation. 49.9% of the ownership of Posti Group Corporation will be transferred to a new state-owned development company, Vake Oy, which was established in August. The Finnish State's direct holding will remain at 50.1%.
- New Postal Act entered into force in June 2016 (1st phase).

# Addressed letter volumes continue to decline, heavy traffic volumes are growing

1st and 2nd class letter volumes 2000 - 2016, rolling 12 months

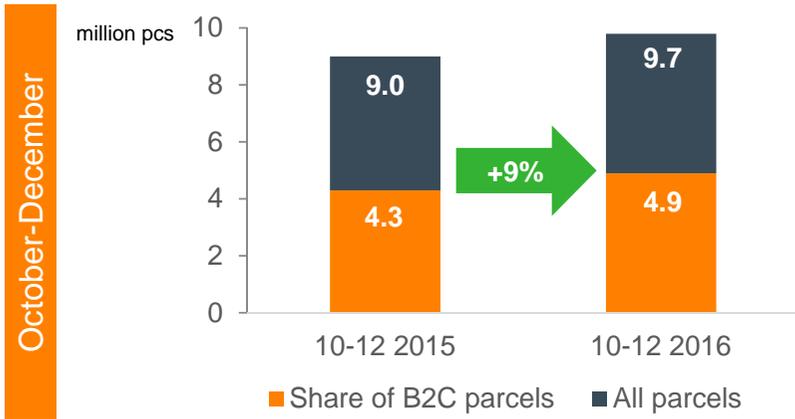


Heavy traffic volumes, 12 months change

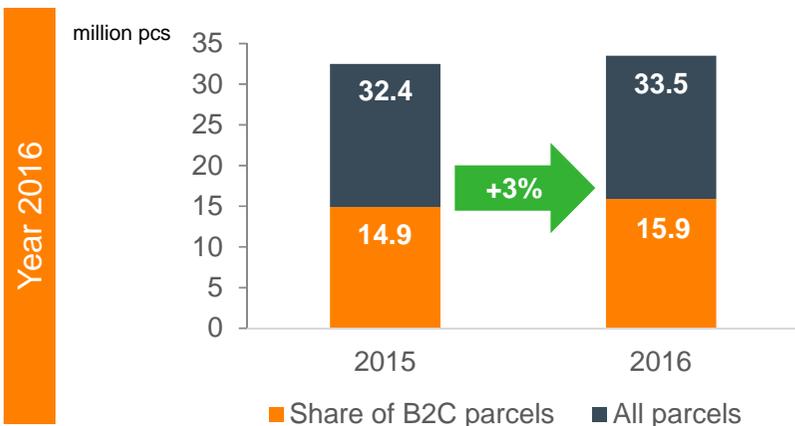


Source: Finnish Transport Agency

# Parcel volumes grew by 9% during the last quarter



Growth of parcel volumes in the Baltic countries

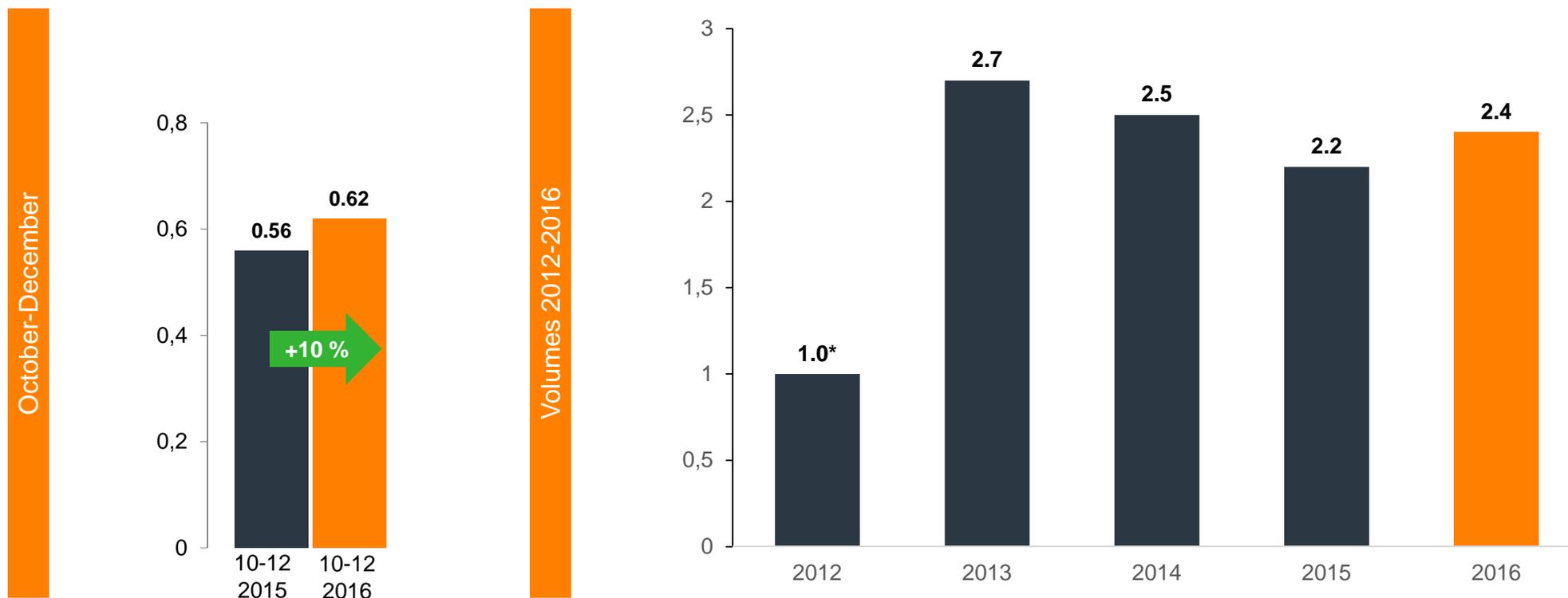


Growth of parcel volumes in the Baltic countries



# Freight volumes turned again into growth in 2016

million pcs



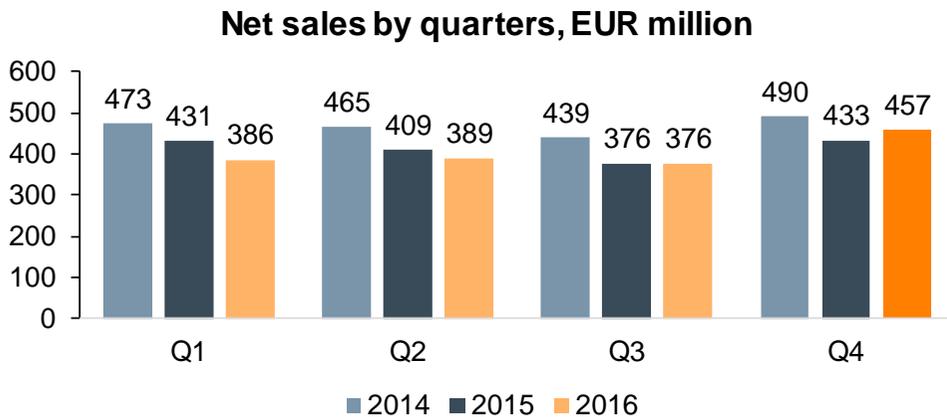
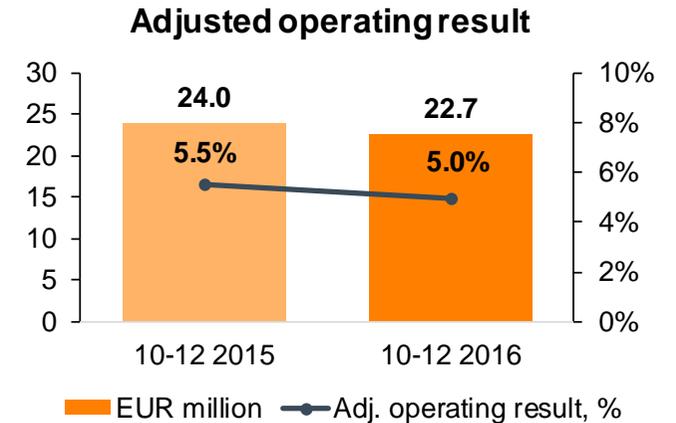
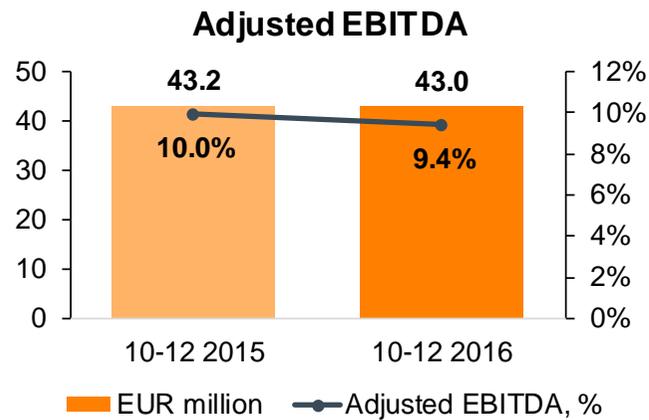
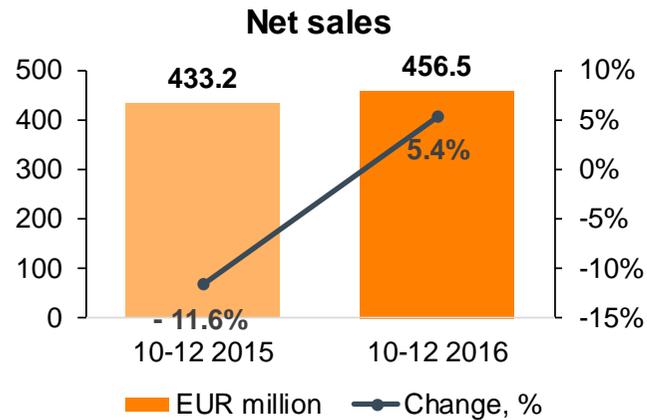
\*Itella acquired VR Transpoint's groupage logistics business in 2012

# October- December 2016



# Net sales and adjusted operating result

October-December



# Key figures

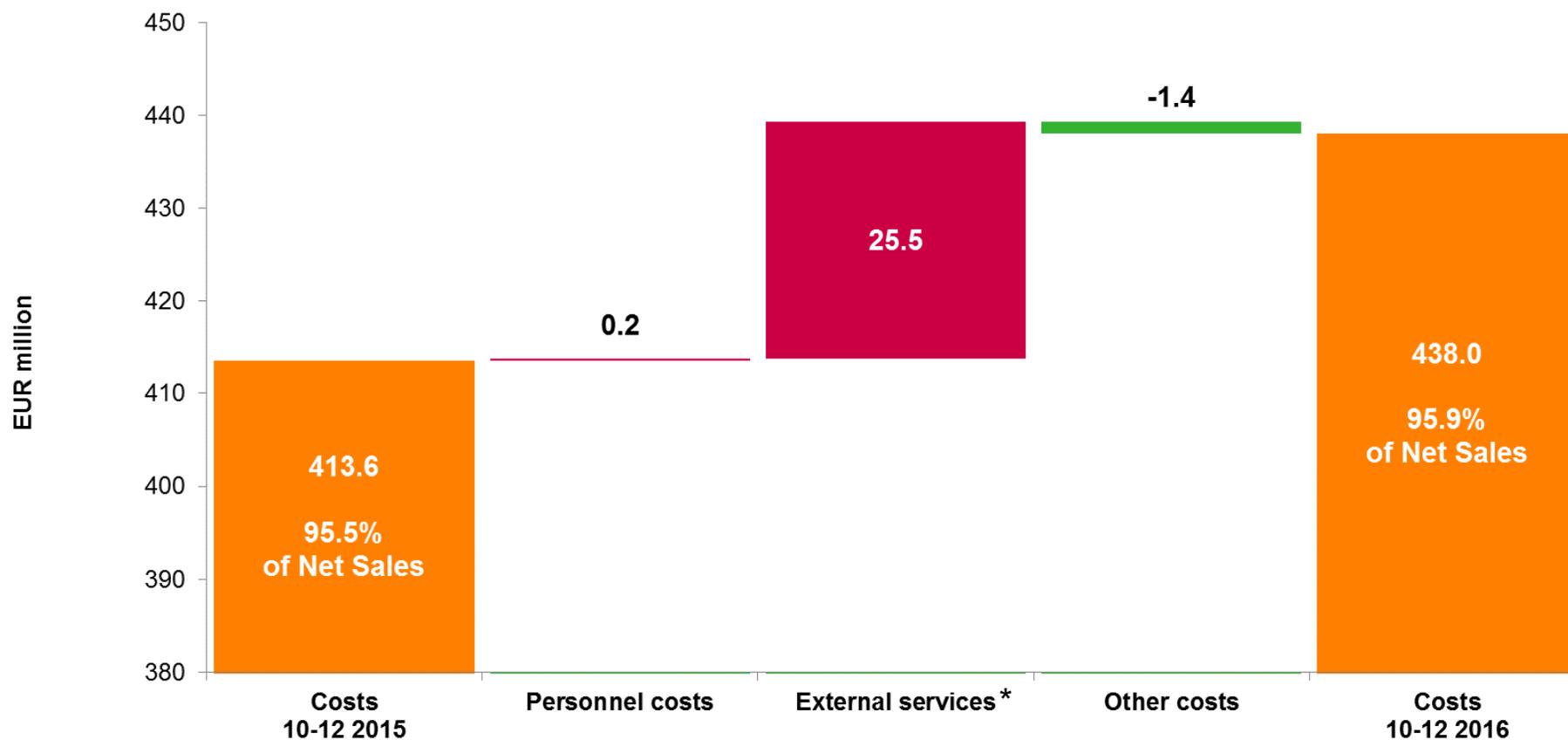
October-December

	10-12 2016	%	Restated 10-12 2015	%
Net sales, EUR million	456.5		433.2	
Adjusted EBITDA, EUR million	43.0	9.4%	43.2	10.0%
EBITDA, EUR million	38.6	8.4%	30.6	7.1%
Adjusted operating result, EUR million	22.7	5.0%	24.0	5.5%
Operating result, EUR million	14.2	3.1%	8.3	1.9%
Result before taxes, EUR million	14.7	3.2%	4.7	1.1%
Result for the period, EUR million	10.4	2.3%	3.1	0.7%
Gross capital expenditure, EUR million	23.3		17.1	

- Net sales increased by 6.4% in Finland and decreased by 0.6% in other countries. International operations accounted for 14.2% of net sales.
- The number of working days was lower than in the previous year by one day.
- Special items amounted to EUR 8.5 million.
- Mail items covered by the universal service obligation accounted for 9% of all of Posti's mail items. This figure is seasonally higher in the last quarter due to Christmas cards. A total of approximately 28 million Christmas cards were sent in 2016.

# Change in costs excluding special items

October-December 2015 → October-December 2016

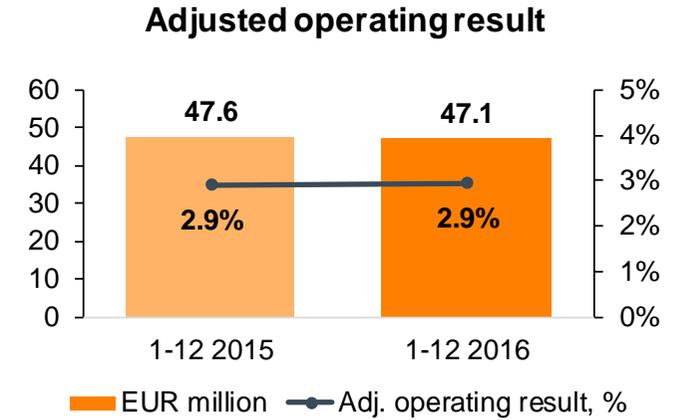
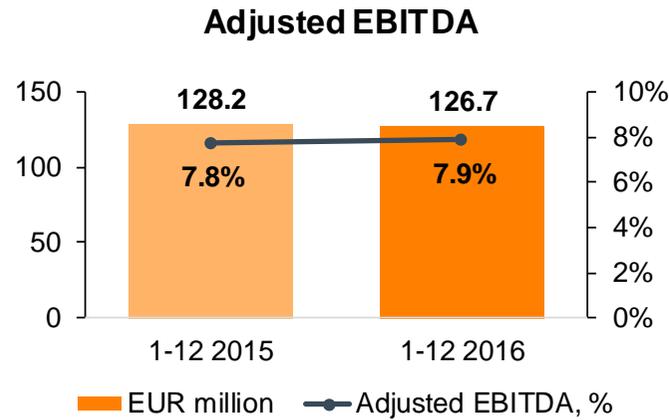
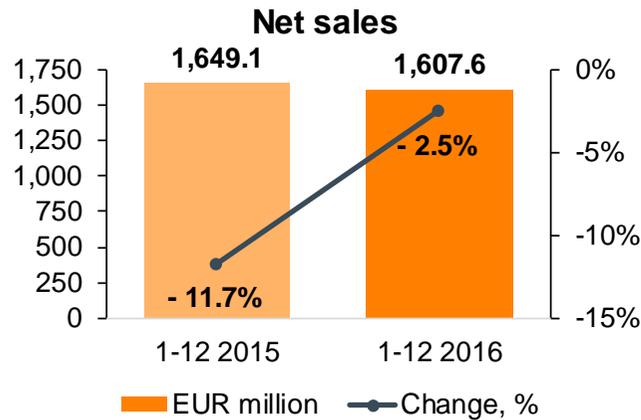


# Year 2016

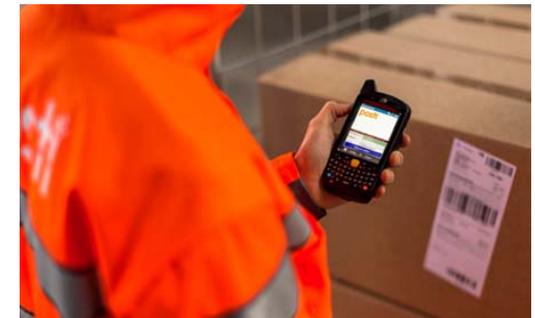
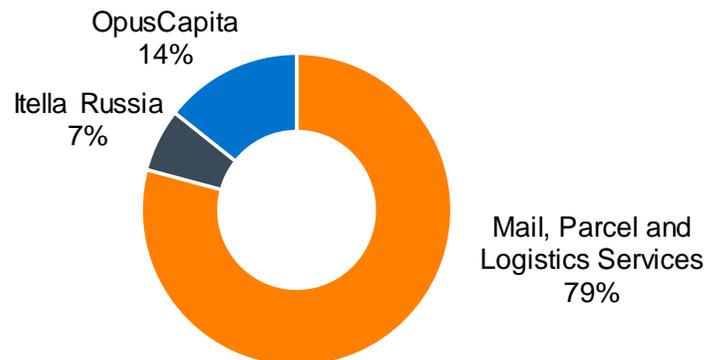


# Net sales and adjusted operating result

January-December



## External net sales by segment



# Key figures

Year 2016

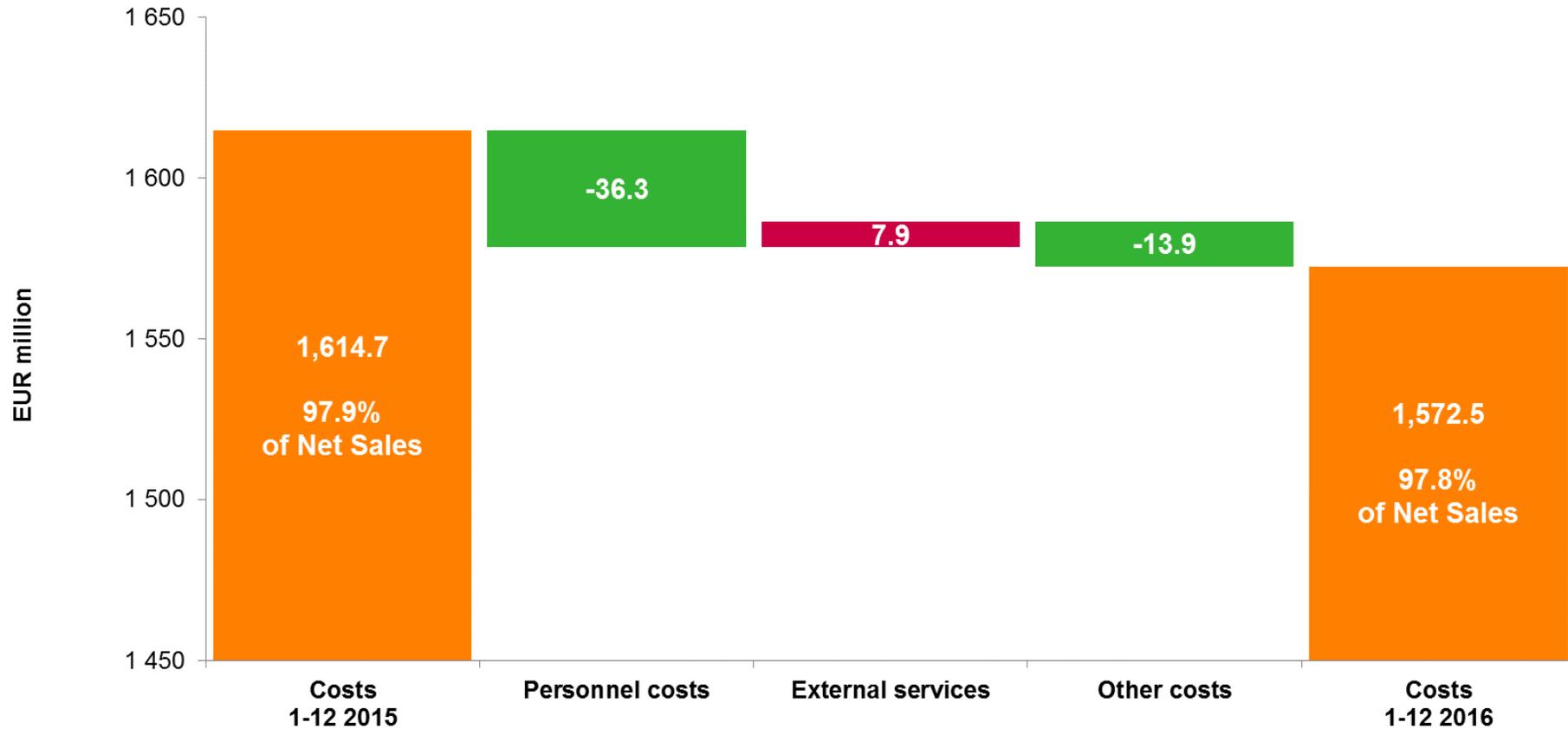
	1-12 2016	%	Restated 1-12 2015	%
Net sales, EUR million	1,607.6		1,649.1	
Adjusted EBITDA, EUR million	126.7	7.9%	128.2	7.8%
EBITDA, EUR million	116.0	7.2%	147.2	8.9%
Adjusted operating result, EUR million	47.1	2.9%	47.6	2.9%
Operating result, EUR million	30.7	1.9%	54.8	3.3%
Result before taxes, EUR million	29.5	1.8%	42.3	2.6%
Result for the period, EUR million	23.2	1.4%	35.1	2.1%
Cash flow from operating activities, EUR million	63.1		81.9	
Return on equity (12 months), %	3.9		6.2	
Return on invested capital (12 months), %	5.1		6.4	
Equity ratio, %	54.9		46.9	
Gearing, %	-13.6		-10.9	
Gross capital expenditure, EUR million	100.4		66.8	

- Net sales grew by 0.2% in Finland and declined by 16.2% in other countries.
- International operations accounted for 14.4% of net sales.
- The number of working days was higher than in the previous year by one day.
- Special items in 2016 totaled EUR -16.4 million.
- Posti Kiinteistöt sold the Pennala logistics center in Orimattila to RBS Nordisk Renting. The net profit was recognized in special items under Other operations.
- Net financing costs were favorably affected by a reversal of impairment recognized on receivables, as well as exchange rate gains on the ruble.
- Mail items covered by the universal service obligation accounted for 6% of all of Posti's mail items.
- Operations under the universal service obligation amounted to EUR 147.8 million, or 9.2% of the Group's net sales.

The Board of Directors proposes to the Annual General Meeting that a dividend of 69% of the Group's adjusted net profit, EUR 25 million be distributed. In addition to that, the Board of Directors proposes that an extra dividend of EUR 35 million be distributed, both altogether EUR 60 million.

# Change in costs excluding special items

2015 → 2016

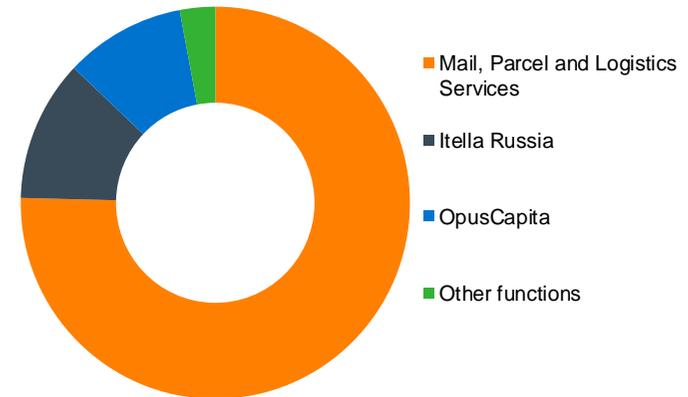


# Employees

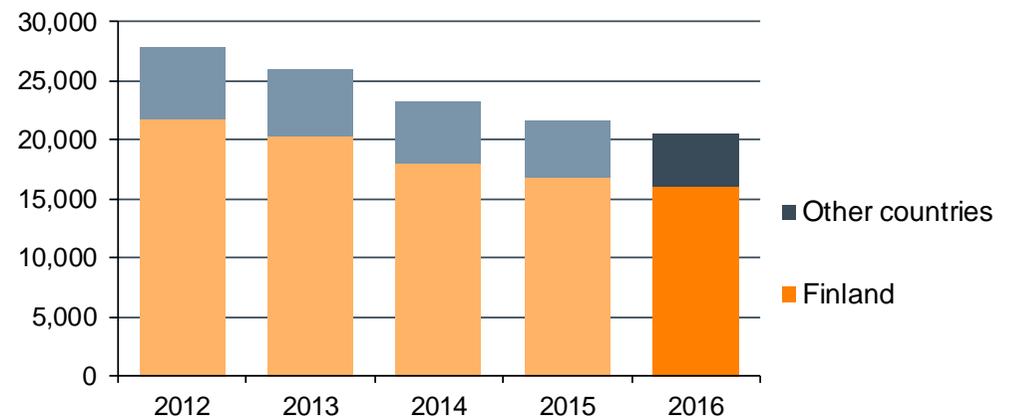
- At the end of the year, the Group employed 20,497, the Group's average number of personnel was 20,632.
- A total of 16,052 employees worked in Finland and 4,445 in other countries.
- The Group's personnel expenses decreased by 3.4%.
- Based on the Group's financial result, a bonus will be paid to the personnel fund.
- By the end of the year, 2,523 employees had applied for the Uusi polku (New path) program and 1,782 had been approved.



Employees by segment



Number of employees in Finland and other countries



# Segments



# Mail, Parcel and Logistics Services

## October-December

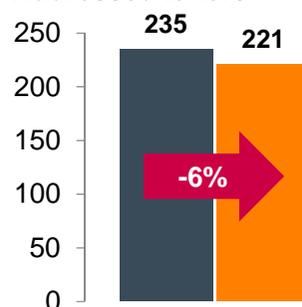
- Strong Christmas and Black Friday sales had a positive effect on parcel and freight volumes. In addition to that, sales was also boosted by the acquisitions of Veine and Kuljetus Kovalainen.
- The net sales of Mail and Marketing Services declined due to the lower volumes of domestic delivery products.
- Adjusted EBITDA decreased due to a decline in postal operations and sales centering around logistics services. The result was also affected by quality assurance measures taken in production in the Christmas period as well as marketing investments being higher than in the previous year.
- Posti and Ilkka-Yhtymä continued their cooperation in December by signing an agreement under which Posti will take care of the early-morning delivery of Ilkka-Yhtymä's regional and local newspapers in urban areas as well as basic and weekend delivery in sparsely populated areas until the end of 2018.

EUR million	10-12 2016	% of Net sales	Restated 10-12 2015	% of Net sales
Net sales	378.9		354.4	
Net sales change, %	6.9%		-11.0%	
Adjusted EBITDA	30.4	8.0%	31.7	9.0%
EBITDA	30.2	8.0%	30.1	8.5%
Adjusted operating result	19.2	5.1%	21.4	6.0%
Operating result	19.1	5.0%	19.8	5.6%

## Volumes, million pcs

■ 10-12 2015 ■ 10-12 2016

### Addressed letters



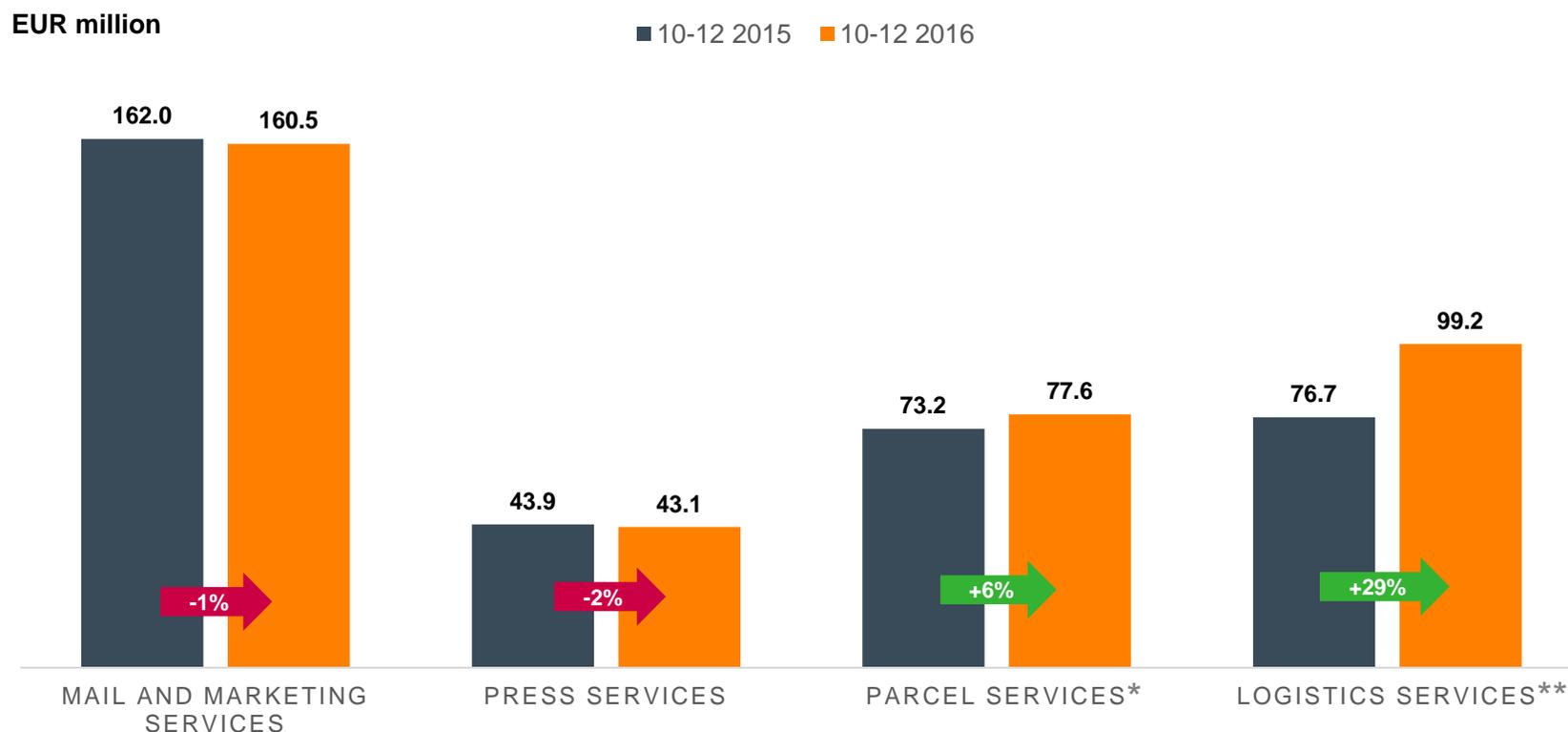
### Parcels



### Domestic freight



# Net sales of Mail and Marketing Services, Press Services, Parcel Services and Logistics Services



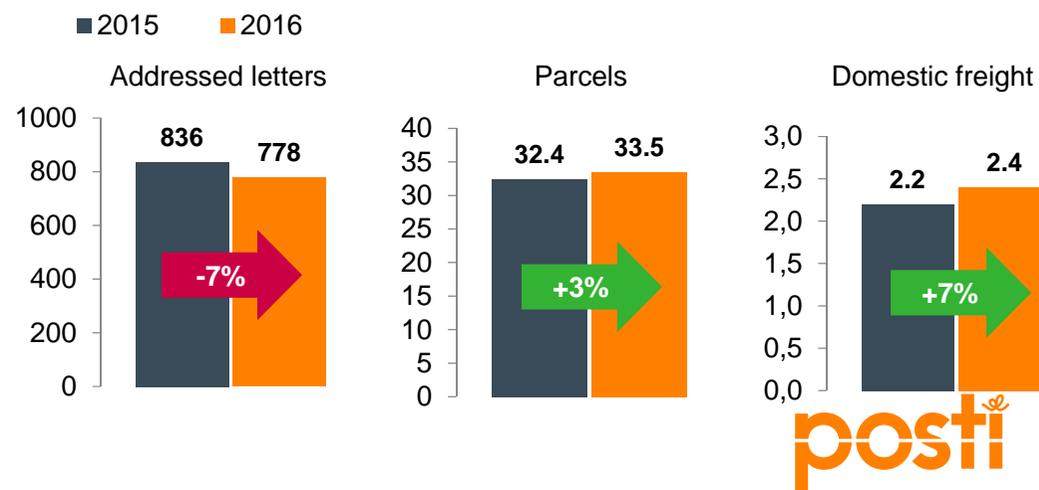
# Mail, Parcel and Logistics Services

## Year 2016

- The net sales of Mail and Marketing Services were reduced by a decline in the domestic delivery product volume.
- The price increases that took effect at the start of the year compensated for part of the effect of the decline in volume. Net sales were boosted by growth in parcel and freight volumes and the acquisitions of Veine and Kuljetus Kovalainen.
- The number of electronic letters (Netposti) increased by 1%. The number of digital mailbox Netposti users increased by 8%.
- In the warehousing business, processing volumes and fill rates increased. Warehouse fill rate in the end of the reporting period was 73%.
- The adjusted EBITDA increased. The factors contributing to the increase included continued operational efficiency improvement measures related to production, real estate, the retail network and administration.
- At the end of the year, Posti had a total of 1,422 service points in Finland, of which 479 were parcel points.

EUR million	1-12 2016	% of Net sales	Restated 1-12 2015	% of Net sales
Net sales	1,321.6		1,337.8	
Net sales change, %	-1.2%		-10.8%	
Adjusted EBITDA	91.0	6.9%	90.3	6.8%
EBITDA	76.9	5.8%	80.9	6.0%
Adjusted operating result	48.7	3.7%	49.2	3.7%
Operating result	34.6	2.6%	38.7	2.9%

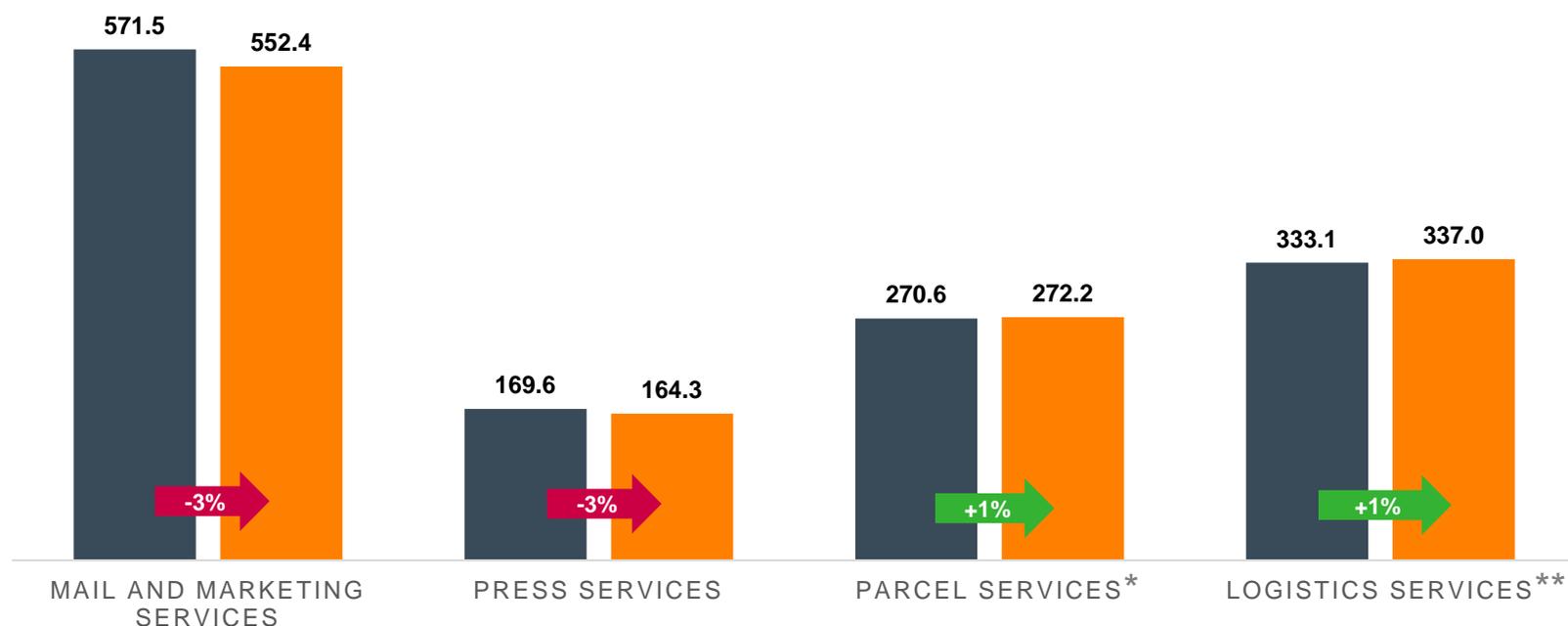
## Volumes, million pcs



# Net sales of Mail and Marketing Services, Press Services, Parcel Services and Logistics Services

EUR million

■ 2015 ■ 2016



# Itella Russia

## October-December

- Net sales were boosted by higher demand for air and sea freight, growth in e-commerce and the new business brought in by the MaxiPost acquisition.
- Net sales continued to decline in contract logistics' warehousing business.
- Warehouse fill rates declined year-on-year in Moscow as well as other regions. Warehouse handling volumes increased.
- The ruble appreciated by 20.3% compared to the previous year.
- Adjusted EBITDA and EBITDA improved.
- In spite of the difficult market situation, the result improved due to the release of a provision for onerous leases made in 2015, smaller depreciation as well as efficiency improvement and cost reduction measures. The operating result improved.

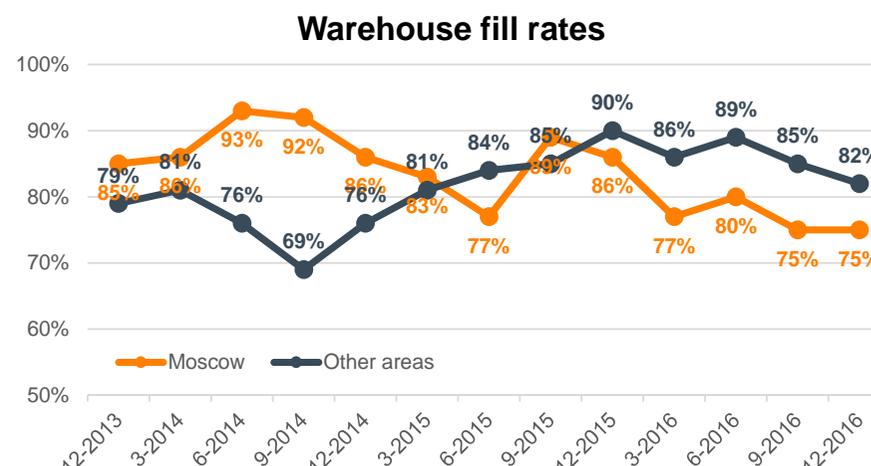
EUR million	10-12 2016	% of Net sales	10-12 2015	% of Net sales
Net sales	31.5		30.8	
Net sales change, %	2.6%		-24.5%	
Adjusted EBITDA	2.3	7.4%	0.8	2.7%
EBITDA	1.6	4.9%	-11.3	-36.6%
Adjusted operating result	0.6	1.8%	-0.9	-2.8%
Operating result	-0.2	-0.7%	-12.8	-41.6%

# Itella Russia

## Year 2016

- Net sales were negatively affected by the weak economic climate, GDP decline and the weakening of customers' demand for logistics services.
- The decline was the steepest in the demand for contract logistics, for warehousing as well as handling. Demand was strongest in transport services, particularly in air and sea freight and inter-terminal transport.
- The adjusted EBITDA declined, EBITDA improved.
- The adjusted operating result improved due to the release of a provision for onerous leases made in 2015, lower depreciation as well as efficiency improvement and cost reduction measures. The operating result improved.
- Warehouse fill rates declined year-on-year in Moscow as well as other regions. The exceptionally low fill rate in Moscow was due to the preparing for the closing of the Krekshino warehouse during the first quarter of 2017.
- The ruble appreciated by 20.3% from the previous year. Itella Russia acquired the Russian courier company MaxiPost.

EUR million	1-12 2016	% of Net sales	1-12 2015	% of Net sales
Net sales	104.6		118.9	
Net sales change, %	-12.0%		-30.9%	
Adjusted EBITDA	2.6	2.5%	4.1	3.5%
EBITDA	3.9	3.7%	-8.3	-7.0%
Adjusted operating result	-4.0	-3.8%	-5.1	-4.3%
Operating result	-2.7	-2.6%	-25.0	-21.0%



# OpusCapita

## October-December

- The year-on-year development of OpusCapita's volumes was as follows: electronic transactions (comparable) +5%, iPost products -3%.
- The decrease in net sales was attributable to the accelerating shift from paper to online communication.
- Boosted by investments, the Buyer-Supplier Ecosystem business area grew by 24% in the fourth quarter.
- The adjusted operating result declined due to the decrease in traditional print volume, the divestment of the businesses serving the local markets in the Baltic countries and investments in OpusCapita's new strategy.
- The operating result decreased.

EUR million	10-12 2016	% of Net sales	10-12 2015	% of Net sales
Net sales	61.1		63.2	
Net sales change, %	-3.2%		-6.0%	
Adjusted EBITDA	6.1	9.9%	5.1	8.0%
EBITDA	2.3	3.8%	6.3	9.9%
Adjusted operating result	3.4	5.6%	3.5	5.5%
Operating result	-3.0	-4.8%	3.6	5.7%

# OpusCapita

## Year 2016

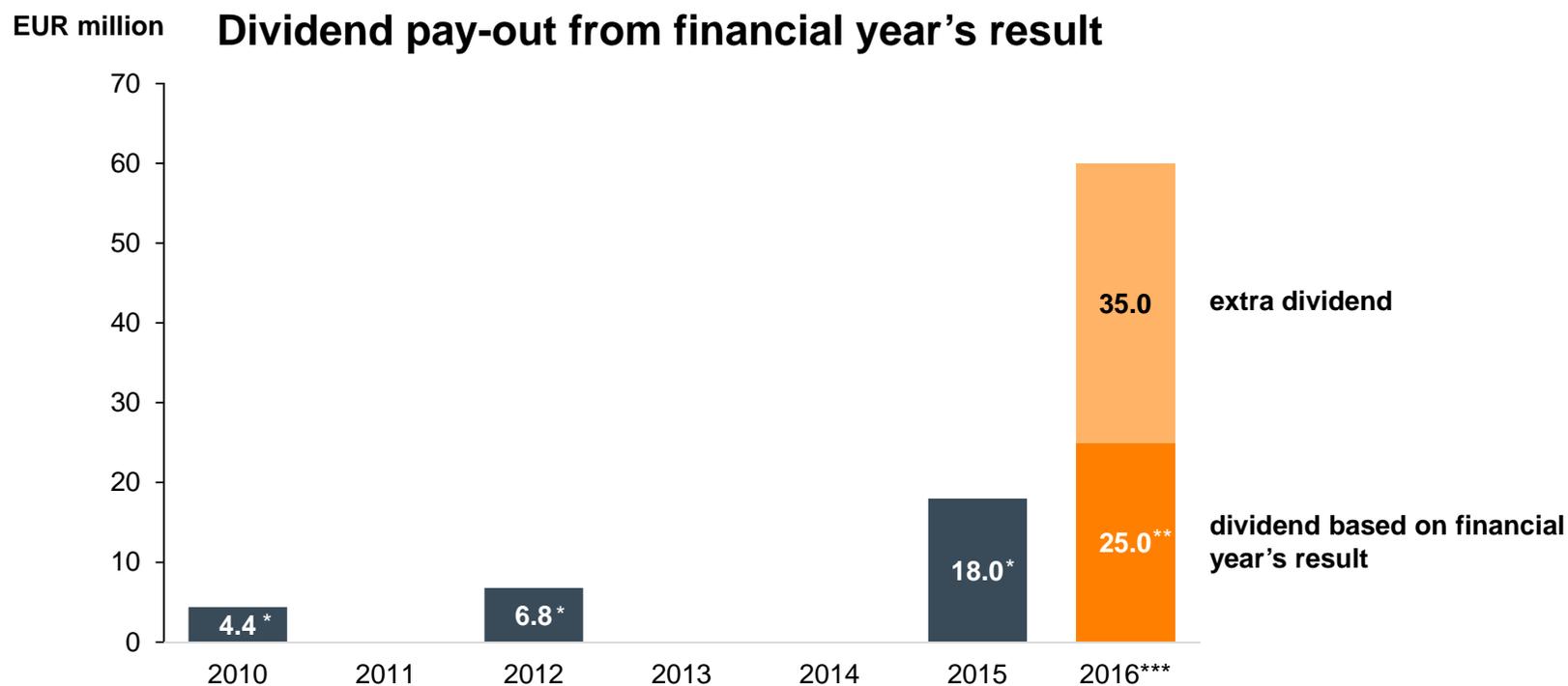
- The year-on-year development of OpusCapita's volumes was as follows: electronic transactions (comparable) +13%, iPost products -9%. OpusCapita transmitted a total of 484 million transactions.
- 59% of the net sales came from Finland, 41% was from other countries.
- The adjusted operating result declined 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.
- The operating result decreased.
- OpusCapita sold its business operations in Estonia, Latvia, and Lithuania, which served the local markets in the Baltic countries. OpusCapita acquired the Germany-based software company jCatalog.

EUR million	1-12 2016	% of Net sales	1-12 2015	% of Net sales
Net sales	240.1		256.7	
Net sales change, %	-6.4%		-1.2%	
Adjusted EBITDA	19.1	7.9%	21.6	8.4%
EBITDA	12.2	5.1%	21.4	8.4%
Adjusted operating result	9.7	4.0%	14.5	5.7%
Operating result	-1.4	-0.6%	13.3	5.2%

## Electronic transactions, million pcs



# Dividend development 2010-2016



\* In 2010-2015 basis for dividend pay-out has been approx. 50% of result for the period.

\*\* In 2016 dividend payout is 69% of adjusted result for the period.

\*\*\* Proposal from BoD of Posti Group Corporation

# Outlook 2017

## Net sales

- Net sales in euros for the year are expected to increase compared to the previous year.
- The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

## Operating result

- The Group's adjusted operating result is expected to remain on par with the previous year.
- The operating result for 2017 will continue to include significant special items.

## Capital expenditure

- Capital expenditure excluding possible acquisitions is expected to increase from the previous year.

The Group's business is characterized by seasonality. Net sales and operating profit 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.

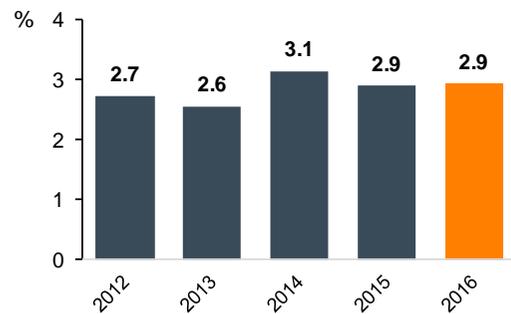
# Attachments



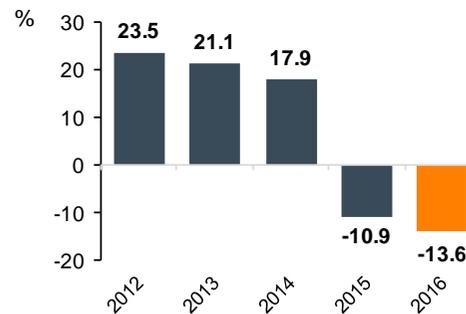
# Financial Targets

- Adjusted operating result 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

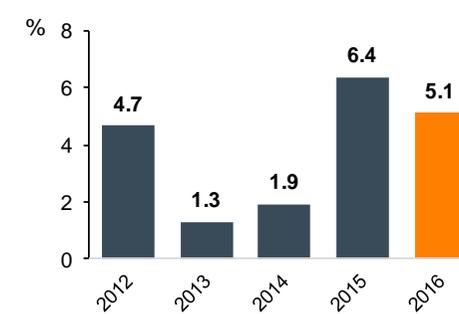
Adjusted operating result, %



Gearing, %

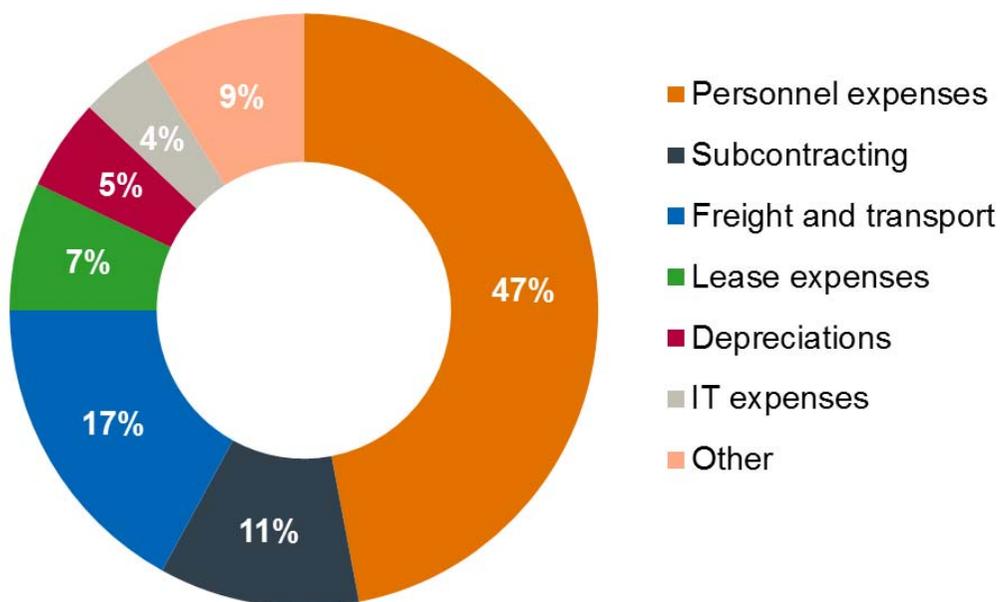


Return on invested capital, %

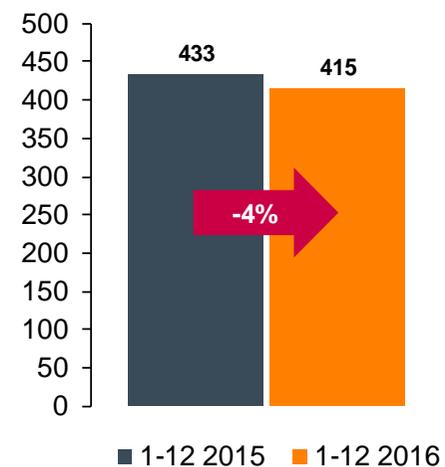


# Group cost structure

Year 2016



Indirect costs, EUR million

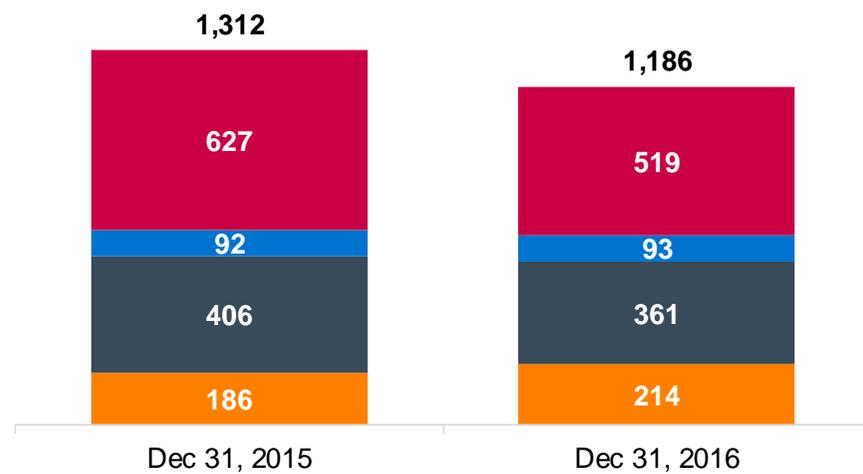


# Balance sheet

EUR million

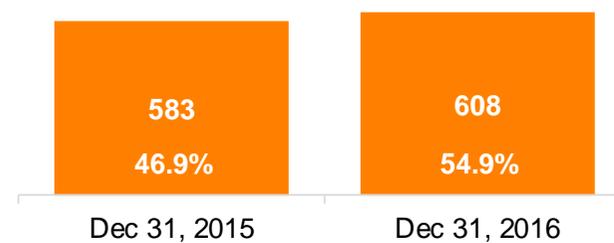
## Assets

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



## Equity and Equity ratio

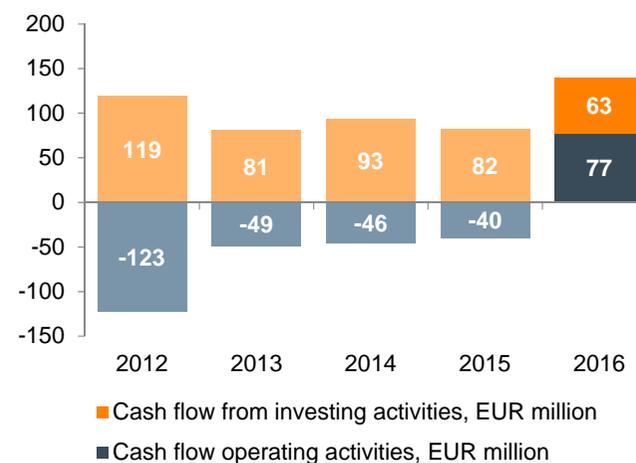
- Equity
- Equity ratio, %



# Cash flow

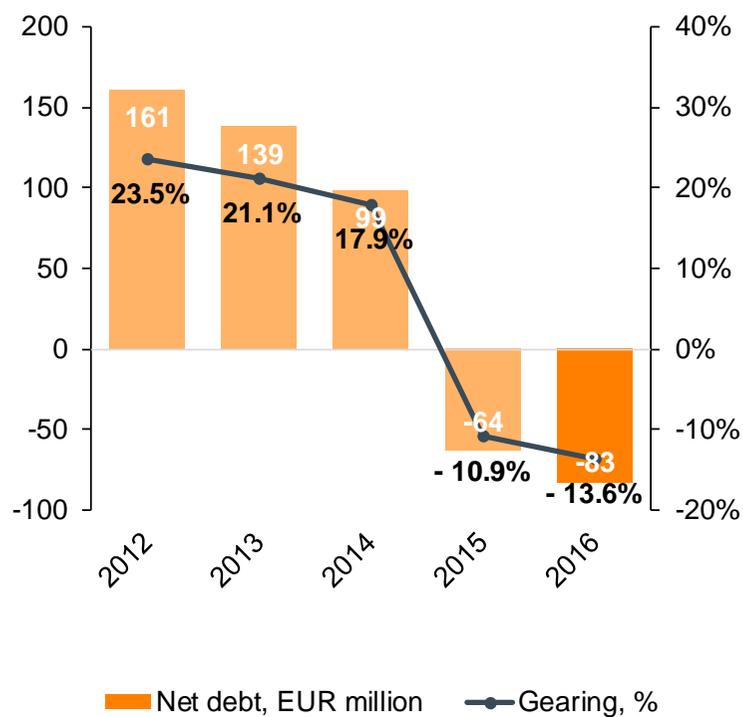
EUR million	1-12 2016	Restated 1-12 2015
Result for the period	23.2	35.1
Cash flow from operating activities before financial items and taxes	88.7	92.4
Cash flow from operating activities	63.1	81.9
Cash flow from investing activities	76.7	-40.4
Cash flow from financing activities	-188.6	-8.0
Change in cash and cash equivalents	-48.9	33.4
Cash and cash equivalents at the end of the review period	82.0	130.1

- The consolidated cash flow from operating activities before capital expenditure was EUR 63.1 million.
- Investments according to the statement of cash flow amounted to EUR 92.3 million. During the year, the Group invested in the acquisitions of Veine and Kuljetus Kovalainen, which specialize in temperature-controlled transport as well as the acquisitions of the software company jCatalog and the courier company MaxiPost. The Group also invested in information systems, the transport fleet and production projects.
- Proceeds from divestments totaled EUR 78.0 million. The most significant divestments were the sale of real estate in Orimattila in September and Pirkkala in August, as well as OpusCapita's sale of its businesses serving the local markets in the Baltic countries to BaltCap in January.
- At the end of the review period, liquid funds totaled EUR 159.9 million, and undrawn committed credit facilities amounted to EUR 150.0 million.

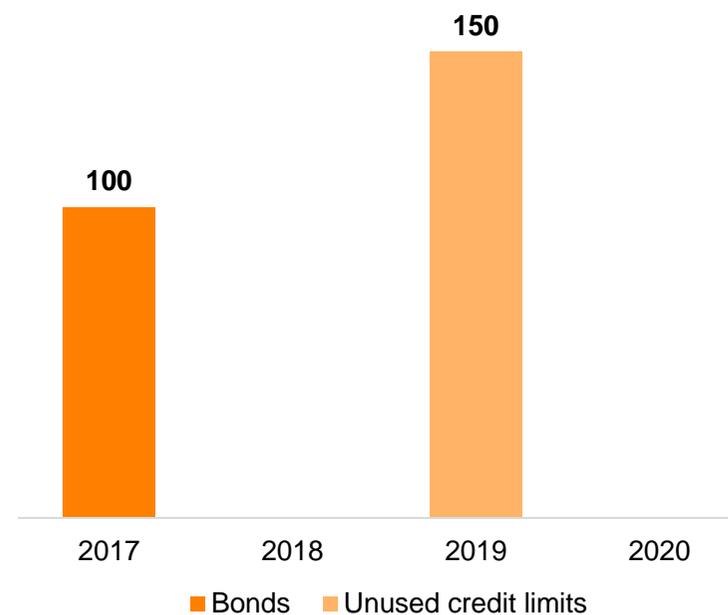


# Net debt and the maturity structure of loans

## Net debt and gearing



## Maturity structure of loans and financing arrangements, EUR million



# Questions?



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