Posti Group Corporation

Interim report 1-3/2019

Net sales on a same level as last year in declining postal market - divestment of OpusCapita completed

Posti in figures

Q1/2019: Net sales on the same level as last year, driven by Transval acquisition

Posti completed the divestment of OpusCapita

The level of volume decline in mail in Q1 was the steepest so far encountered in Finland.

Net sales
396.6
(394.9) EUR million

Adjusted operating result
12.9
(13.2)
EUR million

20 983
number of personnel

11.3
million parcels delivered

Over
1,178
parcel lockers

Posti Group: Q1 Highlights

- **Net sales increased** by 0.4% to 396.6 EUR million (394.9) EUR million. It was attributable to the development of Mail, Parcel and Logistics -segment.
  - ➢ However, within the segment, development was two-dimensional.
  - ➢ Net sales decreased both in Postal Services and in Parcel and eCommerce.
  - ➢ Logistic Solutions increased, driven by Transval acquisition.

- **Adjusted operating result** decreased by 0.3 EUR million to EUR 12.9 million (EUR 13.2 million)
  - ➢ Primarily because weakened result of Itella Russia.

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

1.5% in 2019,

but economic growth is predicted to slow down.

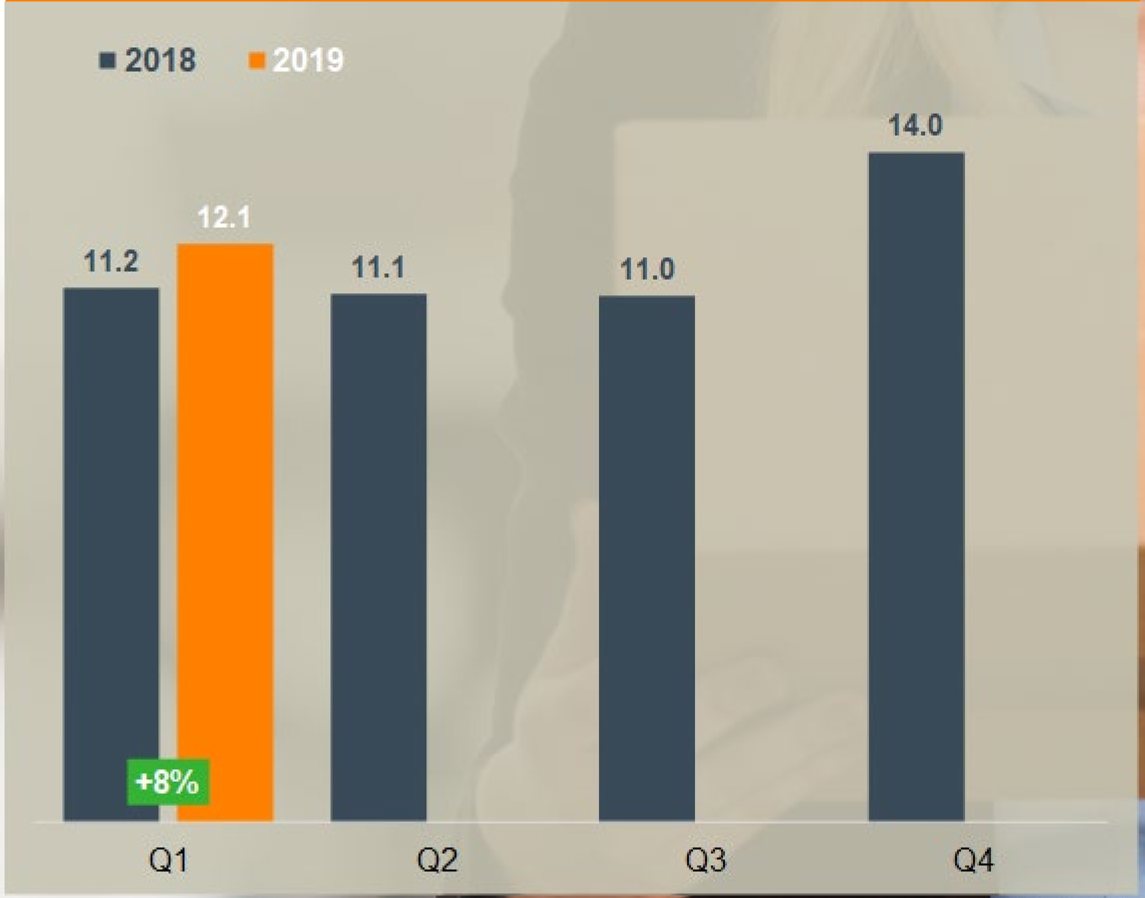
Economic growth has continued for almost three years, fueled in particular by the recovery in Finnish goods and services exports.

- 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), stated that the figures both in February and in March 2019 were decreasing.

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

Parcel volumes keep growing

Parcel volumes (million units) in Finland and in the Baltics



The number of parcels going through Posti Parcel Lockers 1–3/2019

+27 %

Parcel volume growth in Finland and in the Baltics 1–3/2019

+8 %

Freight volumes* 1-3/2019

+1 %

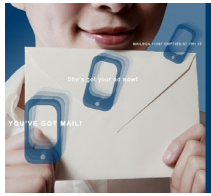
Addressed letter volumes 1-3/2019

-14 %

* The reported figure for domestic freight excludes food logistics and is measured in waybills

Good progress towards our strategic targets

- Posti continues its growth in logistics: Transval acquisition completed.
- Divestment of OpusCapita Solutions Oy completed.
- The number of parcel points increased: there are now over 1,178 parcel points.
- Posti has renewed its organization and operating model to better correspond to market needs and e-commerce growth. The new organization model came into force on January 1, 2019.
- Posti has succeeded in adapting operations to a decreasing amount of mail.



1. Keep mail relevant to customers

2. Win e-commerce play

3 Rething Logistics

4. Renew service culture – Posti Orange

5. Digitally powered to secure your service

Q1 Financials

IFRS 16 impact on Q1 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 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.

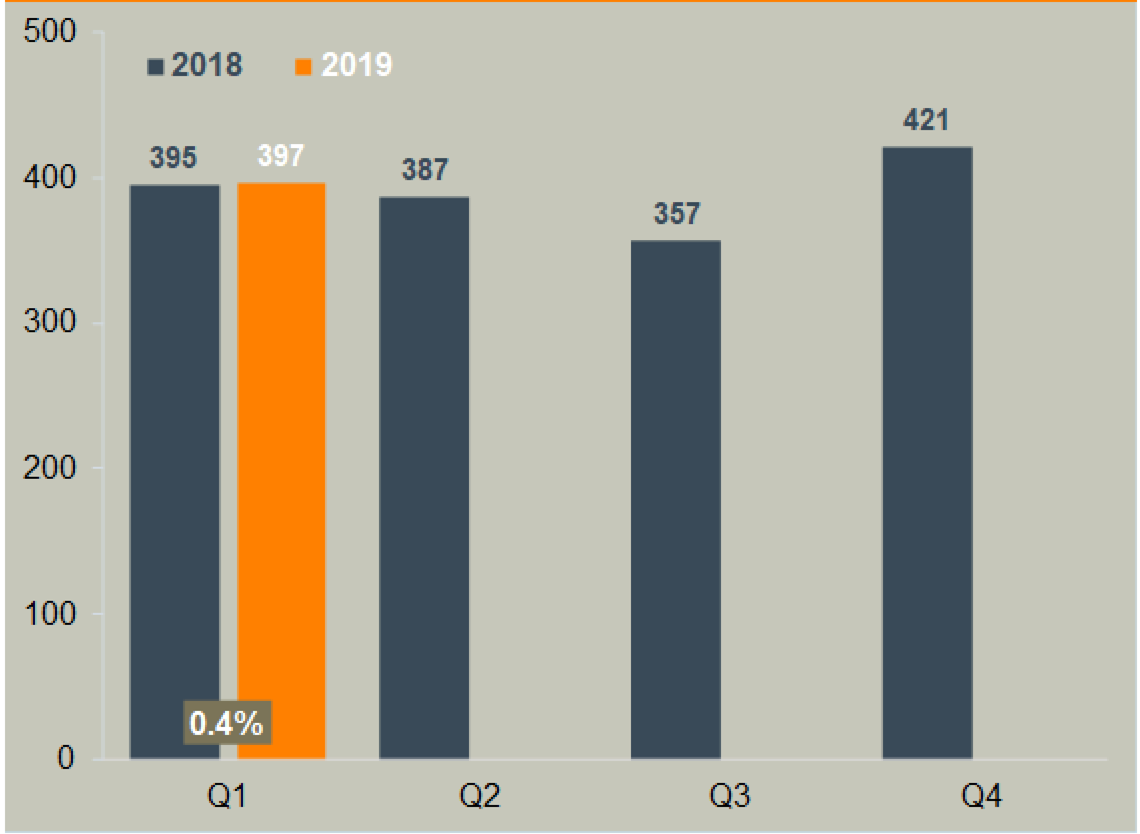
	1-3 2018	1-3 2019	Change, %	Change	IFRS 16 effect
Net sales, EUR million	**394.9**	**396.6**	**0.4 %**	**1.7**	**0.0**
Adjusted EBITDA, EUR million	**29.2**	**41.3**	**41.2 %**	**12.0**	**14.5**
EBITDA, EUR million	29.6	36.4	22.7 %	6.7	14.5
Adjusted operating result, EUR million	**13.2**	**12.9**	**-2.3 %**	**-0.3**	**0.6**
Operating result, EUR million	13.4	8.0	-40.5 %	-5.4	0.6
Result for the period, EUR million	**10.6**	**5.6**	**-47.1 %**	**-5.0**	**-0.6**
Net debt, EUR million	9.4	242.1		232.7	208.5

* continuing operations, except Net debt which is for whole group

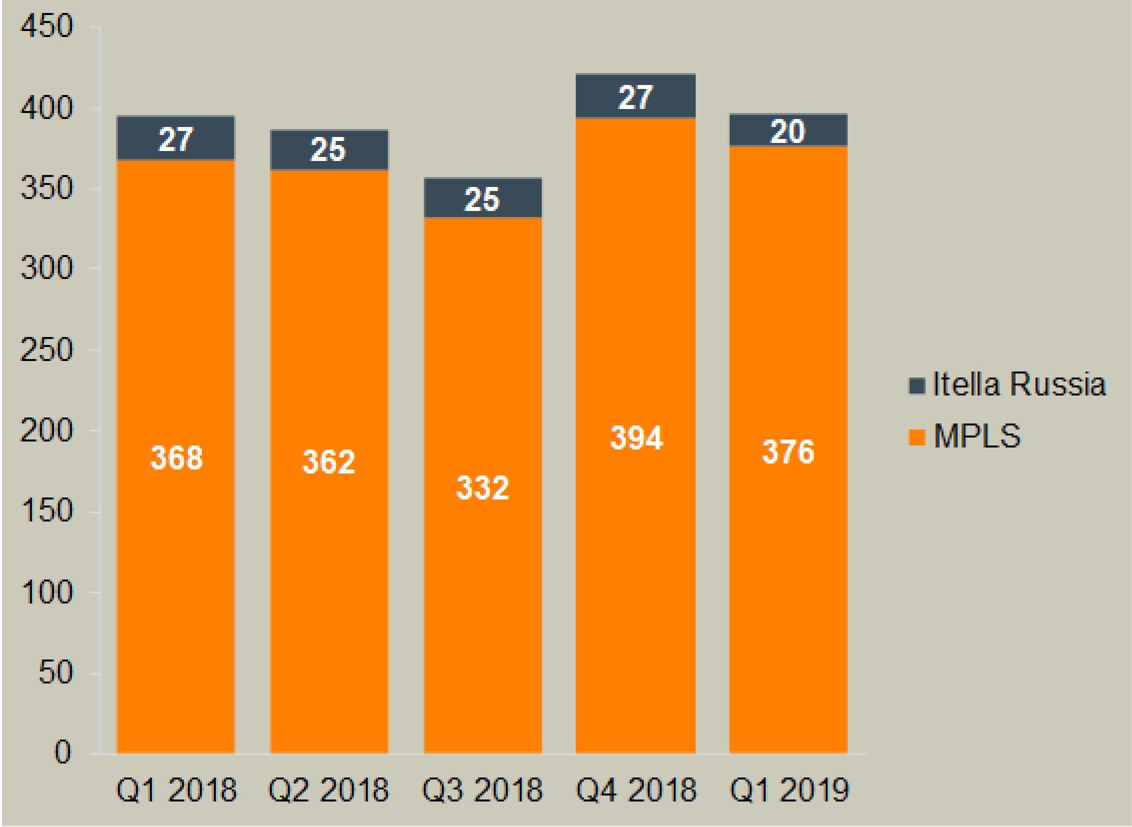
Posti Group Q1 net sales

- Q1 net sales increased by 0.4% to 397 EUR million (395 EUR million)

Group's net sales of continuing operations, EUR million



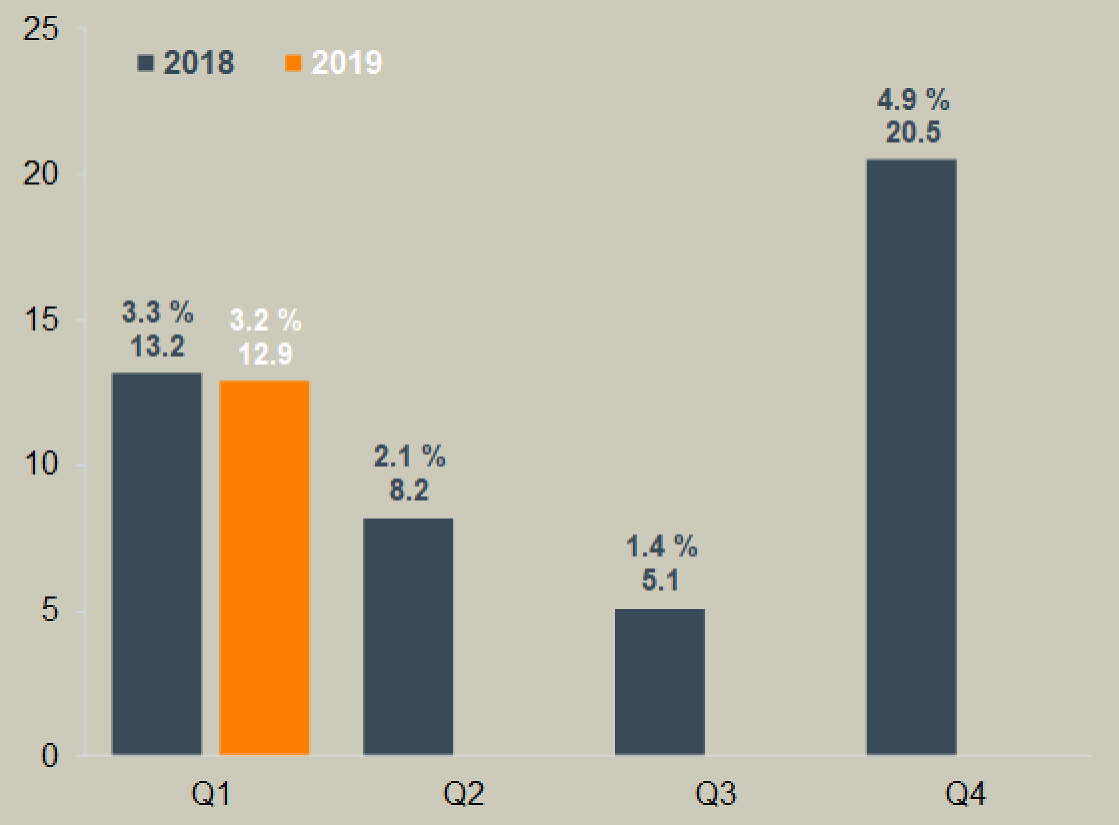
External net sales by segment of continuing operations, EUR million



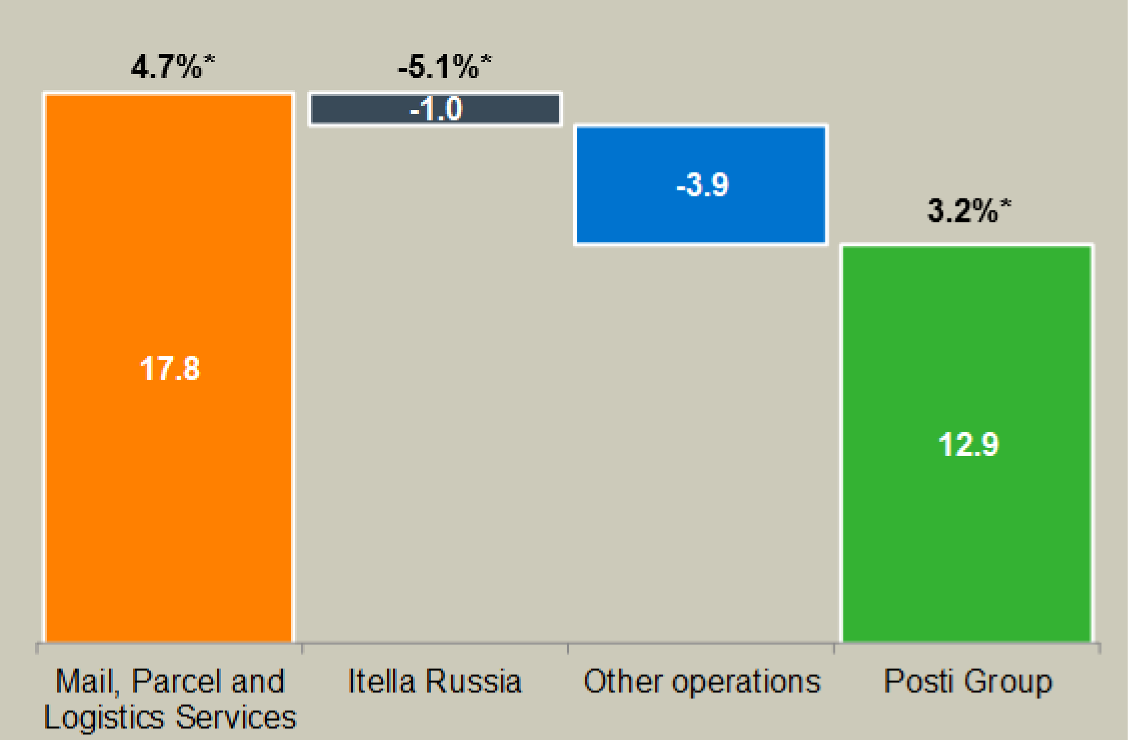
Posti Group Q1 adjusted operating result

- Q1 adjusted operating result declined by 0.3 EUR million to 12.9 EUR million (13.2 EUR million)

Group's adjusted operating result of continuing operations, EUR million and as a percent of net sales



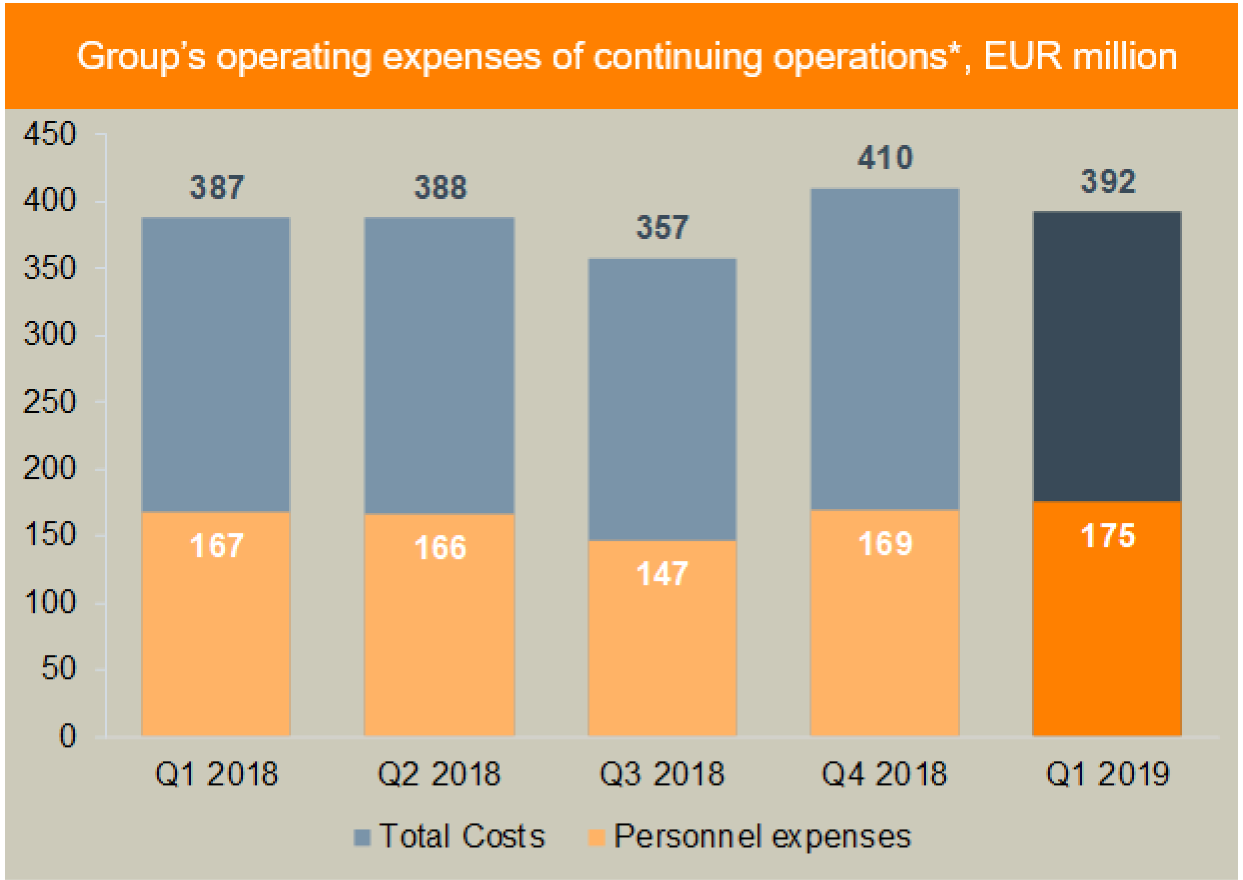
2019 Q1 adjusted operating result by segment, EUR million



* percent of net sales

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

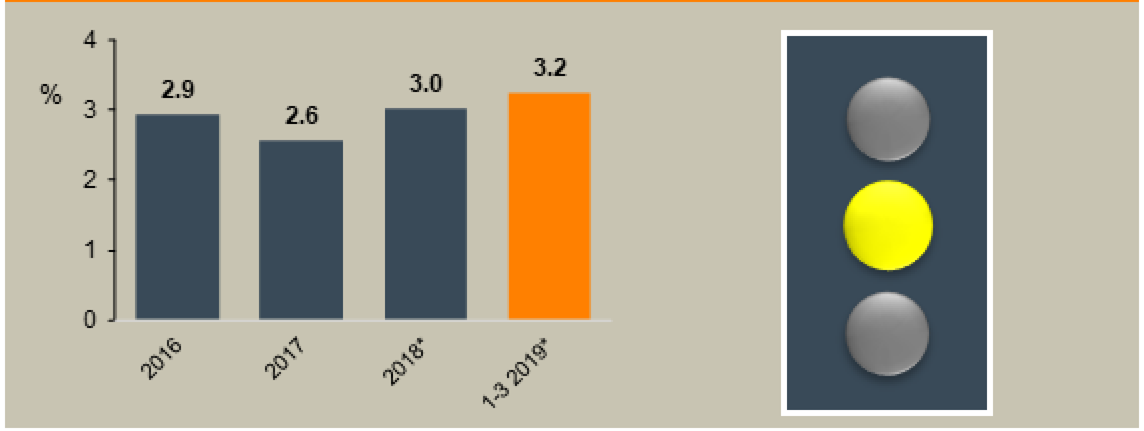


- Average number of FTE in Q1 2019 was 16,493 (16,525)

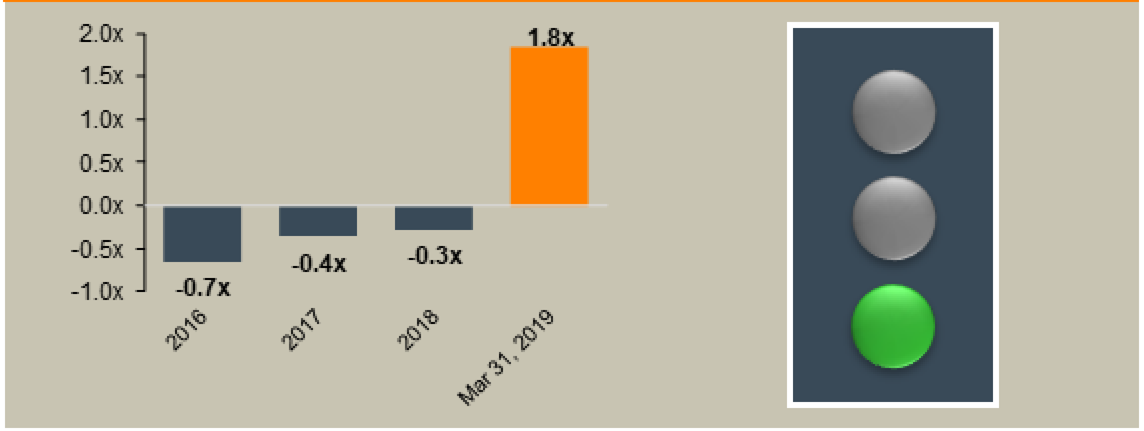
* includes depreciation and amortization, excludes impairment losses

Long term financial targets

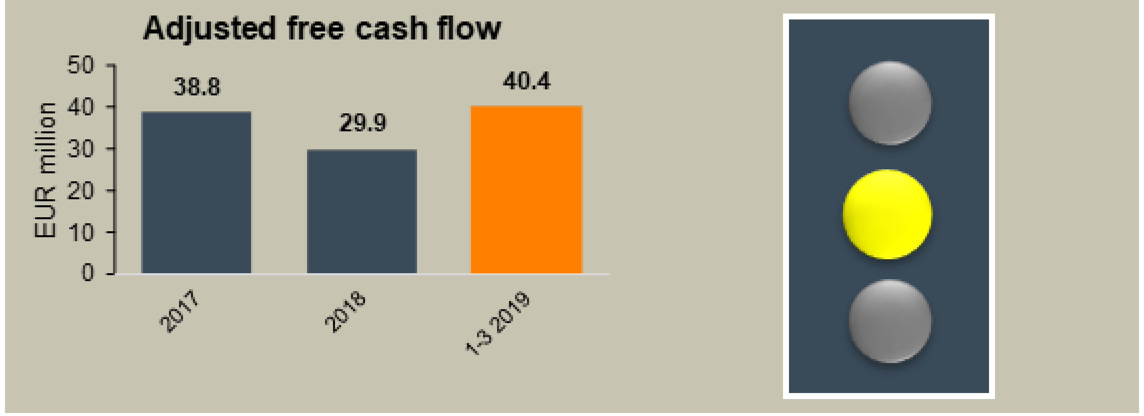
Adjusted operating result percentage 4%



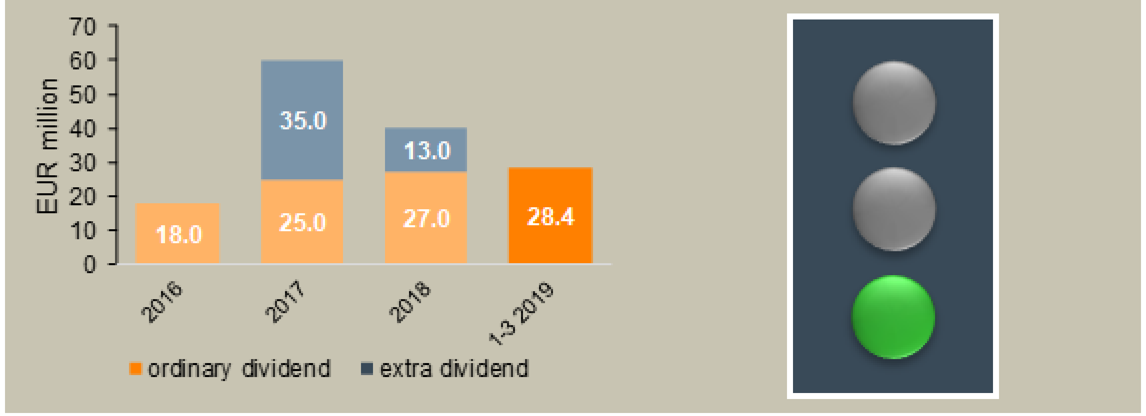
Net debt / Adjusted EBITDA** less than 2.0x



Strict management of free cash flow **



Continuously increasing ordinary dividend



* continuing operations
** Q1 2019 is not comparable with previous years due to IFRS 16

Segments

Mail, Parcel and Logistics Services Q1 key figures

EUR million	1-3 2019	% of Net sales	1-3 2018	% of Net sales
Net sales	376.4		368.3	
Net sales change, %	2.2%		1.2%	
Adjusted EBITDA	**40.5**	**10.8%**	**26.6**	**7.2%**
EBITDA	36.7	9.8%	27.1	7.3%
Adjusted operating result	**17.8**	**4.7%**	**16.0**	**4.3%**
Operating result	14.0	3.7%	16.4	4.5%

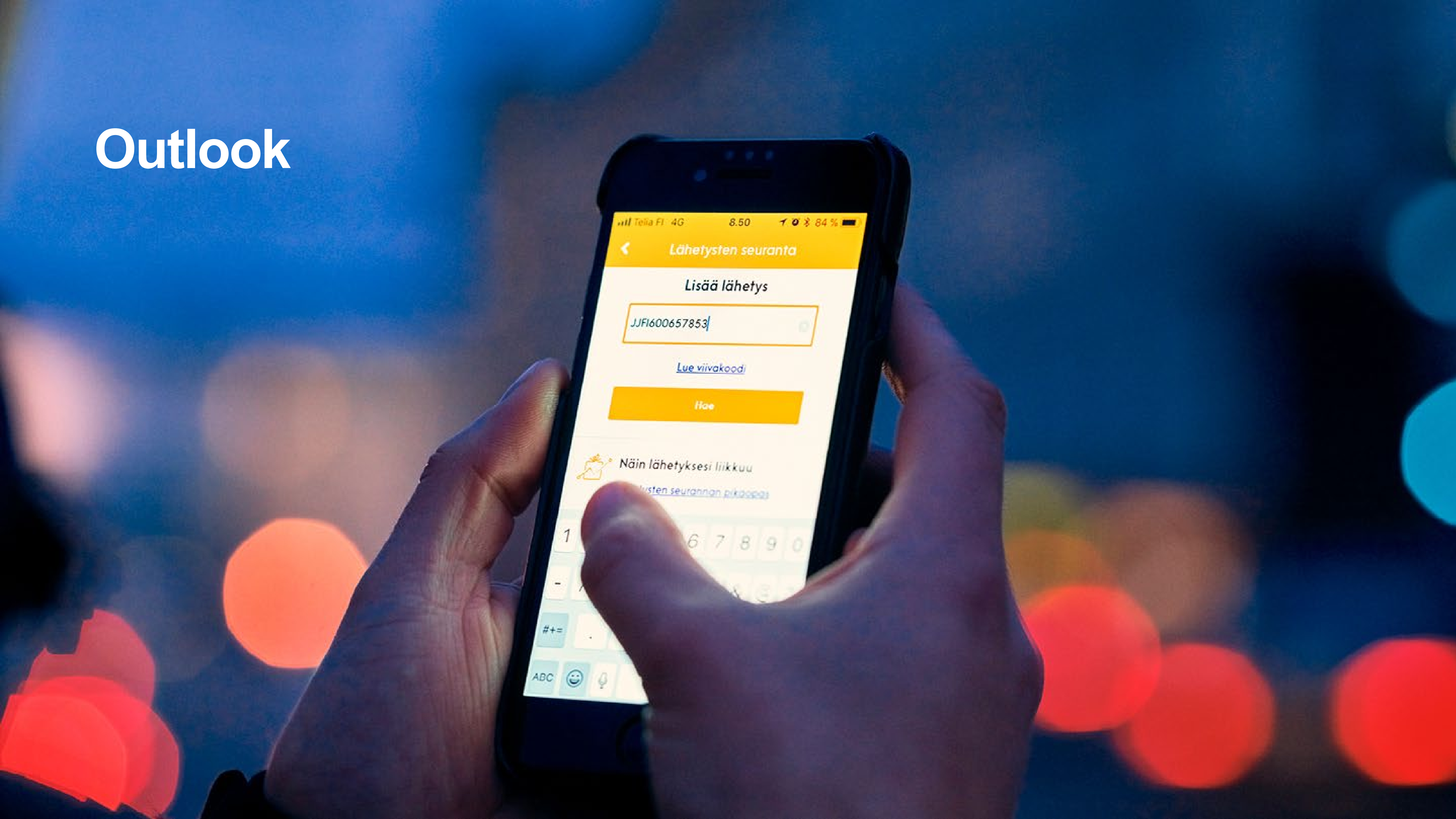
- Postal Services net sales decrease was driven by a decline in volume, which was largely mitigated by pricing, product mix and delivery speed changes.
- Parcel and Ecommerce net sales decreased slightly because of the negative development in cross-border transit volumes to Russia. However, volume development continued still on good level.
- Logistic Solutions net sales increased 22%. 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.

Itella Russia Q1 key figures

EUR million	1-3 2019	% of Net sales	1-3 2018	% of Net sales
Net sales	20.2		26.8	
Net sales change, %	-24.4%		-2.7%	
Adjusted EBITDA	**1.6**	**7.8%**	**1.0**	**3.8%**
EBITDA	1.6	7.8%	1.9	7.0%
Adjusted operating result	**-1.0**	**-5.1%**	**-0.6**	**-2.1%**
Operating result	-1.0	-5.1%	0.1	0.3%

- Itella Russia's net sales measured in local currency decreased by 19.0%.
  - 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 result was affected especially by Contract Logistics and Road Transport.

Outlook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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.