

Posti Group Oyj
Interim Report Q3/2018

**Parcel volumes
continued at a record-
high level – significant
improvement in profit
compared to last year**

Posti Group: Q3 Highlights

Parcel continued to drive growth and profitability improved compared to last year

- **Net sales** decreased by 2.5% to 369 EUR million (379 EUR million) . Net sales decreased especially in Itella Russia. The net sales was also impacted by the volume of addressed mail, which has been steadily declining due to changes in consumer behavior and rapid digitalization
- Posti's **adjusted operating result** in July-September improved by 2.2 EUR million to EUR 5.8 million (EUR 3.6 million)
- Group's **adjusted EBITDA** improved to 23.1 EUR million (22.4) EUR million.
- **Profitability** of Posti's core businesses, Mail, Parcel and Logistics Services, remained stable in the third quarter
- Itella Russia has renewed its operations determinedly, leading to **improved profitability** despite of the weakened ruble-euro exchange rate
- OpusCapita has succeeded in restructuring its operations and OpusCapita's **operating result** turned profitable in the third quarter



Business Environment and Strategy



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

Finland's gross domestic product (GDP) is forecasted to accelerate to **3.0%** in 2018, but economic growth is predicted to slow down.

The Finnish economy supports growth in e-commerce and logistics.



Posti e-commerce study:

- Finland's e-commerce activity is still lower level than in the world's most advanced e-commerce markets
- About **9% of Finns buy online once a week** - in the United States the corresponding figure is 32%
- The e-commerce growth trend continues
- The purchasing process almost always starts online
- Finnish consumers estimate that in 2025 the e-commerce will **account for 30%** of all purchases

Sources: Ministry of Finance, IPC Online ShopperSurvey, n=28 892, E-commerce Survey made by Posti Group n=2121

Parcel volumes keep growing



The number of parcels going through Posti Parcel Lockers 7-9 2018

+14 %

B2C parcel volume growth in Finland and in the Baltics 7-9 2018

+12 %

Freight volumes* 7-9 2018

+2 %

Addressed letter volumes 7-9 2018

-12 %

Good progress towards our strategic targets

- Posti continues its growth in logistics by agreeing to acquire Suomen Transval Group Oy. The closing is subject to an approval by the Finnish Competition and Consumer Authority.
- The number of parcel points increased. Posti has a total of 1 658 service points in Finland, of which 757 are parcel points.
- The number of parcels going through parcel points grew by 14%.
- Posti is renewing its organization and operating model to better correspond to market needs and e-commerce growth
- Posti's new OmaPosti electronic mailbox exceeded the million-user limit at the beginning of October
- Posti Orange training has been arranged for a significant part of Posti's leaders. Customized service culture training has organized for Posti's and partners' drivers. By the end of the year, a digital learning environment will be available for Posti's personnel.
- Posti has succeeded in adapting operations to a decreasing amount of mail.

STRATEGIC TARGETS

Keep mail relevant to customers

Win e-Commerce play

Posti Orange stands for renewed service culture

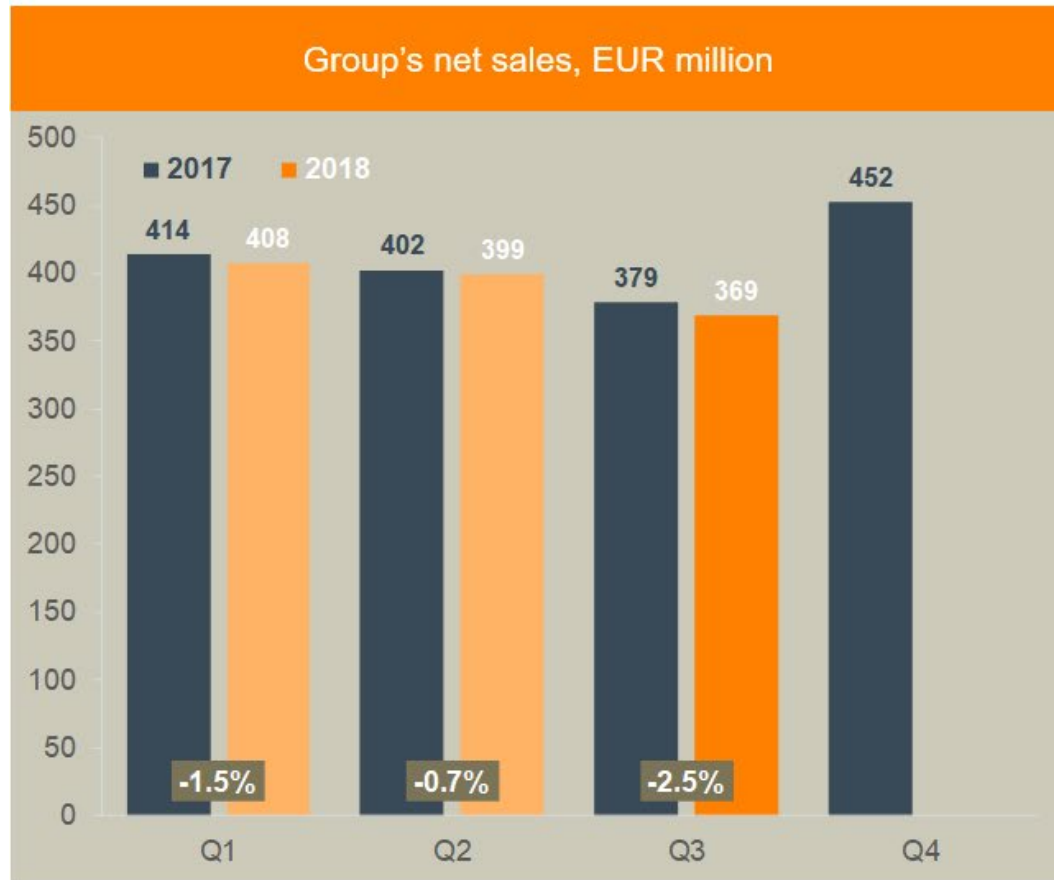
Digitally powered to secure your service delivery

Q3 Financials



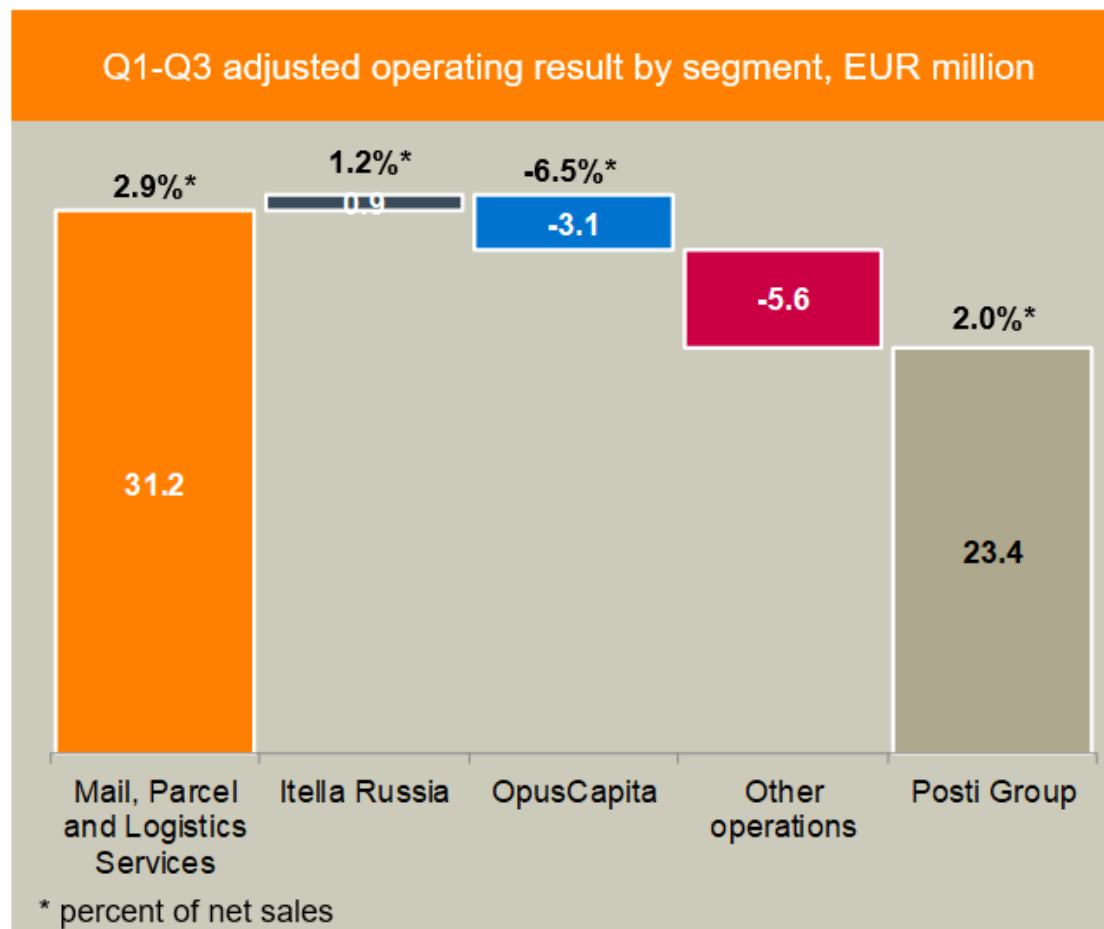
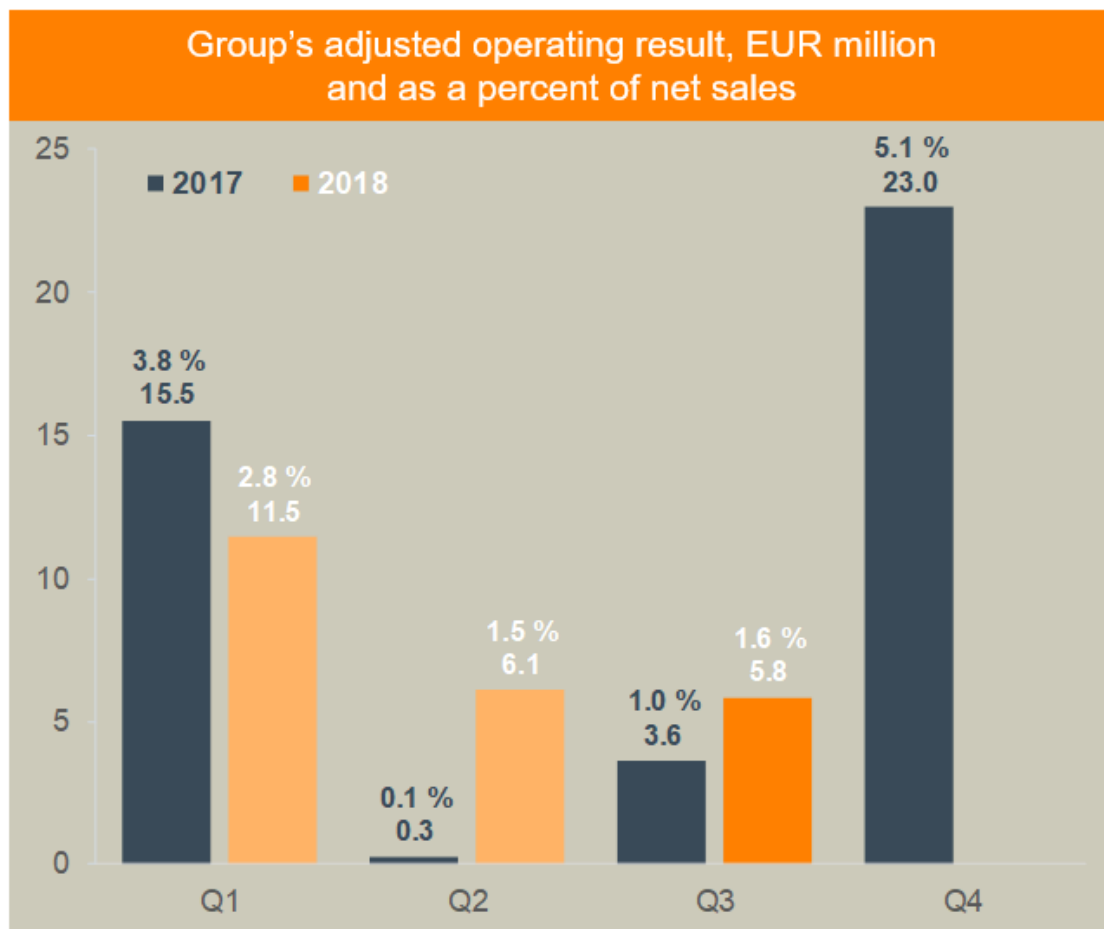
Posti Group Q3 net sales

- Q3 net sales declined by 2.5% to 369 EUR million (379 EUR million)



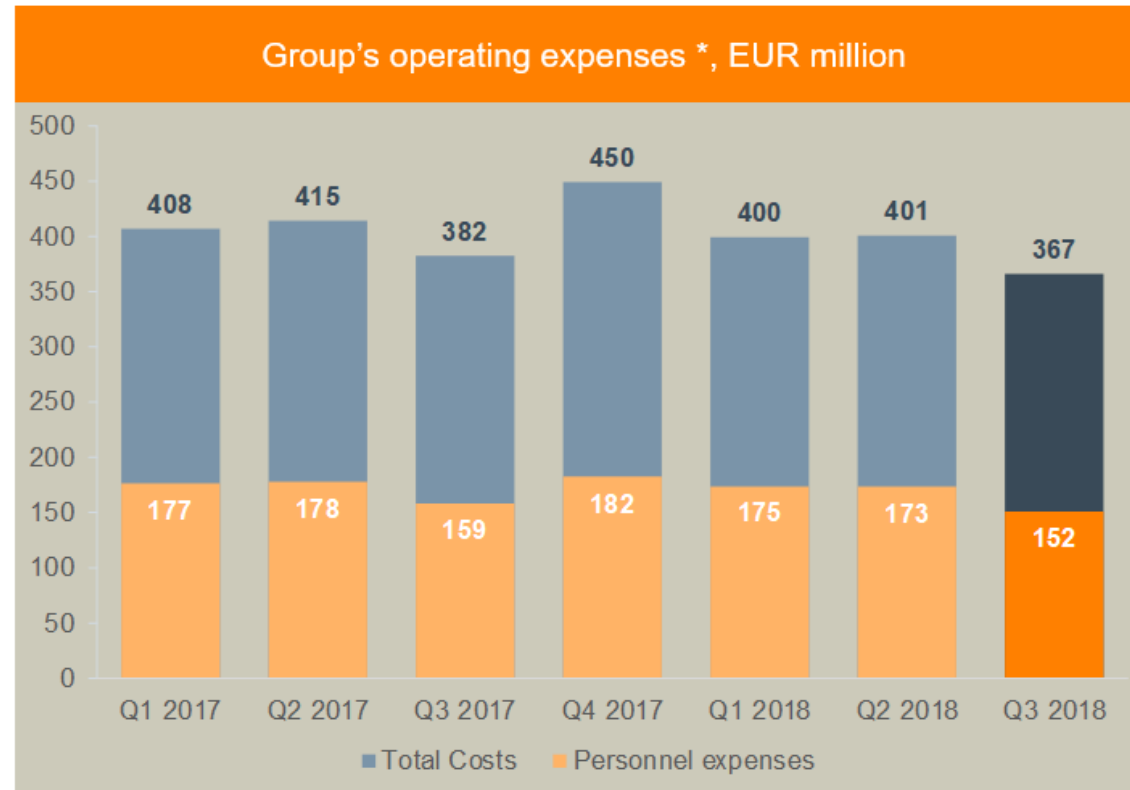
Posti Group Q3 adjusted operating result

- Q3 adjusted operating result improved by 2.2 EUR million to 5.8 EUR million (3.6 EUR million)



Posti's total costs structure trend

- Cost structure is lower than in the comparison period
- Declining mail volume needs to be off-set by cost structure development

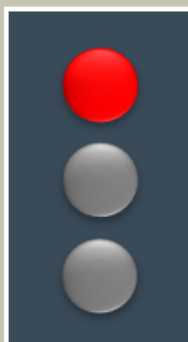
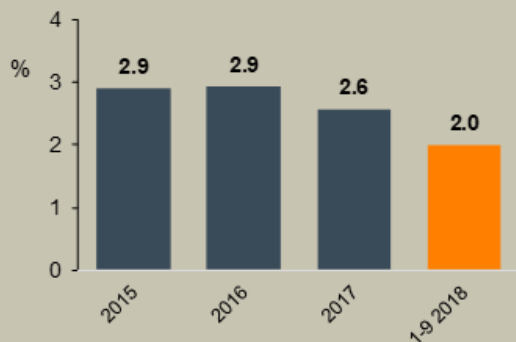


- Average number of FTE in Q3 2018 was 16,788 (18,194)

* includes depreciation and amortization, excludes impairment losses

Long term financial targets

Adjusted operating result percentage 4%

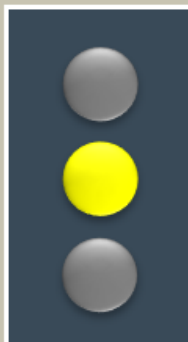
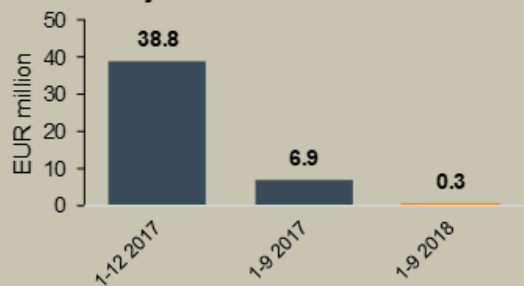


Net debt / Adjusted EBITDA less than 2.0x

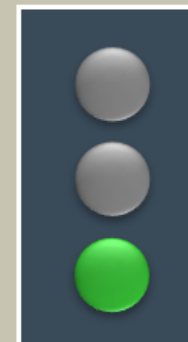
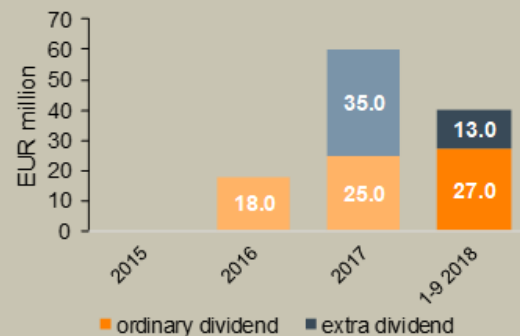


Strict management of free cash flow

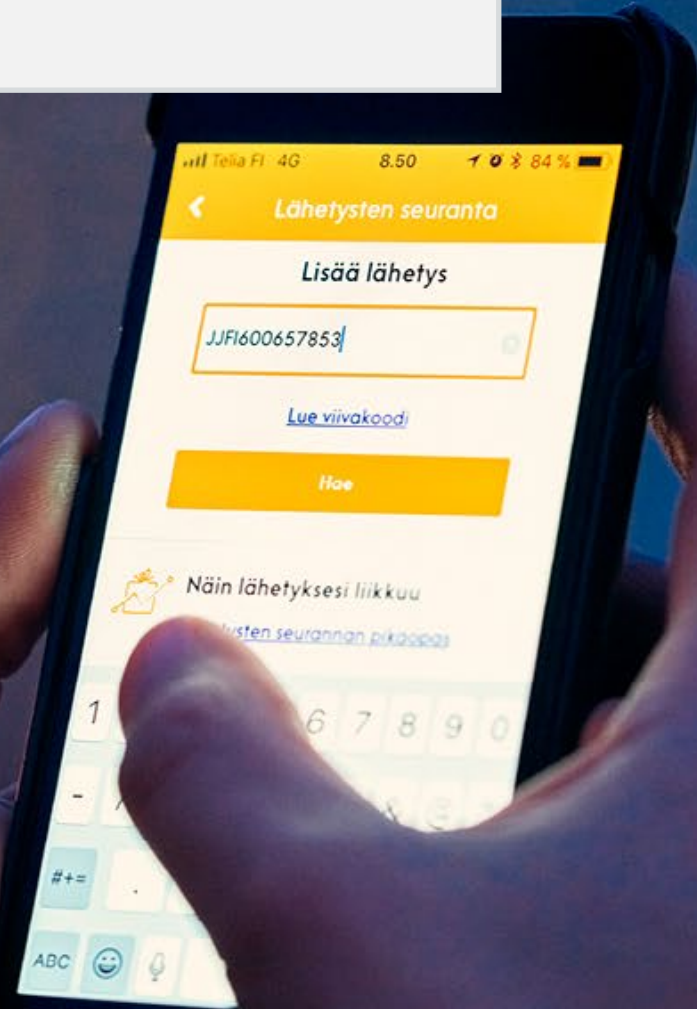
Adjusted free cash flow



Continuously increasing ordinary dividend



Outlook



Outlook for 2018 (remained unchanged)

- The net sales in 2018 are expected to remain on a par with 2017 or to decrease slightly. The Group's adjusted operating result is expected to remain on a par with 2017 or decrease slightly.
- Capital expenditure, excluding acquisitions and disposals, is expected to decrease slightly.
- 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. The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.



posti