

Posti Group's parcel volumes rose to a record level in Q4/2017

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October–December 2017

Financial highlights

- The Group's net sales decreased by 0.9% to EUR 452.3 (456.5) million.
- The Group's adjusted EBITDA declined to EUR 40.9 (43.0) million, 9.0% (9.4%).
- The Group's EBITDA declined to EUR 22.9 (38.6) million, 5.1% (8.4%).
- The adjusted operating result improved to EUR 23.0 (22.7) million, or 5.1% (5.0%) of net sales.
- The operating result declined to EUR 5.0 (14.2) million, or 1.1% (3.1%) of net sales. For the Group's Russian operations, a provision of EUR 18.2 million was recognized in relation to lease agreements for warehouses to be closed.

Operational highlights

- The combined parcel volume of Finland and the Baltic countries increased by 11%, with 18% of this growth coming from consumer (B2C) parcels. Measured in waybills and excluding food logistics, Posti's domestic freight grew by 8%. The number of addressed letters decreased by 10% in Finland.
- Mail items covered by the universal service obligation accounted for 9.4% (9.2%) of all of Posti's mail items. The Christmas season has a significant

impact on the volume of items.

- The number of working days was 62 (63). The Group's volumes, net sales and result are partly dependent on the number of working days, which affects both year-on-year comparisons and comparisons between consecutive quarters.
- The EUR 100 million bond issued in 2011 was paid off in its entirety in December.

Year 2017

Financial highlights

- The Group's net sales grew by 2.5% to EUR 1,647.0 (1,607.6) million.
- The Group's adjusted EBITDA declined to EUR 118.6 (126.7) million, 7.2% (7.9%).
- The Group's EBITDA declined to EUR 83.7 (116.0) million, 5.1% (7.2%).
- The adjusted operating result declined to EUR 42.4 (47.1) million, or 2.6% (2.9%) of net sales.
- The operating result declined and amounted to EUR -27.5 (30.7) million, representing -1.7% (1.9%) of net sales. In conjunction with the restructuring of OpusCapita, the Group recognized impairment of goodwill in the amount of EUR 33.9 million. For the Group's Russian operations, a provision of EUR 18.2 million was recognized in relation to lease agreements for warehouses to be closed. In addition, provisions of EUR

0.5 million made in previous years were reversed. The divestment of OpusCapita's Finance and Accounting Outsourcing business and related subsidiaries had a non-recurring negative effect of EUR 10.1 million on the operating result.

- The cash flow from operating activities was EUR 96,0 (63,1) million.

Operational highlights

- The combined parcel volume of Finland and the Baltic countries increased by 9%, with 12% of this growth coming from consumer (B2C) parcels. Measured in waybills and excluding food logistics, Posti's domestic freight grew by 8%. The number of addressed letters decreased by 10% in Finland.
- The net sales of Parcel and Logistics Services exceeded the net sales of Postal Services for the first time in the third quarter, which reflects the transformation of the market.
- Posti began the construction of a 26,000 m² freight terminal on Suokalliontie in Vantaa, Finland. The terminal will be completed in summer 2018.
- Parliament has decided that the Finnish State can decrease its ownership in Posti Group Corporation, but its share of ownership must remain at 50.1 percent at a minimum. With a separate decision by the Government plenary session, 49.9 percent of the ownership of Posti Group Corporation can be transferred to Vake Oy, a state-owned development company, with the other 50.1 percent remaining in the State's direct ownership.
- In September, the Helsinki Court of Appeal issued a positive ruling for Posti in a case concerning the compensation of value added taxes. Five of the plaintiffs in the case have requested the Supreme Court for leave to appeal.
- Service Sector Employers Palta and the Finnish Post and Logistics Union PAU concluded negotiations in September on a new collective agreement for the mail communications and logistics industry that was approved by the Boards of Directors of both parties. The new collective agreement entered into force on November 1, 2017, and will remain valid until October 31, 2019.
- Posti's structural transformation continued:
 - In January, Posti acquired HR Hoiva Oy (now known as Posti Kotipalvelut Oy), a provider of home care and personal assistance services to municipalities, joint municipal authorities and private customers. In April, Posti and Solemo Oy established Flexo, a joint venture that provides in-house logistics services.
 - In May, Posti's subsidiary OpusCapita announced that it will sell its Finance and Accounting Outsourcing business to Longship AS, a Norwegian private equity investor. The transaction was finalized in September. Posti acquired the personal assistance business of SOL Henkilöstöpalvelut Oy in the summer.
 - Also in the summer, Posti strengthened its early-morning delivery by acquiring the early-morning delivery operations of Kaakon Viestintä and merging Posti's early-morning delivery operations into a newly established subsidiary, Posti Palvelut Oy.
 - OpusCapita acquired the

Switzerland-based company Billexco AG on July 13, 2017.

- OpusCapita's sending of documents and invoices as well as the digitizing operations in Finland were transferred to Posti's Mail, Parcel and Logistics Services segment effective from October 1, 2017. Following the transfer, the OpusCapita segment now consists of the Buyer-Supplier Ecosystem business.
- Mail items covered by the universal service obligation accounted for 5.5% (5.6%) of all of Posti's mail items.
- The number of working days was 251 (253).

Outlook

The euro-denominated net sales in 2018, excluding possible acquisitions and divestments, are expected to remain on par with 2017. The Group's adjusted operating result, excluding possible acquisitions and divestments, is expected to remain on par with 2017 or decrease slightly. Capital expenditure, excluding possible acquisitions, is expected to remain on par with 2017.

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.

Figures in brackets refer to the comparison period, i.e. the same period last year, unless otherwise stated.

Posti 2017 Key Figures

Heikki Malinen, President and CEO:

"In many ways, 2017 was a significant milestone for Posti on our path of renewal. The Postal Act reforms that entered into force last year promote the goal of extending the life cycle of traditional communication, while the new two-year collective agreement and the reform of early-morning delivery provide long-term stability in a period when the business environment is undergoing a difficult transformation. Our quality program and the renewal measures we implemented during the year lifted the quality in our operations as a whole to a high level. Our performance during the crucial Christmas season was excellent, and we hit daily, weekly and monthly volume records in parcel deliveries.

Last year, we also took significant steps in the development of our businesses and services by updating our strategy. Since 2013, Posti has systematically shifted its focus to our core activities, namely mail and logistics services. The cornerstones of our strategy now consist of four key goals: win e-commerce play, keep mail relevant to

customers, renew service culture, and digitally powered to secure your service delivery.

The past year was very encouraging in highlighting how the new strategy presents Posti with broader growth opportunities in parcel and logistics services as the transformation of commerce goes on and consumer behavior continues to change. Strong growth in e-commerce saw us deliver about 37 million parcels in Finland last year, more than ever before. Consumer parcel growth was 12% and international parcel growth was 19%. Another positive sign was the freight volume increasing by 8%. We estimate that the volume of e-commerce will continue to grow in Finland this year by approximately 10%, and we will open new Posti Parcel Lockers to support this growth.

The Group's net sales increased by 2.5%, driven by parcel and logistics services. Also worth noting was that the adjusted operating result of Mail, Parcel and Logistics Services showed a substantial year-on-year improvement in the fourth quarter. The Group's adjusted operating result for the full year was EUR 42.4 million.

In spite of the divestment of operations, Posti's capital expenditure for the year remained high at EUR 73 million. We will continue to invest in digital services, increased automation and improving the competitiveness of our core business. One example of these investments is the new freight terminal in Vantaa. It will be the largest freight terminal in Finland and it is scheduled to be completed in 2018 at a cost of more than EUR 30 million. Relying on its comprehensive delivery and terminal

network, Posti will enhance its capacity to provide services to the grocery, consumer goods and food production industries. Acquisitions remain a potential avenue for implementing the strategy, but only if they strengthen the Group's core business.

We carried out restructuring measures in the OpusCapita segment during the year by divesting the Finance and Accounting Outsourcing business and transferring the sending of documents and invoices as well as OpusCapita's digitizing operations in Finland to Posti's Mail, Parcel and Logistics Services segment. OpusCapita will focus on global solutions for sourcing, payment and cash management.

In the Itella Russia segment, we will continue to increase operational efficiency in order to improve profitability. Itella Russia is moving in the right direction, with net sales increasing by 5% in October–December and adjusted EBITDA amounting to EUR 1.6 million.

I would like to thank all of our customers and partners for their trust in Posti. A warm thank to our employees for their strong performance and important work to ensure a smoother everyday life for our customers. We are working together with our personnel on the renewal of our service culture, which will further improve our customer experience as well as our employee experience."

APPENDICES

[Posti Group's Financial Statements Release in full \(PDF\)](#)

Source: [Posti](#)