



Posti Group Oyj
Half-year report 1-6/2019

Postal volume decline continued on a record level – Profitability in line with previous year

Posti in figures Q2/2019

Postal volume decline continued on a record level

Group net sales grew driven by Transval acquisition

The net sales for Parcel and eCommerce and logistics solutions together add up to over 50 % of our overall net sales

Net sales
393.8
(386.8)
EUR million

Adjusted operating result
8.7
(8.2)
EUR million

21,969
Number of personnel

Posti Group: Q2 Highlights

- **Net sales increased** by 1.8% to EUR 393.8 million (386.8). It was attributable to the development of Mail, Parcel and Logistics - segment.
 - However, within the segment, development was two-dimensional.
 - Net sales decreased in Postal Services and in Parcel and eCommerce and Logistic Solutions increased, driven by Transval acquisition.
- **Adjusted operating result** increased by EUR 0.5 million to EUR 8.7 million (EUR 8.2 million)
 - effected by the strengthened results of Parcel and eCommerce and Postal Services, and the adoption of IFRS 16 standard.



Parcel & e-Commerce and Logistics Solutions together add up to over 50 percent of our overall net sales.

In January-June 2019, the Group's net sales totalled EUR 790.5 million



Parcel and eCommerce and Logistic Solutions

Over 50% of the net sales

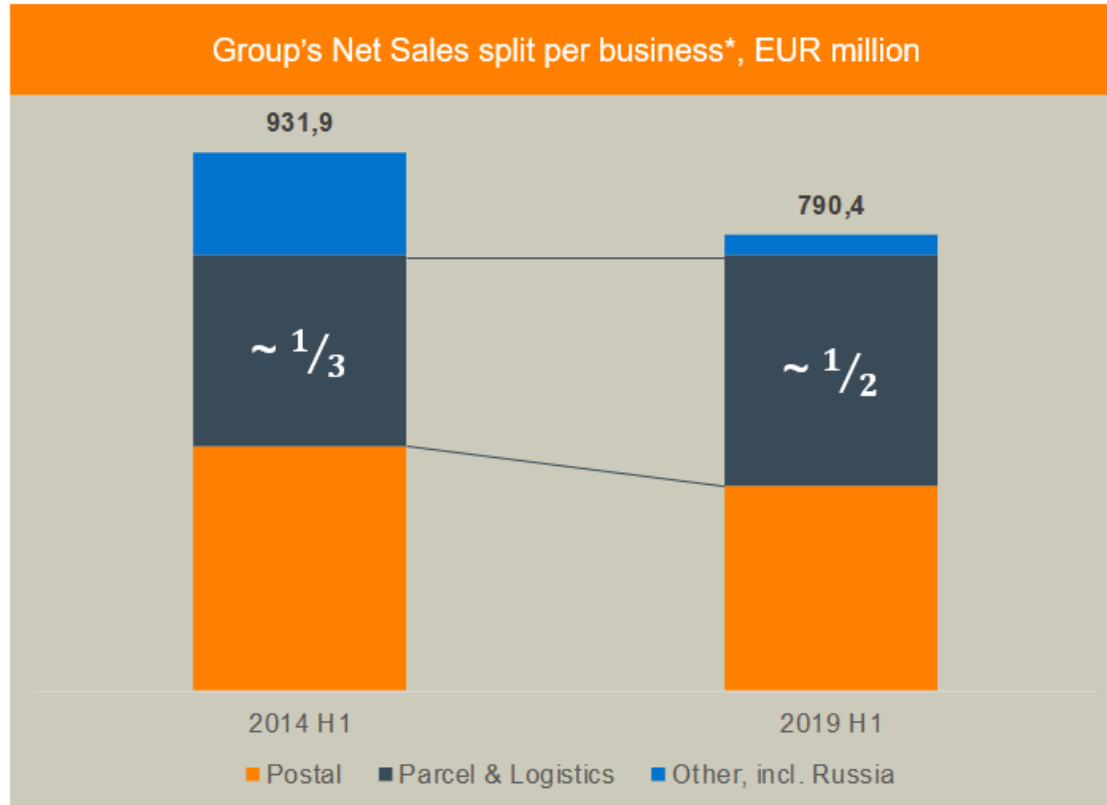
Itella Russia
(Logistic services)

Around 5% of the net sales

Postal Services

Around 45 % of the net sales

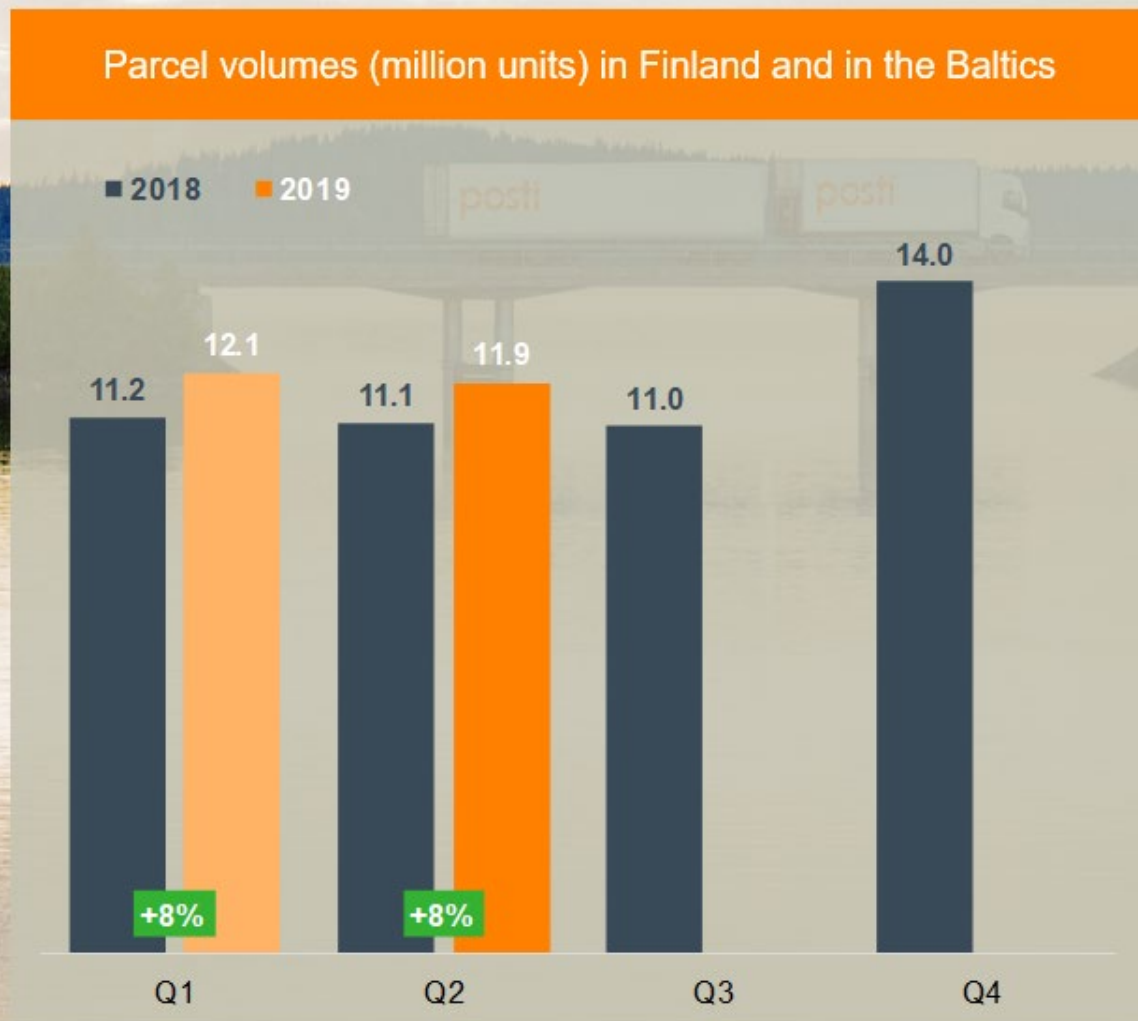
Parcel and Logistics brings majority of group's net sales



- In 2014 H1 Parcel and Logistics represented roughly one third of group's net sales
- In 2019 H1 it covers over half of the net sales
- At the same time Posti has made several divestments, e.g. OpusCapita and logistics operations in Scandinavia
- Also several acquisitions has been made to support the shift from postal to parcel and logistics, latest one Transval acquisition in Q1 2019

* in 2014 Postal business included also parcels, which has been shifted to Parcel & Logistics in this illustration. At that time OpusCapita was part of Posti Group and part of its business is nowadays in Postal business. Also other smaller changes in business structures has taken place, thus figures are not fully comparable but illustrates clearly the shift

Parcel volumes keep growing



The number of parcels going through Posti Parcel Lockers 1-6/2019

+34 %

Parcel volume growth in Finland and in the Baltics 1-6/2019

+8 %

Freight volumes* 1-6/2019

+1 %

Addressed letter volumes 1-6/2019

-14 %

Posti's parcel locker network is the largest one in Finland

Posti introduced parcel lockers in 2011, and today Posti has the largest network

Up to 59% of Finns report having used a parcel locker

55% of Finns live closer to a parcel locker than a traditional Posti outlet

- Posti is a market-driver: our network already has over 1,400 parcel lockers, and we aim to increase the number onward.
- Finns are some of the most active parcel locker users in the world, and Finland has the most parcel lockers per capita.
- The number of items delivered via a parcel locker increased by 34% in January-June 2019, and we believe that the growth will continue.
- The record-breaking volumes are caused by various factors.
 - First of all, e-commerce has seen strong growth especially in early summer.
 - In addition to that, Finns like parcel lockers and like to have their items delivered to them.

Business Environment and Strategy



The Finnish economy is still growing and e-commerce trend continues

Finland's gross domestic product (GDP) is forecasted to grow to

1.6% in 2019,

but economic growth is predicted to slow down.

Uncertainty about the direction of overall economic developments has increased and made consumers more cautious.



- E-commerce has continued its growth. Last year, digital purchases by Finns grew by about six per cent, and growth is expected to strengthen - especially on mobile, according to the Finnish Commerce Federation.
- The economic outlook is also reflected in Finnish consumers' expectations. The consumer confidence indicator (CCI) sank in June according to the Statistics Finland.

Sources: Ministry of Finance, Finnish Commerce Federation, Statistics Finland

Good progress towards our strategic targets

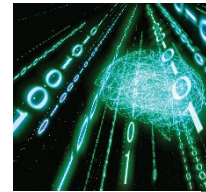
- The new Plus Sticker can be used to track the delivery of a letter the same way as a parcel.
- The number of parcel points increased: there are now over 1,428 parcel lockers.
- Posti has succeeded in adapting operations to a decreasing amount of mail.
- Posti has continued its growth in logistics: net sales increased in particular by the acquisition of the in-house logistics company Suomen Transval Group Oy.
- Over the past spring, the OmaPosti application became one of the most popular applications in Finland. In addition, Posti won the MyData competition organized by the Finnish State development Company and Technology Industries of Finland.



1. Keep mail relevant to customers



2. Win e-commerce play



3 Rethinking Logistics



4. Renew service culture – Posti Orange



5. Digitally powered to secure your service

Financials



1

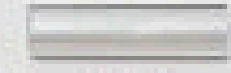
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Paketit ja palautukset



Kortit ja kirjeet

3

smartpost.fi

OTA TAI JÄTÄ

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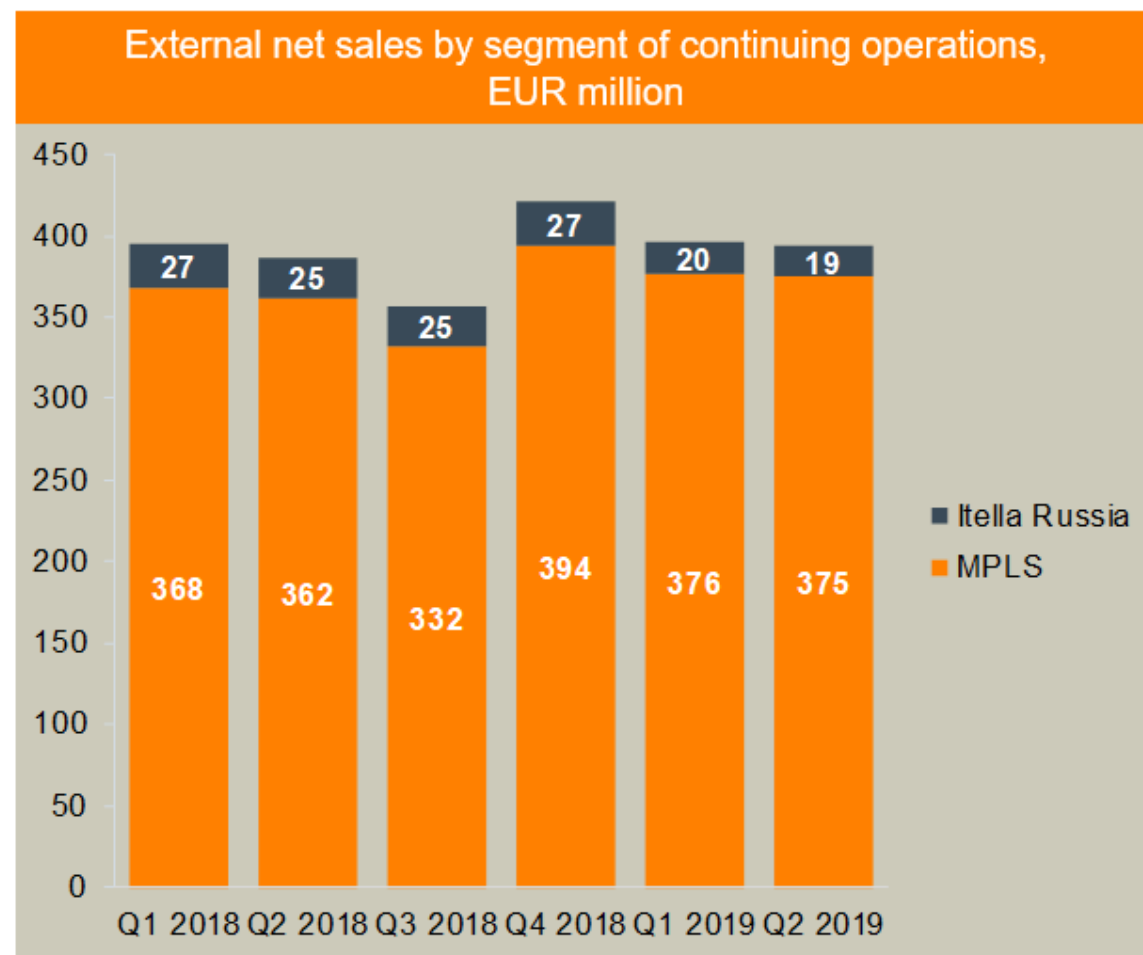
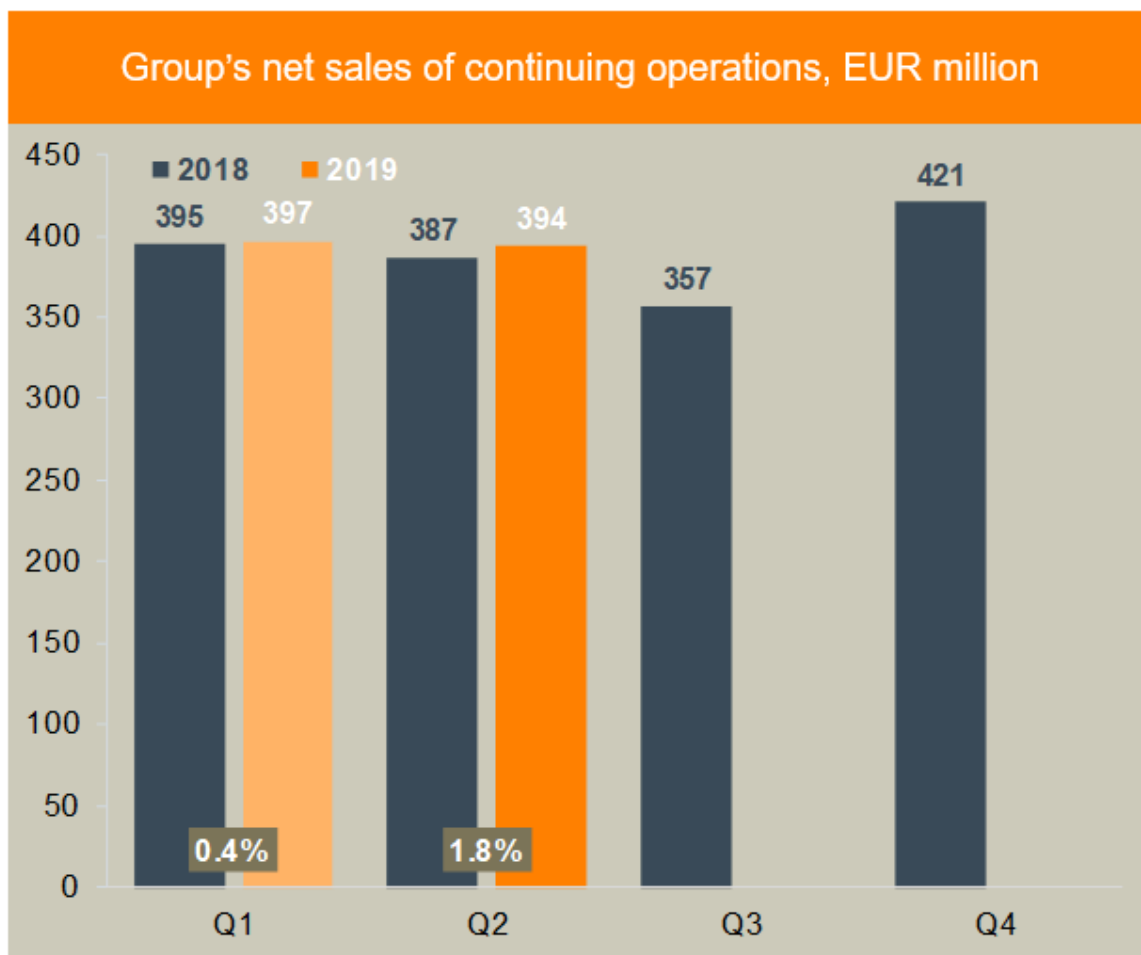
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Smartpost tuo tavarat ja palvelut lähellesi.

posti

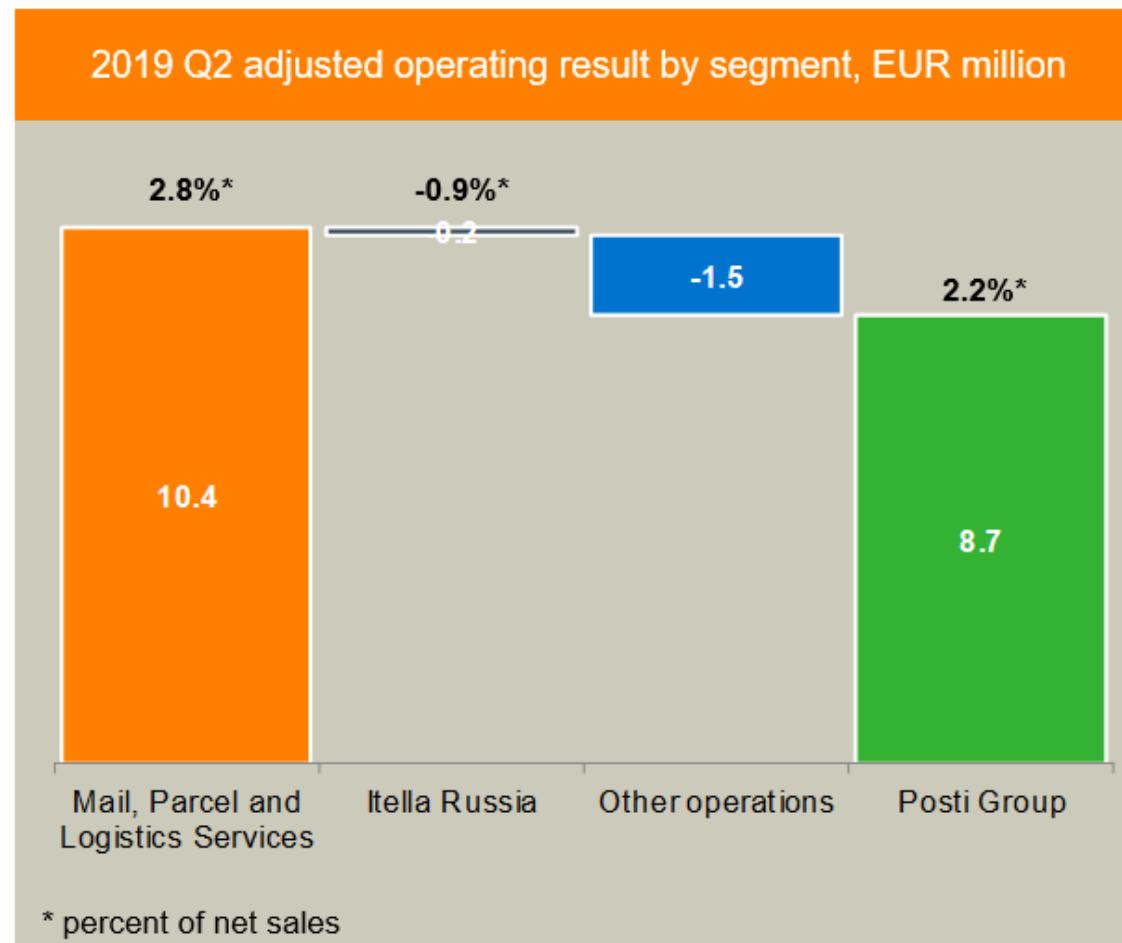
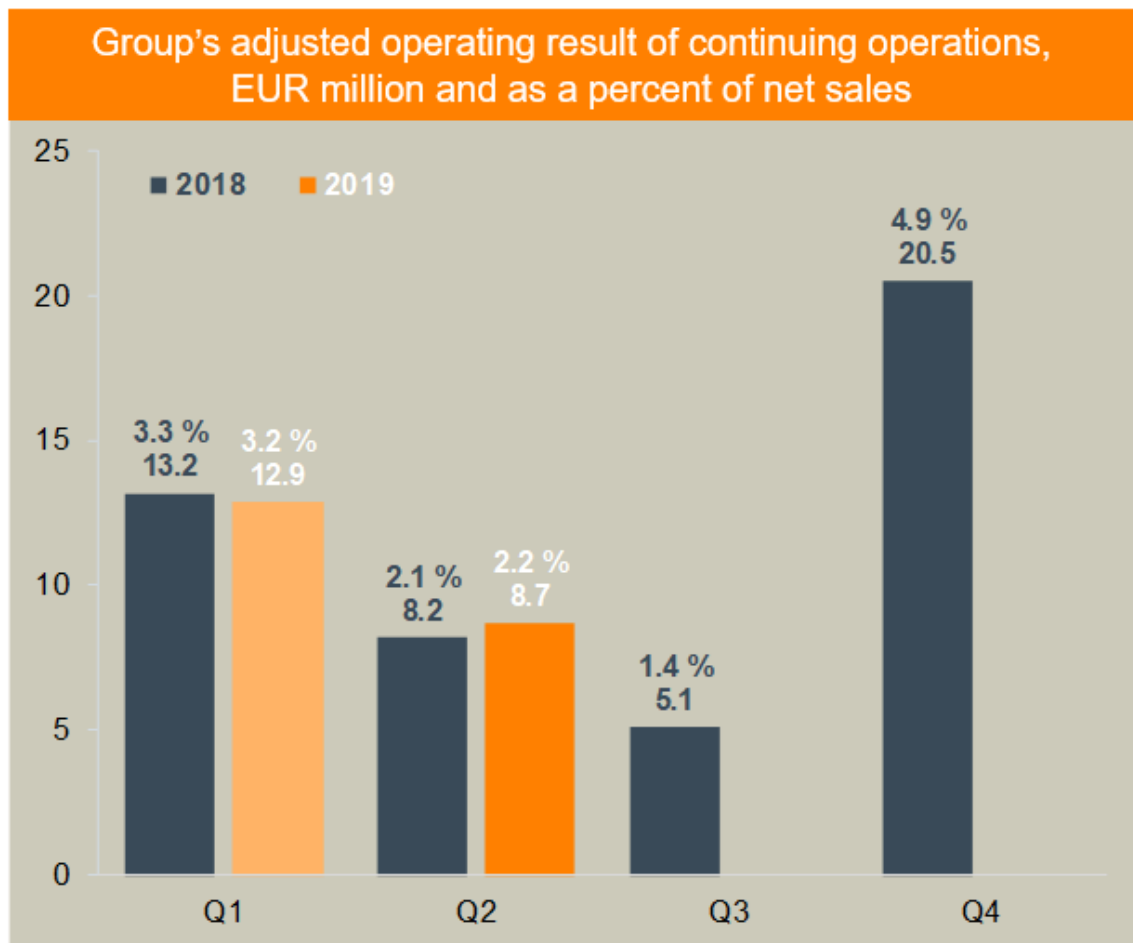
Posti Group Q2 net sales

- Q2 net sales increased by 1.8% to 394 EUR million (387 EUR million)



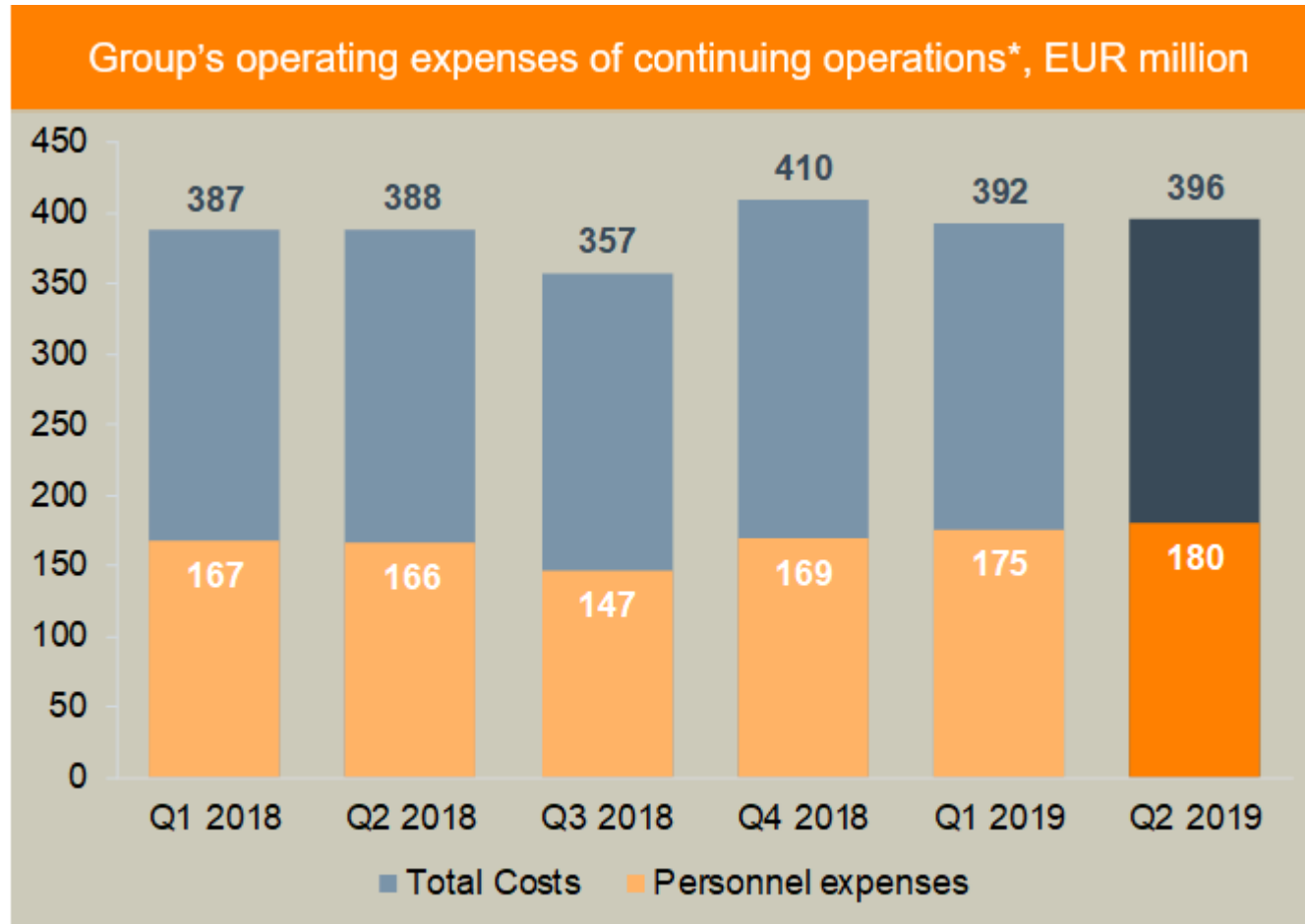
Posti Group Q2 adjusted operating result

- Q2 adjusted operating result increased by 0.5 EUR million to 12.9 (13.2) EUR million



Posti's total costs structure trend

- Cost structure is slightly higher than in the comparison period due to Transval acquisition
- Declining mail volume needs to be off-set by cost structure development

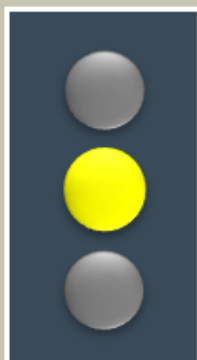
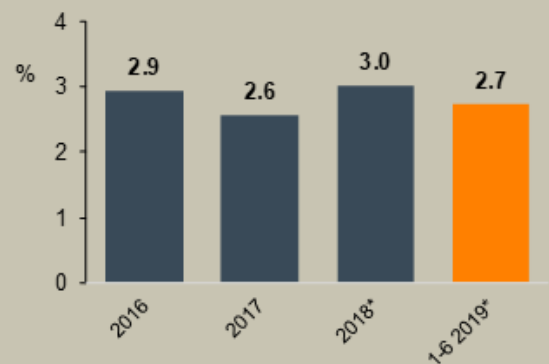


- Average number of FTE in Q2 2019 was 17,054 (16,857)

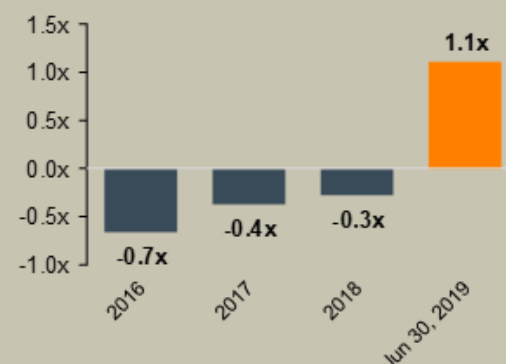
* includes depreciation and amortization, excludes impairment losses

Long term financial targets

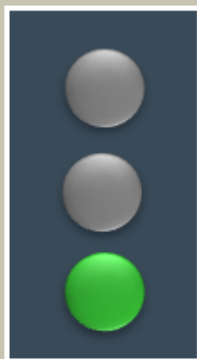
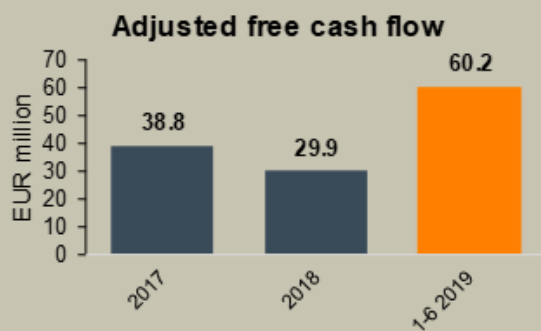
Adjusted operating result percentage 4%



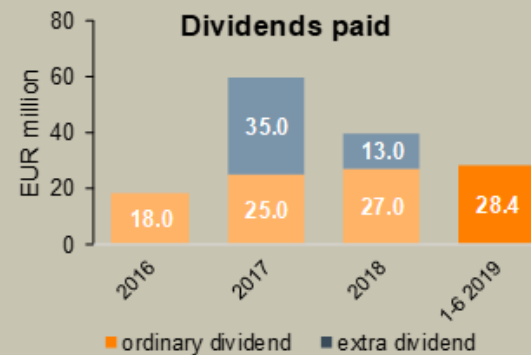
Net debt / Adjusted EBITDA** less than 2.0x



Strict management of free cash flow **



Continuously increasing ordinary dividend



IFRS 16 standard impact on Q2 2019 key figures *

- IFRS 16 standard has biggest impacts on EBITDA, net debt and key figures related to indebtedness.
- Net debt / adjusted EBITDA changes significantly and will reflect IFRS 16 standard fully at the end of year as adjusted EBITDA calculated as a rolling 12 months figure. Thus Q1-Q3 2019 adjusted EBITDA calculated partly from 2018 reported figures which were not reported according to IFRS 16 standard.

	4-6 2018	4-6 2019	Change, %	Change	IFRS 16 effect
Net sales, EUR million	386.8	393.8	1.8 %	7.1	0.0
Adjusted EBITDA, EUR million	23.8	37.9	58.9 %	14.1	12.3
EBITDA, EUR million	20.6	32.4	56.9 %	11.7	12.3
Adjusted operating result, EUR million	8.2	8.7	6.2 %	0.5	1.0
Operating result, EUR million	5.0	3.2	-36.1 %	-1.8	1.0
Result for the period, EUR million	3.8	2.3	-39.9 %	-1.5	-0.5

IFRS 16 standard impact on H1 2019 key figures *

- IFRS 16 standard has biggest impacts on EBITDA, net debt and key figures related to indebtedness.
- Net debt / adjusted EBITDA changes significantly and will reflect IFRS 16 standard fully at the end of year as adjusted EBITDA calculated as a rolling 12 months figure. Thus Q1-Q3 2019 adjusted EBITDA calculated partly from 2018 reported figures which were not reported according to IFRS 16 standard.

	1-6 2018	1-6 2019	Change, %	Change	IFRS 16 effect
Net sales, EUR million	781.6	790.4	1.1 %	8.8	0.0
Adjusted EBITDA, EUR million	53.1	79.2	49.2 %	26.1	24.2
EBITDA, EUR million	50.3	68.8	36.7 %	18.5	24.2
Adjusted operating result, EUR million	21.4	21.6	0.9 %	0.2	2.0
Operating result, EUR million	18.4	11.2	-39.3 %	-7.2	2.0
Result for the period, EUR million	14.5	7.9	-45.2 %	-6.5	-1.1
Net debt, EUR million	-10.3	163.7		174.0	184.9

Segments



Mail, Parcel and Logistics Services key figures

April-June

EUR million	4-6 2019	% of Net sales	4-6 2018	% of Net sales
Net sales	375.0		362.5	
Net sales change, %	3.5%		3.3%	
Adjusted EBITDA	33.4	8.9%	20.7	5.7%
EBITDA	28.9	7.7%	21.0	5.8%
Adjusted operating result	10.4	2.8%	10.2	2.8%
Operating result	5.9	1.6%	10.6	2.9%

- Postal Services net sales decrease was driven by a decline in volume, which was largely mitigated by pricing, product mix and delivery speed changes.
- Strong volume growth, especially in April and June, continued to drive parcel net sales growth. The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 11.9 (11.1) million parcels.
- Logistic Solutions net sales increased almost 29%. Growth was mainly driven by the Transval acquisition.
- The adjusted operating result increased. This is due to the increased net sales as well as strict management of production costs.

Mail, Parcel and Logistics Services key figures

January-June

EUR million	1-6 2019	% of Net sales	1-6 2018	% of Net sales
Net sales	751.5		730.8	
Net sales change, %	2.8%		2.3%	
Adjusted EBITDA	73.9	9.8%	47.3	6.5%
EBITDA	65.6	8.7%	48.1	6.6%
Adjusted operating result	28.2	3.7%	26.2	3.6%
Operating result	19.9	2.7%	27.0	3.7%

- In Postal Services, net sales decreased because of mail volume decline, which has been at a record high level in January-June.
- The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 24.0 (22.2) million parcels. The volume development was slower than in comparison period but it continued still at a good level – growth was 8 %.
- Logistic Solutions net sales increased almost 26 %. Growth was mainly driven by the Transval acquisition.
- The adjusted operating result increased. This is due to the increased net sales as well as strict management of production costs. These cost savings are required due to the substantial decline in mail volumes.

Itella Russia key figures

April-June

EUR million	4-6 2019	% of Net sales	4-6 2018	% of Net sales
Net sales	18.9		24.8	
Net sales change, %	-23.9%		-15.1%	
Adjusted EBITDA	3.0	16.1%	2.1	8.4%
EBITDA	3.9	20.7%	2.0	8.1%
Adjusted operating result	-0.2	-0.9%	0.6	2.3%
Operating result	0.7	3.7%	0.5	2.1%

- Itella Russia's net sales measured in local currency decreased by 25.7%.
 - Net sales was affected by the closing of warehouses in the regions.
 - According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.
 - Also the divestment of Maxipost in Q2/2018 and Connexions in Q4/2018 had a downward effect on net sales.
- The adjusted operating result declined. The adjusted operating result was negatively impacted by business restructuring and the closure of a rented warehouse in Moscow.

Itella Russia key figures

January-June

EUR million	1-6 2019	% of Net sales	1-6 2018	% of Net sales
Net sales	39.1		51.6	
Net sales change, %	-24.1%		-9.1%	
Adjusted EBITDA	4.6	11.8%	3.1	6.0%
EBITDA	5.5	14.0%	3.9	7.5%
Adjusted operating result	-1.2	-3.1%	0.0	0.0%
Operating result	-0.3	-0.9%	0.6	1.1%

- Itella Russia's net sales measured in local currency decreased by 22.3%.
 - Net sales was affected by the closing of warehouses in the regions.
 - According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.
 - Also the divestment of Maxipost in Q2/2018 and Connexions in Q4/2018 had a downward effect on net sales.
- The adjusted operating result declined. The decline in adjusted operating result is driven by restructuring and optimization measures taken primarily during the second quarter.

Outlook



Outlook for 2019

Net sales of continued operations, excluding possible new acquisitions and divestments, is expected to increase from 2018 driven by Transval acquisition.

The Group's **adjusted operating result**, of continued operations, is expected to increase from 2018 due to Transval acquisition and transition to IFRS 16 accounting principles.



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