

ANNUAL REPORT



posti^{ti}

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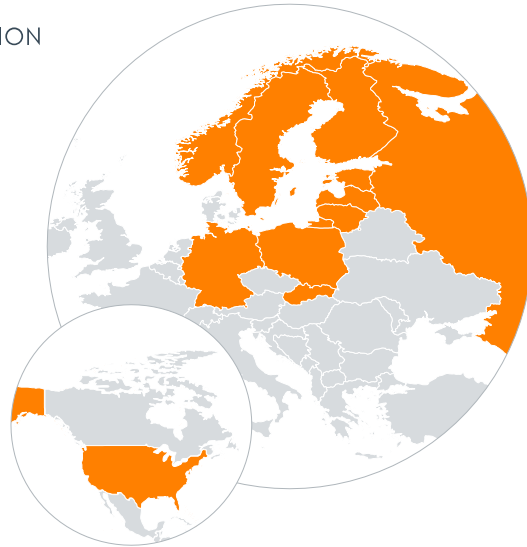
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This is Posti

Posti is a service provider that delivers the smartest and most customer-focused postal and logistics services in the market. Posti is expanding into new service areas and playing an increasingly significant role in the daily life of its customers.

COUNTRIES OF OPERATION

- Finland
- Russia
- Sweden
- Norway
- Poland
- Germany
- Estonia
- Latvia
- Lithuania
- United States



Our net sales in 2016 amounted to EUR 1,608 million. Our customers are served by 20,500 professionals.

Our history spans nearly 400 years. Posti Group is owned by the state of Finland. Our key customer industries are trade, services and media.

Vision

Our vision is to be the customers' first choice in postal, logistics and e-commerce services.

Mission

Our mission is to manage the flow of commerce and everyday life.

Values

Succeeding together with the customer

- We provide added value for the customer in everything we do.
- We proactively provide services and solutions based on excellent understanding of the customer's business.
- We serve customers as One Posti through our entire service chain.
- We work close to the customer.

Driving for improvement and innovation

- We are open minded towards change and development.
- We build on our strengths and welcome new ideas to enhance our profitability.
- We continuously learn and grow both as individuals and as a company.
- We execute changes thoroughly; we communicate openly, learn from experiences, and adjust when needed.

Taking responsibility

- We commit to decisions and make them happen.
- We keep our promises to each other to fulfill our commitment to the customer.
- We are trustworthy and base our business on reliability.
- We care for our people, the environment, and society.

Winning together

- We work together to reach our common goals.
- We share information and best practices.
- We are team players and respect each other.
- We are proud of Posti and our work.

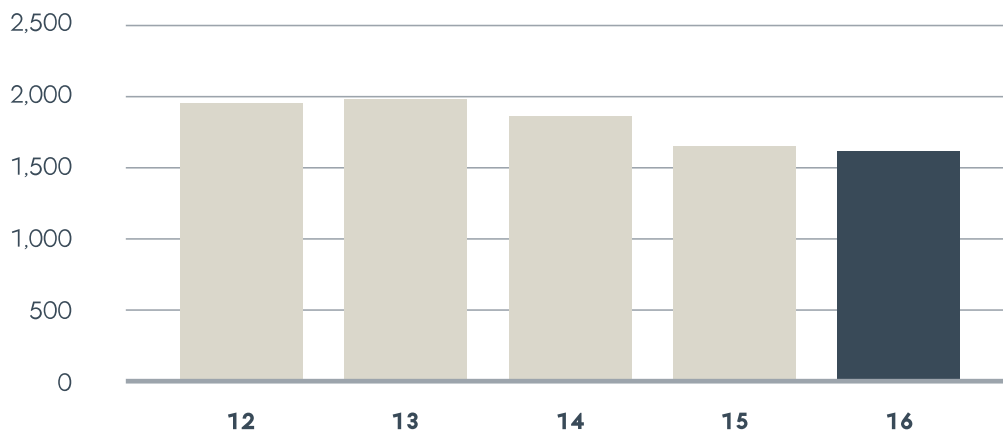
Strategy

Posti aims to be the first choice for its customers as the provider of postal and logistics services in 2018. The most important financial target for Posti is to maintain good profitability. Posti's strategic goals are targeted at renewing Posti and improving profitability in new services.

[Read more about Posti's strategy.](#)

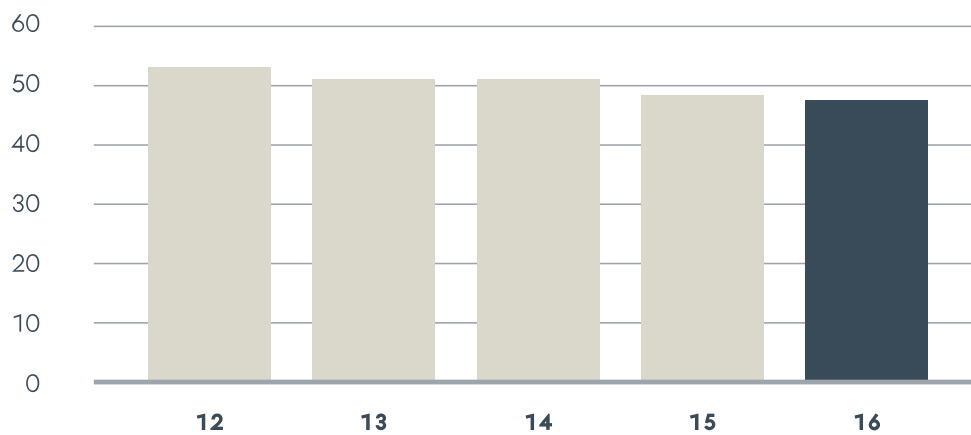
Net sales

EUR million



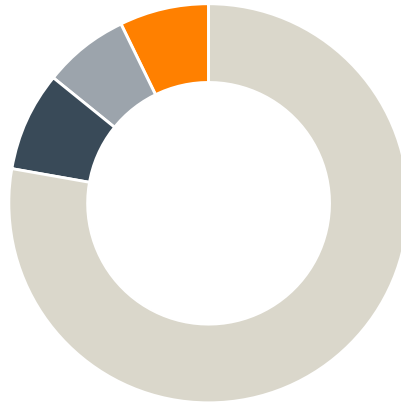
Adjusted operating result

EUR million



Net sales by geographical area 2016

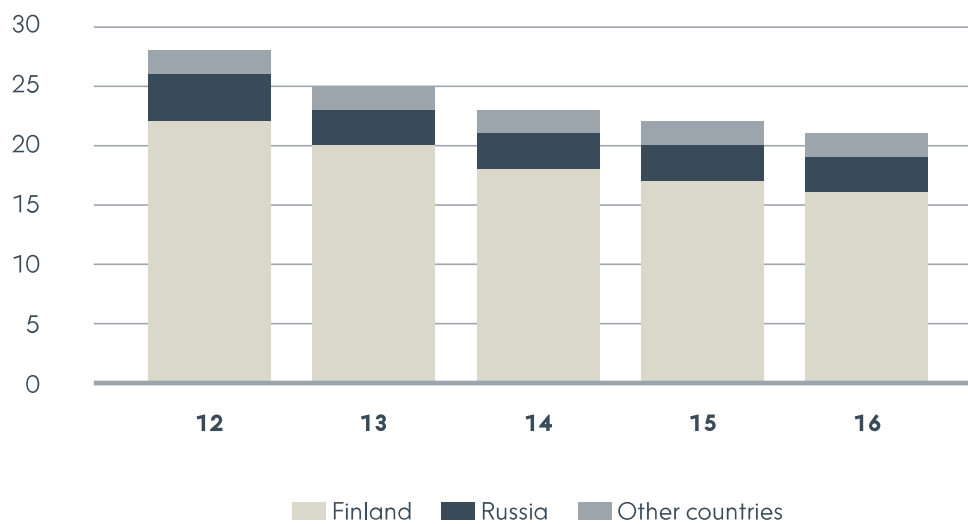
%



■ Finland 78% ■ Scandinavia 8% ■ Russia 7% ■ Other countries 7%

Development in the number of personnel

1,000 persons



■ Finland ■ Russia ■ Other countries

President and CEO's review



Posti has played a central role in the daily life of Finnish society for nearly 400 years. The postal service began to take its current form in the 1800s. At its peak, Posti delivered more than three billion items per year. Today, however, Posti finds itself at a turning point, facing a new beginning.

What does the Posti of today look like? Posti is the largest private-sector employer in Finland. Posti has more than 20,000 employees and operations in 10 countries. In Finland, Posti has over 1,400 service points and delivers more than two billion items per year.

Improved economy reflected in Posti's freight and parcel volumes

The Finnish economy began to improve towards the end of the year. The confidence indicators in all main sectors showed a rising trend. Consumer confidence also rose, particularly towards the end of the year, to a level above the long-term average. According to the Finnish Transport Agency, transport volumes in heavy traffic in Finland turned to an increase in April 2016 after a long period of decline, and they continued to increase through the latter part of the year.

The improved situation was reflected in Posti's freight and parcel volumes, which showed favorable development. Development during the year was particularly positive in the cross-border parcel trade and the B2C segment.

Posti strengthened its position in international e-commerce by establishing a network of more than 1,200 pickup points in the Baltic countries and joining DHL's European partner network, which gives Posti's customers access to pickup points in 16 European countries.

Ownership expansion would support renewal

By the Parliament's decision in June, the Finnish State can decrease its ownership in Posti Group Corporation. In accordance with the Government Resolution on Ownership Steering Policy, 49.9 percent 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 be 50.1 percent.

The potential expansion of the ownership base would significantly support renewal in this time of transformative changes in the postal industry. It would also boost the company's pursuit of new growth.

Change requires courage

We are faced with major challenges. We must cut down and build at the same time. Over the past few years, we have been forced to reduce thousands of jobs due to production-related and economic reasons and eliminate unprofitable operations. It has been a very hard period for everyone at Posti.

Change requires courage, open-mindedness and perseverance, as well as new thinking and competence. Fortunately, Posti is full of very innovative people.

We see the care industry as an attractive area of growth. We have introduced home services to our range of services. In addition to our lawn mowing service, which received a lot of media attention, our home services help public and private home care providers be more efficient and flexible in producing their services. Posti's trump card is the fact that we visit every address on every weekday. This gives us the opportunity to efficiently deliver other services that support living at home. We are already delivering meals on a daily basis to consumers, institutions and schools in 100 municipalities.

We have made a number of acquisitions in the past few years. Most recently, we acquired Veine, a company specializing in temperature-regulated logistics, and Kuljetus Kovalainen, the leading transport company in Northern Finland. Both acquisitions increase our economies of scale and open up new opportunities related to, for example, the delivery of food, beverages and medicines. In OpusCapita, we acquired a German software company jCatalog to strengthen our buyer-supplier ecosystem offering.

Developing Posti's competitiveness and profitability will continue to require substantial investments in areas such as delivery automation, digitization, infrastructure maintenance and acquisitions.

The Postal Act must be made more flexible

The Postal Act amendments drafted by the Ministry of Transport and Communications in 2016 were submitted to the Parliament in early 2017. This second phase of Postal Act reforms is intended to eliminate outdated legislative provisions in the spirit of deregulation and to adjust Posti's universal service obligation in response to digitization and current customer needs. This is absolutely essential as digitization is moving ahead irreversibly. In the coming years, the Finnish State plans to reduce the use of paper mail by moving official services online, making the need for postal reform even more urgent.

It is important for Posti to be able to flexibly adjust its capacity to the declining letter delivery volumes. Amendments made to the Postal Act last year allow Posti's competitors to deliver letters anywhere at any time, with no delivery obligations. In spite of these amendments, the existing legislation requires that Posti fulfill its five-day universal service obligation despite the fact that the average Finn receives only 11 letters covered by the obligation per year. Combined with declining delivery volumes, these regulations and free competition are bound to lead to very expensive and cost-ineffective delivery.

Finally, I would like to thank our personnel, customers and business partners for their excellent cooperation during the year.

Heikki Malinen
President and CEO

Key figures

Key figures of Posti Group

	2016	restated 2015*	restated 2014*
Net sales, MEUR	1,607.6	1,649.1	1,867.1
Adjusted EBITDA, MEUR	126.7	128.2	145.1
Adjusted EBITDA, %	7.9	7.8	7.8
EBITDA, MEUR	116.0	147.2	104.0
EBITDA, %	7.2	8.9	5.6
Adjusted operating result, MEUR	47.1	47.6	58.6
Adjusted operating result, %	2.9	2.9	3.1
Operating result, MEUR	30.7	54.8	13.5
Operating result, %	1.9	3.3	0.7
Result before taxes, MEUR	29.5	42.3	3.2
Result for the period, MEUR	23.2	35.1	1.8
Cash flow from operating activities	63.1	81.9	93.2
Return on equity, % (12 months)	3.9	6.2	0.3
Return on invested capital (12 months), %	5.1	6.4	1.9
Equity ratio, %	54.9	46.9	45
Gearing, %	-13.6	-10.9	17.9
Gross capital expenditure, MEUR	100.4	66.8	63.6
Employees on average	20,632	22,219	24,617
Dividends, MEUR	60,0**	18.0	-

*) Restated due to change in the revenue recognition principle

***) Board of Directors' proposal to the Annual General Meeting

Key Figures of Business Groups

EUR million	2016	restated 2015*	Change
Net sales			
Mail, Parcel and Logistics Services	1,321.6	1,337.8	-1.2%
Itella Russia	104.6	118.9	-12.0%
OpusCapita	240.1	256.7	-6.4%
Other operations	5.1	8.7	-41.5%
Intra-Group sales	-63.9	-72.9	
Posti Group	1,607.6	1,649.1	-2.5%
Adjusted EBITDA			
Mail, Parcel and Logistics Services	91.0	90.3	0.7%
Itella Russia	2.6	4.1	-37.7%
OpusCapita	19.1	21.6	-11.8%
Other operations	14.1	12.1	16.3%
Posti Group	126.7	128.2	-1.1%
EBITDA			
Mail, Parcel and Logistics Services	76.9	80.9	-5.0%
Itella Russia	3.9	-8.3	
OpusCapita	12.2	21.4	-43.0%
Other operations	23.1	53.2	-56.6%
Posti Group	116.0	147.2	-21.2%
Adjusted EBITDA, %			
Mail, Parcel and Logistics Services	6.9%	6.8%	
Itella Russia	2.5%	3.5%	
OpusCapita	7.9%	8.4%	
Posti Group	7.9%	7.8%	

EBITDA, %			
Mail, Parcel and Logistics Services	5.8%	6.0%	
Itella Russia	3.7%	-7.0%	
OpusCapita	5.1%	8.4%	
Posti Group	7.2%	8.9%	
Adjusted operating result			
Mail, Parcel and Logistics Services	48.7	49.2	-0.9%
Itella Russia	-4.0	-5.1	
OpusCapita	9.7	14.5	-33.4%
Other operations	-7.3	-11.0	
Posti Group	47.1	47.6	-1.1%
Operating result			
Mail, Parcel and Logistics Services	34.6	38.7	-10.5%
Itella Russia	-2.7	-25.0	
OpusCapita	-1.4	13.3	
Other operations	0.2	27.8	-99.1%
Posti Group	30.7	54.8	-44.0%
Adjusted operating result, %			
Mail, Parcel and Logistics Services	3.7%	3.7%	
Itella Russia	-3.8%	-4.3%	
OpusCapita	4.0%	5.7%	
Posti Group	2.9%	2.9%	

Operating result, %		
Mail, Parcel and Logistics Services	2.6%	2.9%
Itella Russia	-2.6%	-21.0%
OpusCapita	-0.6%	5.2%
Posti Group	1.9%	3.3%

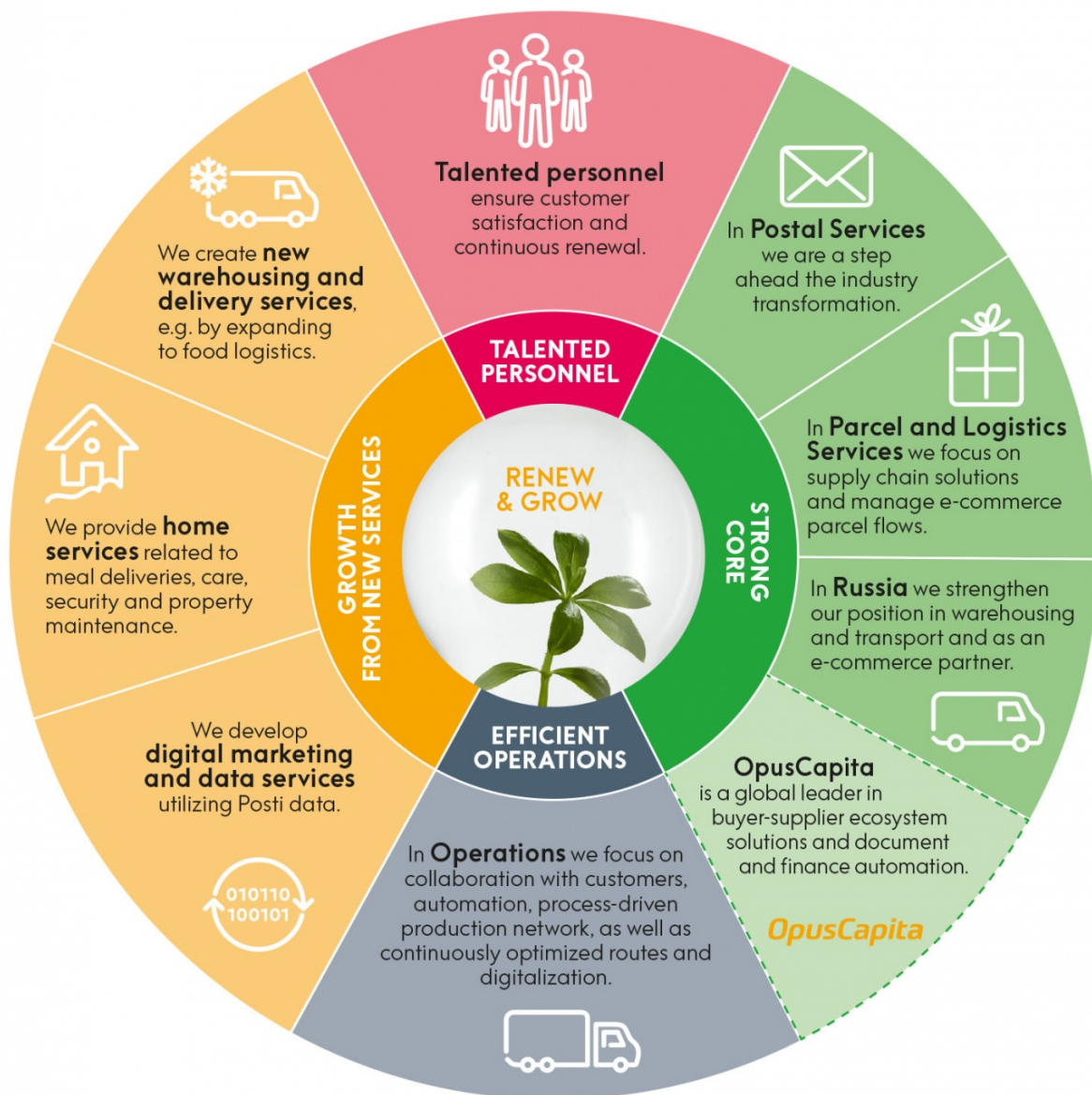
*) Restated due to change in the revenue recognition principle

Strategy

Posti aims to be the first choice for its customers as the provider of postal and logistics services in 2018. The most important financial target for Posti is to maintain good profitability. Posti's strategic goals are targeted at renewing Posti and improving profitability in new services.

Strategy 2016-2018

We are Customers' first choice postal & logistics service provider in Finland, Baltics and Russia



Operating environment

Delivery volumes are continuing to decline due to digitization, and competition is becoming more intense. The future development and profitability of our company depend to a large extent on the content of the new Postal Act and the universal service obligation. A universal service must maintain the margins required by normal business while also responding to changing times and customer needs.

The rapid growth of e-commerce is continuing and, as a result, logistics services related to e-commerce are seeing continued growth in spite of the challenging economic climate. Competition is very intense and this area will see new international partnership networks built in the coming years. Thanks to our strong market position in Finland and Russia, we are very well positioned to participate in globally strong networks.

In spite of the tight competitive situation, we also have many opportunities for profitable growth in other areas of logistics. Temperature-regulated transport, consumer goods logistics, services for the ageing population and other home services, large-scale warehouse outsourcing and the comprehensive management of customers' logistics chains are examples of such opportunities.



While Russia can be seen as a challenge today, it also represents a long-term opportunity. A particularly promising area is e-commerce from China and other Asian countries to Russia. Finland as a country and Posti as a company are very well positioned to take advantage of the related growth opportunities in the logistics market. We already have interesting projects with major Asian e-commerce operators.



All of these changes will require major investments in the coming years, such as increased automation, particularly in sorting, as well as maintenance, basic renewal measures, new businesses, expanding current businesses and carrying out acquisitions.

In OpusCapita's operating environment for example analytics and IoT (Internet of Things) automate the ordering of goods and services. Purchase orders, goods receipts, catalogs and contracts all converge and reduce the need for invoices. Suppliers are able to link pricing algorithms to inventory systems, commodity prices and foreign exchange rates, allowing them, in real time, to automate the response to customer requests for quote.

Machine learning allow participants with access to proprietary transactional data to gain long-term competitive advantage. Blockchain is a revolutionary technology set to disrupt everything from supply chain transactions to digital assets. Payment Services Directive 2 will allow for new payment systems to evolve that will support payment terms to become the new competitive advantage.

Strategic goals

Posti's strategic focus areas for 2016–2018:

We will be one step ahead of the transformation of the postal industry. We will have a leading position in postal services, home services and digital marketing services. Our aim is to extend the lifecycles of our services.

In parcel and logistics services, we will be the market leader and the first choice for logistics and e-commerce services in Finland and the Baltic countries. Our focus will be on supply chain solutions, and we will manage international e-commerce parcel flows. We seek growth in areas such as food logistics and through new industry solutions, acquisitions and partnerships.

In Russia, we are the market leader in contract logistics, and we have a strong position in road, air and sea freight and final delivery. We will strengthen our warehouse and transport business and grow as an e-commerce partner. We will seek growth in the pharmaceutical and food sectors and strengthen our expertise in the home delivery of parcels with the help of the MaxiPost company. E-commerce is also expanding in Russia and we want to be involved in its growth.

The objective of **OpusCapita's** strategy is to make the company a leader in the global buyer-supplier ecosystem. OpusCapita is already one of the leading electronic invoicing networks in the world and the market leader in the Nordics. The aim is to further strengthen OpusCapita's position in the consolidating Nordic market while transforming printed transactions to digital. The finance and accounting outsourcing business continues to enhance the automation and robotics capabilities in order to provide value-add to customers and strengthen its operations in Northern Europe.

Posti has access to an efficient, digitized nationwide production network that is managed skillfully and that will serve as the foundation of our growth. We focus on constantly improving our cost structure and quality. We develop our operations with skillful management and a strong sense of community.

We are boldly seeking growth in new services delivered in homes and in meal deliveries. Posti's home services comprise care, security and facility services. We will create new warehouse and transport services in areas such as food, drink and in-house logistics. We will develop digital marketing and information services by leveraging Posti's data.

Talented personnel ensure customer satisfaction and continuous renewal. We will develop the competence of our personnel in new services and their ability to address the opportunities of digitalizing business. We will invest in well-being at work and occupational safety.



Key events

January

OpusCapita sold its businesses serving the local markets in the Baltic countries to BaltCap.

Posti launched the first municipal cooperation within Posti's new home services with the South Karelia Social and Health Care District Eksote.

February

Posti and Securitas started regional cooperation in alarm and security services.

Posti strengthened its role in international e-commerce by establishing a network of pickup points in the Baltic countries.

March

Kaarina Ståhlberg, LL.M. (Columbia University, New York) was appointed as Posti Group's VP, Legal Affairs and a member of the Management Board.

Posti was awarded a gold-level rating by the international research company EcoVadis for its CSR performance in 2015.

Posti joined the DHL partner network that offers harmonized international parcel deliveries in 16 European countries.

Board professional Arja Talma was elected to join the Board of Directors of Posti Group Corporation as a new member.

Itella Russia acquired the Russian courier company MaxiPost.

April

Posti renewed its services and extended mail delivery times towards the evening.

Posti launched the Nearby Locker pilot, enabling sellers and buyers to exchange goods at a Parcel Point instead of meeting face to face.

OpusCapita acquired the Germany-based software company jCatalog Software.

The Association for Finnish Work granted Posti Ltd membership in the association and the right to use the Key Flag symbol.

May

Stockmann and Posti signed an agreement on transferring the logistics operations of Hobby Hall to Posti starting from the beginning of May.

Posti began providing a lawn mowing service.

June

Postal Act amendments that deregulate competition entered into force at the beginning of June.

Posti launched home services for the holiday season.

July

Posti provided summer jobs to approximately 2,500 people across Finland.

August

Jani Jolkkonen was appointed Posti's first SVP, ICT and Digitalization, and Turkka Kuusisto was appointed SVP, Postal Services business group effective from the beginning of August.

Posti's new terminal in Pirkkala became operational.

Posti acquired Veine, a company specializing in temperature-regulated logistics.

September

Posti Kiinteistöt sold the Pennala 2 logistics centre in Orimattila to RBS Nordisk Renting.

Posti began to offer its customers yardwork assistance in the form of raking and removing fall leaves.

OpusCapita signed an agreement with the Finnish Government Shared Services Centre for Finance and HR to provide a software robotics solution.

October

Posti Kiinteistöt sold its postal center in Seinäjoki and distribution-fulfillment center in Lappeenranta.

Posti acquired Kuljetus Kovalainen.

November

Posti's universal service obligation was discontinued for domestic parcels starting from the beginning of November, but it will remain in effect for international parcels sent from Finland, weighing no more than 10 kilos.

Jussi Kuutsa was appointed as President of Itella Russia, starting January 1st, 2017.

Posti launched a new Befriending service to support outdoor activities among the elderly.

December

Itella Logistics and Itella SmartPOST were merged into one company in Estonia starting from the beginning of December and, going forward, they will operate under the name Itella Logistics. Itella SmartPOST will remain the brand name used for Parcel Points in Estonia.

Posti delivered 25,000 thank-you cards to war veterans to mark Independence Day.

Posti hired 3,200 seasonal assistants for the Christmas period.

Posti announced that it will launch a new parcel pigeonhole service in collaboration with the housing developer Bonava in February 2017.

Week 50 was an all-time record week in parcel volume, with nearly 1.1 million parcels passing through Posti. The full-year parcel volume also reached a record high, 34 million parcels. In the Baltic countries, parcel volumes grew by 26%.

Posti simplified the sending of consumer letters by combining the 1st and 2nd letter classes starting from the beginning of 2017.

Case gallery

CASE

Improving safety at work

While safety at work comes down to more than just shoes, using appropriate footwear is a significant factor in safety. The most typical accident suffered by early-morning delivery personnel is slipping and tripping in staircases.

Posti's early-morning delivery personnel received new slip-resistant cold-weather shoes for the winter. Three different models were approved after testing. Based on their personal preferences, mail carriers can choose heavy or light shoes, either with recessed cleats or a slip-resistant sole.

For **Willy Kougwa**, who delivers newspapers and day mail in central Helsinki, work is a sport. In spite of his energetic approach, Willy hasn't had any accidents in over two years of working at Posti.

- It's important to always exercise caution. Sometimes the staircase lights will go out on you, so it's a good idea to keep pushing the switches often, Willy says.



CASE

Trainees arrive in Posti!

In April, seven young adults from the world of higher education began a Trainee program that continued until the end of August. The trainees worked in sales and digital marketing.

- My expectations regarding Posti were quite positive. My previous experience with the company was limited to being a consumer customer. When I learned more about the company, I was surprised by the breadth of Posti's product and service offering. Posti as a company has always represented Finnishness to me, and it has played a prominent role in daily life. After all, we all get our mail delivered by Posti, says **Olli Koskivuo**, a Marketing Management student at the University of Vaasa.

Saara Kaihlanen, who is writing her Master's Thesis in Food Economics at the University of Helsinki, was also surprised by the wide variety of services Posti offers to companies and consumers.

- I think it's great that Posti offers not only parcel and logistics services, but even the opportunity to have your lawn mowed for you!



CASE

Courier company MaxiPost becomes part of Itella Russia

Itella Russia acquired the Russian courier company MaxiPost in the spring. Founded in 2000, MaxiPost provides courier services to small and large companies. Its main markets are Moscow and St Petersburg and the areas around the two cities. It delivers items in more than 290 cities and towns across Russia.

MaxiPost specializes in the delivery of parcels for e-commerce operators. Its customers include many fashion and cosmetics companies such as aGROUPON, Mascotte, Zenden and Dekatlon.

The MaxiPost acquisition allows Itella to strengthen its e-commerce and parcel services expertise. Russia is among the world's 10 largest e-commerce markets.



CASE

Posti is awarded the Key Flag symbol

The Association for Finnish Work granted Posti Ltd membership in the association and the right to use the Key Flag symbol in the spring.

The main criterion for granting the Key Flag is always that the product must have been manufactured or the service produced in Finland. In addition, a domesticity rate is taken into consideration, which must be at least 50 percent of the absorption cost. The company must also have a significant share of Finnish ownership and its executive management and head office must be located in Finland.

- Domesticity is important to Posti. We fulfill all the criteria set for awarding the Key Flag and want that this will also be seen in our services and operations. It is easy to tell from the familiar Key Flag that Posti is Finnish, operates in Finland and provides jobs to Finns, says **Jukka Rosenberg**, SVP, Parcel and Logistics Services.



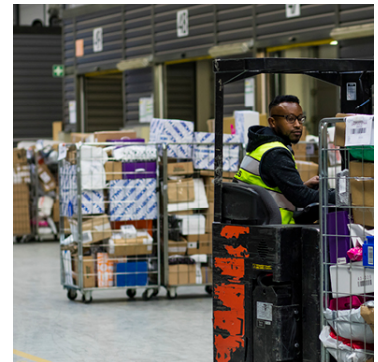
CASE

Posti manages Hobby Hall's logistics chain

Stockmann and Posti signed an agreement on transferring the logistics operations of Hobby Hall to Posti starting from the beginning of May. The agreement covers the warehousing of Hobby Hall's products, online store logistics services — including dispatches and the center for product returns — and the transportation of products to the Hobby Hall store in Tammisto.

- Posti is Stockmann's long-term partner and a provider of diverse logistics services. With this arrangement, we wish to implement new logistics solutions that meet today's requirements and enable us to develop Hobby Hall's business rapidly, says **Björn Höglund**, Logistics Director at Stockmann.

Hobby Hall's products will be stored and processed in Vantaa, at Finland's first service center that is geared to facilitating e-commerce logistics. The robot-assisted hybrid warehouse can bring as many as two or three additional days of sales for online stores.



CASE

Posti expanded into food logistics and acquired Veine

Posti acquired Veine, a company specializing in temperature-regulated logistics, in the summer. Veine is a Finnish logistics company that offers transport, terminal, delivery and warehousing services. It is one of the most significant operators in its field in Finland.

- This acquisition was in line with Posti's strategy of expanding its logistics services with food logistics. Together, Posti and Veine can offer competitive food logistics solutions with national coverage, says **Jukka Rosenberg**, SVP, Parcel and Logistics Services at Posti.

- Together with Posti, we can focus on developing our food logistics services and improving our competitiveness; for example, with regard to line haulage and local terminal functions, says **Tuomo Rannila**, Managing Director of Veine. (in the picture)



CASE

Strong demand for lawn mowing service

Posti is constantly developing new services delivered to homes. In one such move, Posti offered lawn mowing services on Tuesdays from May to September. Tuesday was selected as the day for providing the lawn mowing service due to the traditionally lower mail volumes on Tuesdays.

- A lot of my work takes place indoors, so it was great to get to go outside for an hour. Positive feedback from the customers is also very rewarding, says **Kerttu Junttila**, an Assistant Supervisor based in Hollola.

According to Delivery Manager **Kati Vanhanen**, the orders for the one-hour lawn mowing service were evenly spread across different areas.

- Mowing just one lawn is easier to fit into the workday than multiple lawns. In some cases, we've also had a volunteer lawn mower perform the service in an area that is not his or her delivery area. Some locations fit into delivery routes quite naturally, Vanhanen explains.



CASE

For the love of coffee and the battles of daily life

The entrepreneurial ventures of the Finnish hip-hop artist and producer **Elastinen** are inspired by his passions: music, sports and coffee. His cooperation with **Riku Uski** led to the creation of Warrior Coffee.

- Music, sports and coffee are important parts of my daily life. Warrior Coffee is coffee produced with love, devotion and good vibes. We know exactly where our coffee beans come from. We roast the coffee in our own roastery and ship it to homes and businesses for our customers to enjoy, Elastinen says.

According to Elastinen, Warrior Coffee is perfect for the battles of daily life.

- I use coffee as a stimulant to get myself ready for the battles of the day.

Warrior Coffee's products are shipped to customers in Finland and around the world by Posti.



CASE

Kotipizza boosts sales through coupons in Postinen

Pizza coupons on the back page of Postinen are known to cause a run on Kotipizza restaurants. This became evident in the very first campaign in June 2015, when the chain ran out of ham due to an avalanche of customers bearing coupons.

- We've noticed that our coupons in Postinen certainly get widely used. Their impact on our sales is even more effective than TV advertising, says **Kaisa Karjalainen**, Marketing Manager at Kotipizza. Postinen and Kotipizza coupons also played an important role in April 2016 when Kotipizza hit its monthly sales record of EUR 7.14 million.

Even the pizzas themselves could not be made without Posti, as more than 270 restaurants across Finland receive their dry ingredients carried by Posti.



Logistics, mail and financial management services

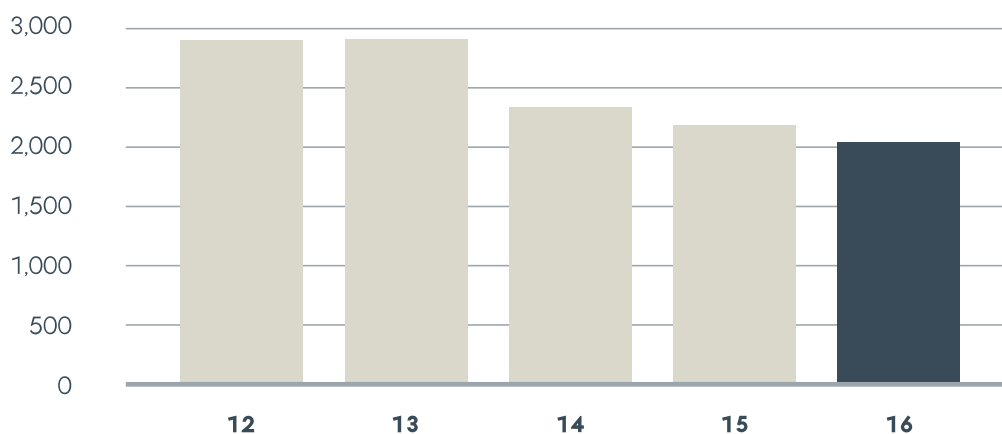
Our business is divided into Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita's financial management services.

Postal Services

Postal Services provides mail, press and marketing services. Mail Services is in charge of mail services offered to companies and consumers, stamps, mail redirection services, Netposti and international postal cooperation. The unit produces and develops services that enable Posti to play a strong and important role in personal communications.

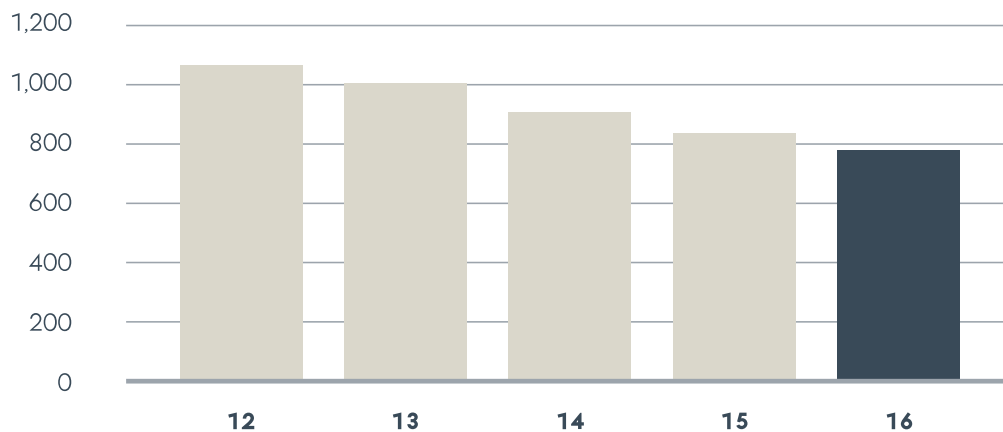
Deliveries in total

in millions



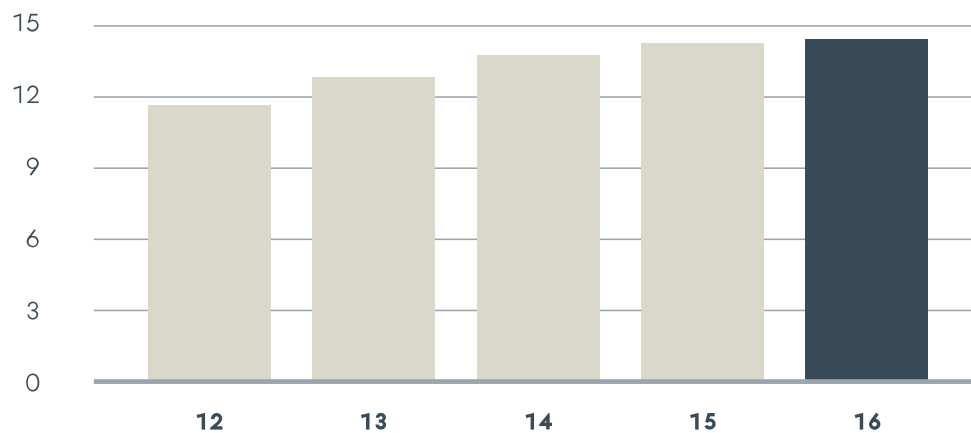
Addressed letters

in millions



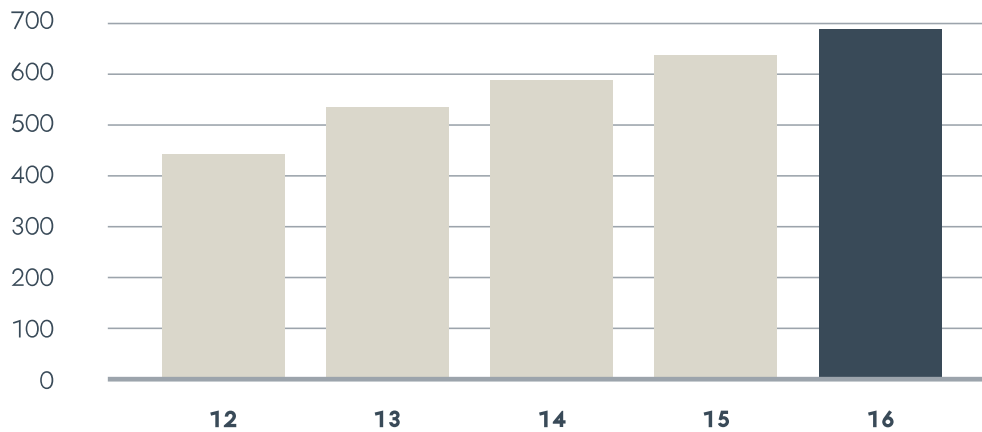
Electronic letters in Netposti

in millions



Consumers registered in Netposti

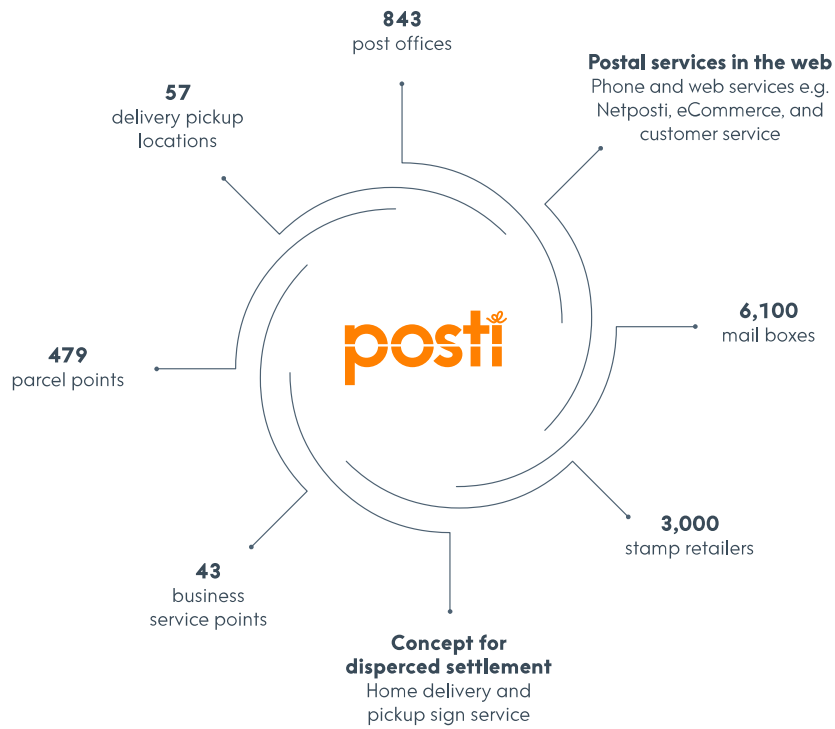
in thousands



Press Services provides and develops newspaper, magazine and free distribution paper delivery services for business customers. Marketing Services produces and develops services for marketing. Most of the business today is delivery services for addressed and unaddressed direct marketing as well as value-added services, such as register services, target groups and the Contact service. We also develop new digital marketing services.

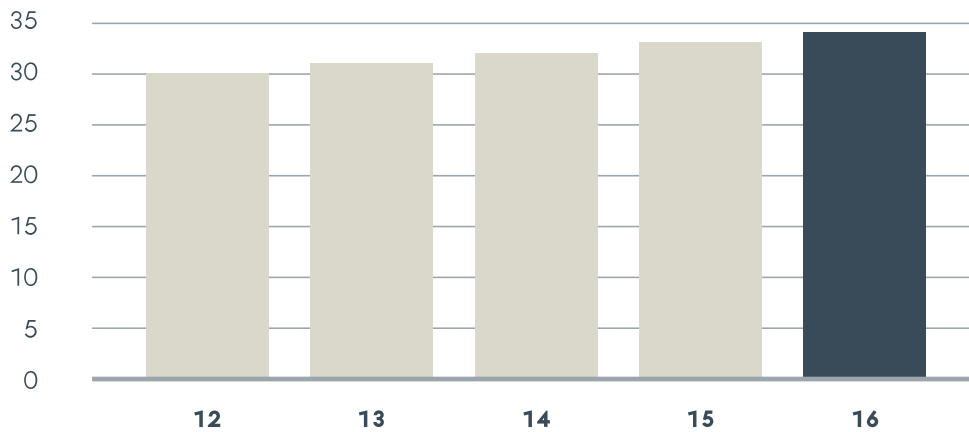
Parcel and Logistics Services

The Parcel and Logistics Services business group is in charge of comprehensive supply chain solutions, parcel and e-commerce services, transport services as well as warehousing and supplementary services in Finland and the Baltic countries. We are the market leader in Finland in the B2C and B2B parcel business and in warehousing services. In transport services we are among the three largest operators in Finland.



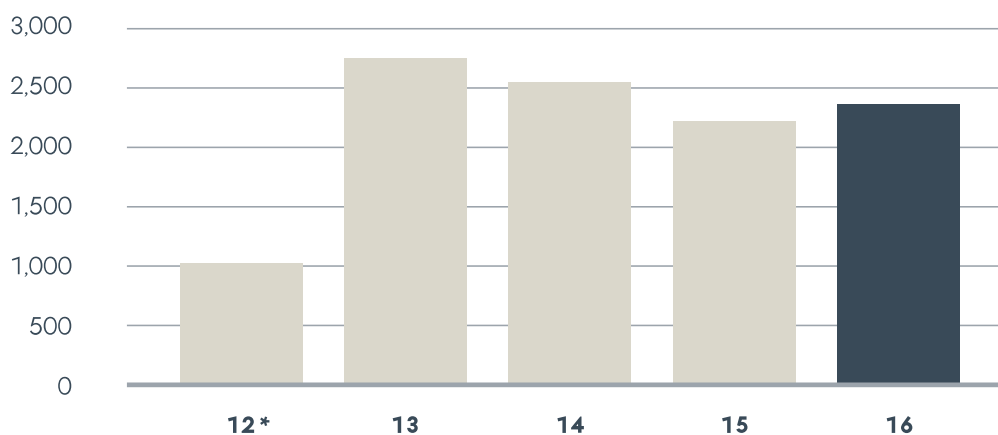
Parcels

in millions



Freight volumes in Finland

in thousands



* Inc. VR Transport's groupage logistics business starting October 1, 2012

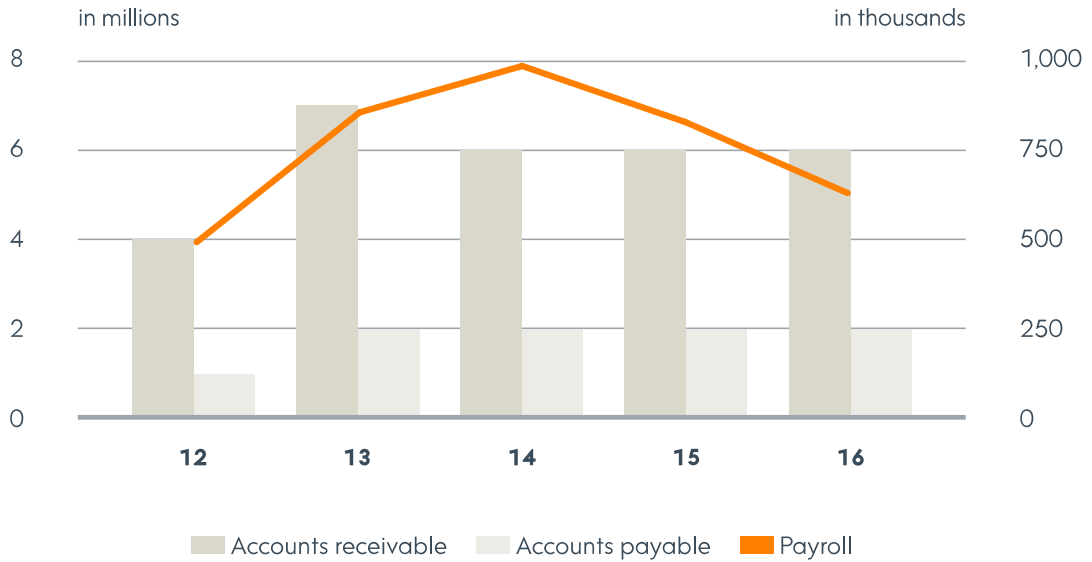
Itella Russia

Operating under the name Itella in Russia, the company offers comprehensive logistics solutions comprised of warehousing, freight and marketing services. We serve our customers in all significant economic regions in Russia, from St Petersburg to Vladivostok. We first established our company in Russia in 1996. We have operated under the Itella brand since our merger with National Logistics Company (NLC) in 2008. Today, the company also includes the direct marketing specialist Itella Connexions and the courier company MaxiPost. Our customers in Russia are well-known international companies representing sectors such as the automotive industry, fashion business, consumer electronics and the pharmaceutical industry. Itella currently has over 500,000 square metres of warehouse capacity in seven cities.

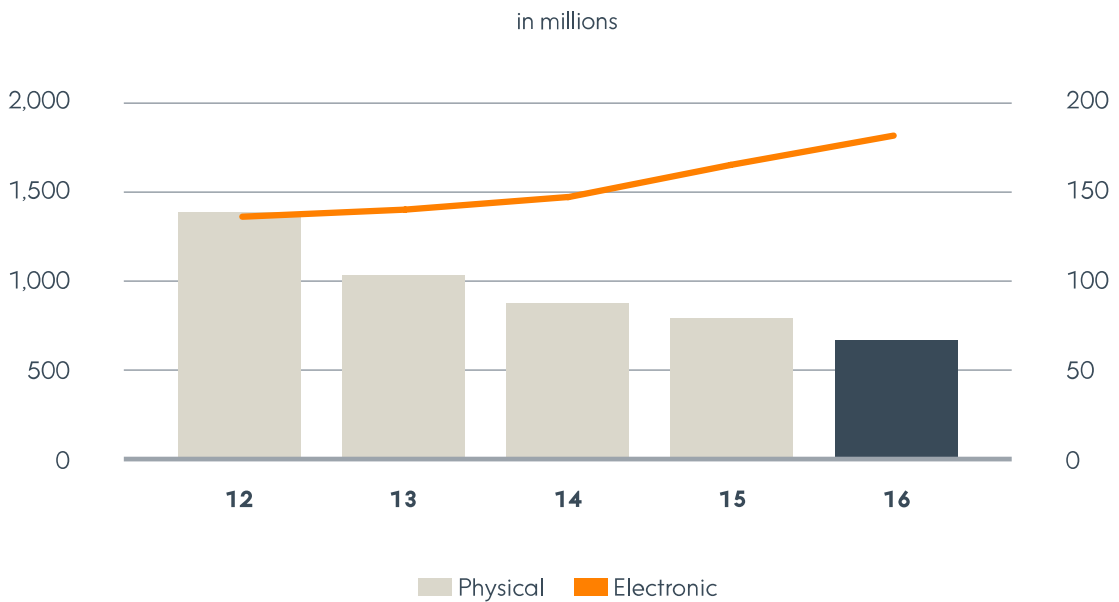
OpusCapita

OpusCapita helps organizations sell, buy and pay more efficiently by providing Extended Purchase-to-Pay and Order-to-Cash solutions. Each year, OpusCapita handles more than 600 million transactions for over 8,000 customers in more than 100 countries. Our company provides a global ecosystem in which buyers, suppliers, banks and other participants can network, operate and grow. We work together with our customers to bring buying, sourcing and financial processes to the digital era.

The transactions of financial accounting outsourcing

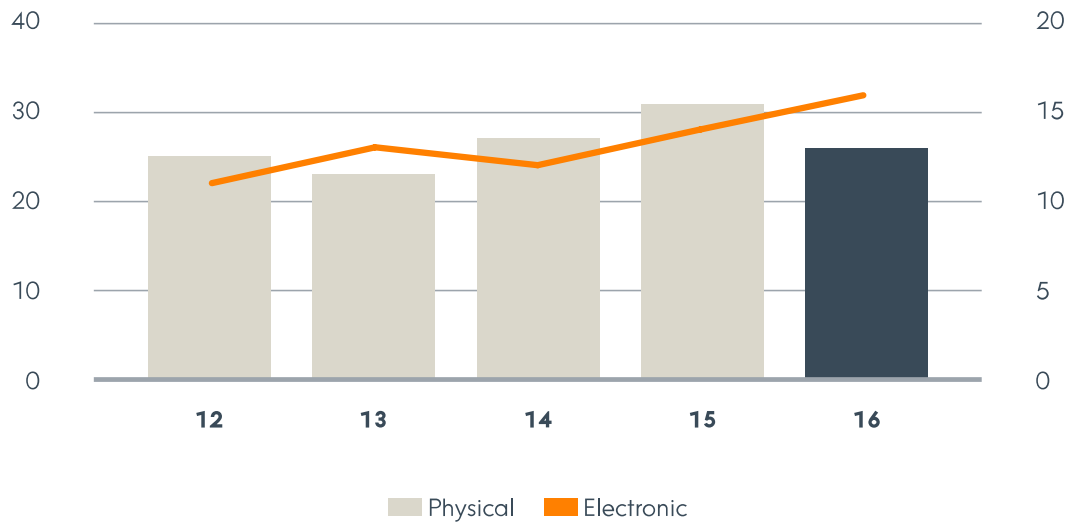


Sales invoices (outbound documents)



Purchase invoices (inbound documents)

in millions



Listening to the customer

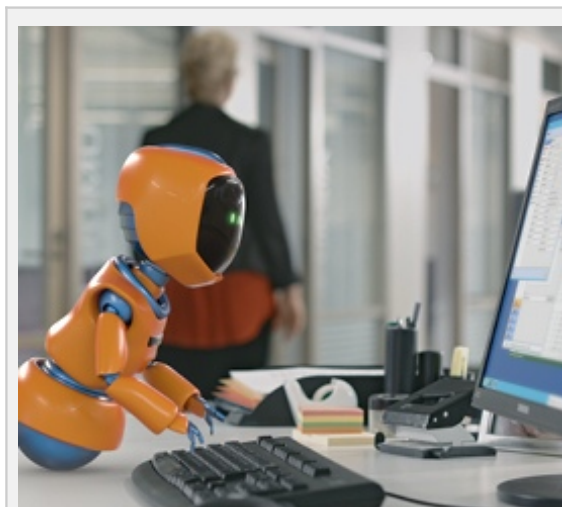
Our customer promise is to be easy, fast, reliable and responsible. Our services are easy to purchase and use, and interacting with us is smooth and simple. Our services are available whenever and wherever our customers need them.

We understand different speed of service requirements. Our extensive service network guarantees the most suitable speed of delivery for you.

We keep our promises and develop our operations while staying attuned to customer needs. Our customers can be sure that we work justly, fairly, openly and appreciatively. We follow ethical principles in all of our operations.

Recognizing that the customer experience is key, we constantly request feedback from our customers in order to further improve our operations. We conduct customer satisfaction studies both on a project and incident-specific basis and with more comprehensive customer satisfaction surveys that are conducted regularly once or twice a year. Customer satisfaction surveys are described in greater detail in the [Sustainability report](#).

For us the best sign of trust are our customers who either sign a new agreement or continue cooperation with us after working with us for a longer period of time.



The Finnish Government Shared Services Centre for Finance and HR signed an agreement with OpusCapita on the provision of a software robotics solution. This marked the beginning of one of the first public sector software robotics projects in Finland. The software robotics project is one of the spearhead projects in the government's digitization programme. The Finnish Government Shared Services Centre for Finance and HR is a significant service provider in the Ministry of Finance's administrative sector. It produces finance and HR services for government offices, institutions and funds.



Posti and Sultrade signed an extensive cooperation agreement early in the year for supply chain solutions including warehousing, transport and e-commerce logistics services. A total of 20 employees were transferred to Posti as a result of the agreement.

Owned by the Finnish family company Transmeri Group, Sultrade is an importer, manufacturer and marketer of sports and lifestyle brands. The company represents several leading sports brands such as Catmandoo, New Balance, Umbro, Timberland, Hestra, Select, Mikasa and Speedo in the Nordic Region, the Baltic countries and Russia.

New products and services

We are developing new home-delivered services. We reach 2.8 million households every weekday, which allows us to provide various kinds of assistance for smoother everyday life. Home services will create new work and transform our company increasingly into a service company in addition to logistics.

Early in the year, we launched the first municipal cooperation within our new home services with the South Karelia Social and Health Care District Eksote. Posti's employees helped Eksote's home care clients as well as clients using services for the disabled in their daily lives as part of meal or mail delivery.

We also piloted a service cooperation with Securitas in sparsely populated areas in Muhos and Ylivieska. On weekdays, Posti's security-trained employees took care of Securitas' commissions in certain areas.



From May to September, consumers also had the opportunity to order a lawn mowing service for their home via Posti's online shop for the first time. In the summer, we offered neighborly assistance during the holidays. Through July and August, Posti's employees took also care of watering yards or balcony flowers and checking houses and its surroundings for uninvited guests, vandalism and water leaks.

In September, our customers had the opportunity to order a raking service for two Tuesdays of their choice from Posti's online shop and Posti shops. We also took care of the disposal of fall leaves where necessary. Late in the year, we launched the Befriending Service aimed at senior citizens.

OpusCapita

In OpusCapita, we expanded our offering by acquiring the German software company jCatalog, whose solutions in the areas of e-commerce, catalog management, supplier management and procurement processes complemented OpusCapita's Purchase-to-Pay offering.

Boosting e-commerce

Our role in international e-commerce was strengthened in the spring when we established a pickup point network in the Baltic countries, which serves consumers and companies at shops and kiosks in Estonia, Latvia and Lithuania. The network encompasses 1,200 item pickup points and is the largest pickup point system in the Baltic countries. Overall growth of e-commerce was also reflected in our parcel volumes; number of parcels delivered by Itella in the Baltics grew by 26% during the year.

We also strengthened our position in international online store logistics by joining the DHL partner network. The network offers harmonized international parcel deliveries in 16 European countries. Posti's full-year parcel volume also reached a record high, 34 million parcels.

We developed a new online grocery delivery concept that combines grocery delivery with the traditional delivery of mail and parcels. The cold chain is maintained throughout the delivery process by using boxes designed for online grocery deliveries.

Posti's new Nearby Locker service enables sellers and buyers to exchange goods at a Parcel Point instead of meeting face to face. The seller and the buyer no longer have to find a pick-up time that suits both, as they can simply exchange the goods using a Parcel Point locker. In the pilot launched in the spring, the Parcel Point locker is used for storing and picking up goods.

We introduced a new parcel pigeonhole service in cooperation with the residential developer Bonava. The parcel pigeonholes to be built in new apartment buildings developed by Bonava will make the daily life of residents easier by making it possible to have items such as goods bought online, laundry bags or monthly deliveries of heavy bags of dog food delivered to lockable parcel pigeonholes in the lobby areas of apartment buildings.

Renewing traditional postal services

In the spring, we revised delivery routes and extended mail delivery towards the evening. The change has allowed the delivery of postal items and different types of services, parcels and products more flexibly to customers' homes, also in the evening.

As communications have largely become electronic, maintaining different letter classes for consumer letters is no longer profitable. As a result, we combined the 1st and 2nd letter classes starting from the beginning of 2017. The new no-value indicator stamp will take the letter to the destination in Finland within 1–2 days from the mailing.

We signed a unique cooperation agreement with the online credit company Credit24. From May onwards, customers can file credit applications at Posti outlets. Based on personal IDs, the identification service is available at over 600 Posti outlets. Digital — the owner of Credit24 — is the first company in Finland to use Posti's identification service for private customers.

Itella Russia expands into new business areas

Itella Russia aims to both grow its current businesses and expand into new business areas. One of the key growth areas is pharmaceutical logistics. We obtained a license for handling pharmaceutical logistics and our goal is to increase the share of pharmaceutical logistics in our overall warehouse logistics. Pharmaceutical products are stored in a separate high-security temperature-controlled unit.

In addition to pharmaceuticals, our focus in Russia is on food products, electronics and consumer products with fast turnover. We also seek additional income through supplementary services and e-commerce. The MaxiPost acquisition made in the spring allowed us to start parcel delivery in Russia. MaxiPost delivers about a million parcels per year. The company has 150 couriers in Moscow and 50 in St Petersburg. The aim is to increase the parcel volume to 1.5 million parcels per year.



The Khimki warehouse in Moscow is one of Itella's largest warehouses in Russia. The 70,000 square meter warehouse has nearly 50 loading docks. One of its newest customers is the toy company MyToys.ru, whose e-commerce warehouse is also located in Khimki. The rows of shelves hold some 56,000 items at a total quantity of some 400,000 pieces. Each day, the Khimki warehouse receives thousands of orders, which are picked from the shelves, packaged and delivered to shops.

New business through acquisitions

Our strategy is to grow in food logistics. Our previous food logistics services include meal deliveries in about 100 municipalities, delivery of food purchased at online stores, beverage logistics for brewing industry operators, B2B supply chain solutions for dried food and transport of bakery products.

In August, we acquired Veine, a Finnish logistics company that specializes in temperature-regulated logistics and offers transport, terminal, delivery and warehousing services. The acquisition gave us the opportunity to provide our customers with competitive food logistics solutions that cover all of Finland. It has also made it possible for us to make even stronger investments in the development of food logistics.



We continued our strategic growth in food logistics and the transport of temperature-regulated products in the fall by acquiring Kuljetus Kovalainen, a company that specializes in food transport. This allowed us to strengthen our market position especially in the field of temperature-regulated transport.

One of our key goals in Russia is to strengthen our competence in e-commerce. We took a big leap in this area in the spring by acquiring the Russian courier company MaxiPost. MaxiPost provides courier services to companies of all sizes, particularly in Moscow and St Petersburg and the areas around the two cities. MaxiPost specializes in the delivery of parcels for e-commerce operators, and its customers include many fashion and cosmetics companies.

In OpusCapita, we aim to focus on strategic business areas and growth in Europe. Growth was expedited by the acquisition of the German software company jCatalog, whose solutions in the areas of e-commerce, catalog management, supplier management and procurement processes complemented OpusCapita's Extended Purchase-to-Pay offering. The acquisition was an important step towards our aim of becoming a leader in the global buyer-supplier ecosystem.



Recognition for Posti

Our home services won the *New Business Diversification of the Year* category in the Postal Technology International Awards 2016 competition organized by Postal Technology International. The competition had seven categories in total, with the *New Business Diversification of the Year* category receiving a particularly large number of proposals. The candidates were named by readers of Postal Technology International and the winners were selected from the finalists by a jury comprised of postal industry decision makers and experts.

We were awarded a gold-level rating by the international research company EcoVadis for our CSR performance in 2015. Posti ranked among the top five percent of companies in all industries worldwide. The system assesses and scores the overall CSR performance of 25,000 suppliers annually in the areas of environmental responsibility, social responsibility, business ethics and sustainable sourcing.

The Association for Finnish Work granted us membership in the association and the right to use the Key Flag symbol. The main criterion for granting the Key Flag is always that the product must have been manufactured or the service produced in Finland. The domesticness rate must be at least 50 percent of the absorption cost. A company applying for the Service Key Flag must have a large share of Finnish ownership and its executive management and head office must be situated in Finland.

The Vantaa Council of the Disabled recognized the Posti outlet in Tikkurila for its efforts to promote accessibility. The explanation mentioned that the customer premises are clear and accessible, the entrance allows access directly from the street, the basement has spacious parking facilities with an elevator and the members of staff are friendly and service-minded.



Sustainability in Posti's day-to-day operations

As Posti sheds its skin time after time in response to changing customer needs, it always remains a reliable partner. Posti's journey of nearly 400 years has seen great changes.

Posti's most significant task in [society](#) is to ensure smooth daily life for Finnish consumers and businesses. Each weekday, Posti visits the front door of some 2,8 million Finns, and serves approximately 200,000 business customers per year. The past year was a challenging one for Posti. Posti's basic business is undergoing a transformation as digitization erodes letter and publication delivery volumes at an annual rate of approximately 10 percent. The effects of the reform of the Postal Act will become apparent in the near future.

Posti is a state-owned company that operates on market terms, whose [financial responsibility](#) is based on transparency and profitability. Posti wants to grow profitably, as only a financially sound company can implement its sustainability practices.

In its [tax footprint](#) reporting, Posti adheres to the country-specific tax reporting guidelines for companies of which the state is the majority shareholder, issued by the Ownership Steering Department on October 1, 2014.

At Posti, sustainability and responsibility are part of day-to-day work, [management and risk management](#). Management is based on [Posti's corporate values](#). Good management supports the achievement of targets and fosters a positive work atmosphere. Posti's corporate values are also the foundation of [the Posti Corporate Responsibility Principles](#). Updated in fall 2016, they also take into account the UN Guiding Principles on Business and Human Rights.

As a work community, Posti is equal, international and diverse. The constantly changing business environment and the pursuit of new growth give rise to new competence requirements. Posti develops the competence of its [personnel](#) in new services and their ability to address the opportunities of digitalizing business.

Posti received 7,000 [summer job](#) applications during the year. Posti provided summer jobs to approximately 2,500 people across Finland. Posti again participated in the national Responsible Summer Job campaign.

Posti's goal is to provide healthy and safe work and a healthy and safe working environment for its employees. In promoting [safety at work](#), Posti's focus is on proactive measures. Accident prevention is a shared responsibility. While safety at work comes down to more than just shoes, using appropriate footwear is a significant factor in safety. Posti's early-morning delivery personnel received [new slip-resistant cold-weather shoes](#) for the winter.

[Posti's environmental program](#) aims to reduce carbon dioxide emissions by 30 percent by 2020, in relation to net sales (compared to 2007). Posti was among the first to join [the new energy efficiency agreement period 2017-2025](#). The agreement is a voluntary commitment to improve energy efficiency.

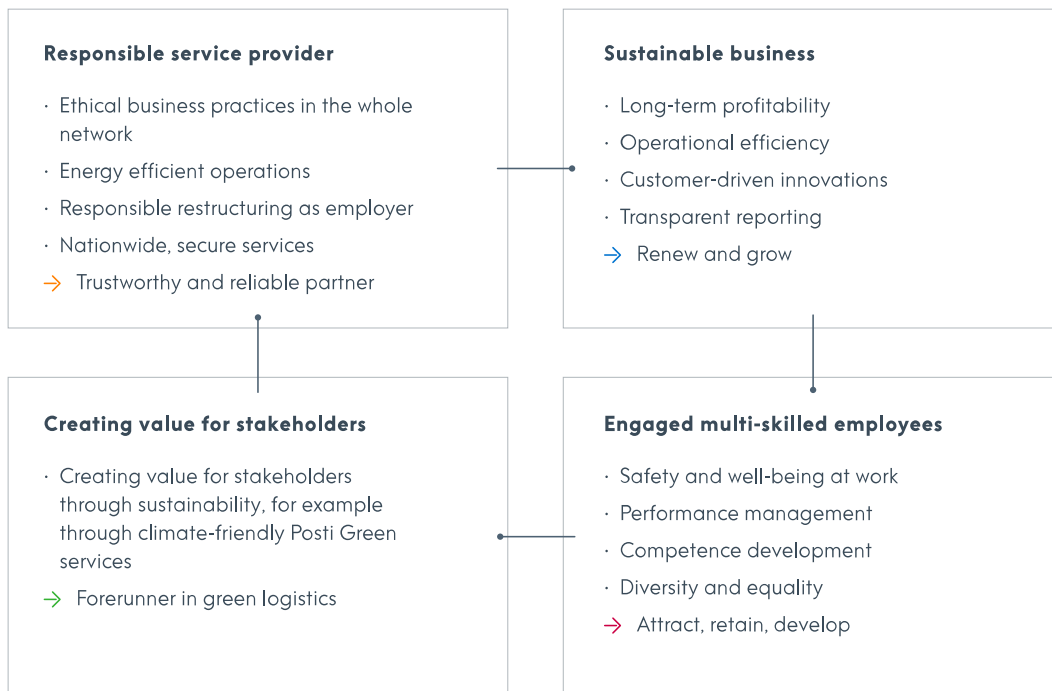
Posti uses only green electricity and, in the future, part of it will be produced by Posti itself. Last winter, Posti mounted [1,920 solar panels](#) on the roof of its Vantaa logistics center.

Since 2011, Posti has provided its customers with carbon neutral mail delivery in Finland at no extra cost. [Posti Green services](#) are part of Posti’s environmental program. The product-specific Posti Green calculation process and customer reporting was verified by a third party in summer 2016.

For more inspiring stories, please refer to the [Highlights of the year](#) section.

Areas of corporate responsibility

Posti’s sustainability is divided into [social responsibility](#), [personnel responsibility](#), [environmental responsibility](#) and [financial responsibility](#). Based on Posti’s materiality analysis, the key areas of sustainability were defined as being a responsible service provider, sustainable business, creating value for stakeholders and engaged multi-skilled employees. Rather than being separate, these areas overlap in many ways.



Indicators and targets of sustainability

Area of corporate responsibility	Indicator	Description	Realized in 2016	Target in 2020
→ Sustainable business	Adjusted operating result, %*	Operating result as a percentage of net sales. The operating result equals the result reported in the income statement after the deduction of all expenses and depreciation and amortization, but before the deduction of financial items and taxes.	2.9%	Over 5%
	Revenue from new business areas and solutions	According to Posti's strategy it aims to gain over 10% of its revenue in 2018 from new business areas such as home services and food logistics.	N/A	Over 10% (in 2018)
→ Responsible service provider	Number of Posti's service points	Posti aims to be the number one service provider for postal and logistics customers. Accessible and reliable services are in the core of Posti's business. The indicator includes the service points maintained by Posti and its partners, parcel points, delivery pickup locations and business service points.	1,422	1,500
	Customer satisfaction rate	The indicator applies solely to the operations of Posti Ltd. Customer satisfaction refers to the results of the customer satisfaction survey conducted in Finland by Posti, on a scale from one to five.	see Stakeholders	N/A
→ Engaged multi-skilled employees	Personnel engagement index	Engagement index contains four items: pride, satisfaction, willingness to recommend, and engagement.	38%	-
→ Environmental responsibility	Carbon dioxide emissions	The primary goal of Posti's environmental program is to reduce carbon dioxide emissions by 30% by 2020 (compared to 2007; emissions in relation to net sales).	-16%	-30%

* Non-IFRS = excluding non-recurring items

Managing responsibility

At Posti, sustainability and responsibility are part of our daily work and management. Management is based on Posti's corporate values:

- succeeding with the customer,
- driving for improvement and innovation,
- taking responsibility, and
- winning together.

Good management supports the achievement of these targets and fosters a positive work atmosphere.

Posti's corporate values are also the foundation of [the Posti Corporate Responsibility Principles](#). The principles were updated in 2016. Posti's responsibility policies take into account [the UN Global Compact principles](#), [the UN Guiding Principles on Business and Human Rights](#) and [the UN Sustainable Development Goals \(SDGs\)](#). The Global Compact principles comprise self-regulation pertaining to human rights, the environment and corruption. The UN Guiding Principles specify a company's responsibility with regard to human rights and call on companies to respect human rights. The UN Sustainable Development Goals contain guidelines aimed at ensuring sustainable development.



Posti is committed to operating in a responsible and ethical manner. Posti's [Code of Conduct](#), which is aimed at the company's personnel, covers legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility. The Code of Conduct also documents the principles concerning the consequences of misconduct. The Code of Conduct also specifies the anonymous whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems.

The Group's partners are required to adhere to the corporate responsibility principles outlined by Posti. Posti's [Supplier Code of Conduct](#) covers legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility.

Sustainability is the responsibility of Posti's Vice President, Stakeholder Relations. The Vice President, Stakeholder Relations is a member of the Group Management Board. Matters related to sustainability are discussed at least once per year by the Board's Audit Committee and the Management Board.

Management of sustainability risks

The objective of [Enterprise Risk Management](#) is to safeguard the achievement of Posti's strategic and key targets from unexpected risks and to enhance Posti's business opportunities and corporate image. For this reason, the process is designed to support the strategy and annual planning process.

The risk management unit prepares information security guidelines and supports the management in implementing them. In all Group companies, the management is responsible for the management of business risks.

Risks related to sustainability are updated at least twice per year as part of Posti's Enterprise Risk Management process. They are reported as a separate item in the Group's risk report. Sustainability risks are discussed by the corporate responsibility steering group, the Executive Board, the Board of Directors of Posti Group and the Board's Audit Committee.

Taking sustainability risks into consideration

Sustainability risks include, for example:

- risks related to potential personnel arrangements and, in particular, outsourcing measures, that may have a negative effect on our reputation and, consequently, cause us to lose customers;
- potential information leaks and information security deviations, particularly those related to personal information;
- potential accidents that cause substantial damage to people or the environment;
- potential human rights infringements;
- potential risks related to supplier management, involving corruption and the failure of internal control. These are particularly important in Russia, Poland and the Baltic countries.

Posti processes all information in strict confidence, taking information security requirements into account. Privacy is crucial to Posti's business. Posti's corporate security policies determine the minimum level for all of its countries of operation. They take into account the information security requirements of Posti customers, the business environment and risk management. In terms of protection, Posti considers as particularly important customer and personnel information as well as Posti's and its partners' confidential information and the related systems and business processes.

The EU General Data Protection Regulation (GDPR) sets out new provisions concerning the processing of personal data. Posti has prepared for the changes brought about by the new Regulation by setting up a preparatory project.

Improving and promoting [occupational safety](#) are important development areas for Posti. The focus is on proactive measures. Posti's goal is to be a healthy and accident-free workplace.

[The Corporate Responsibility Principles](#) were updated in 2016. The principles take into account, among other things, the UN Guiding Principles that specify a company's responsibility with regard to human rights and call on companies to respect human rights. As a work community, Posti is equal, international and diverse.

Posti has a Group-wide uniform sourcing policy that defines how the sourcing function and supplier cooperation are managed. As part of [responsible sourcing](#), Posti has defined its [Supplier Code of Conduct](#). Posti has around 8,000 suppliers, of which approximately one fifth are considered key suppliers. All key suppliers are covered by a self-assessment system.

Responsible supply chain

Uniform sourcing policy

Posti is committed to sustainable business and bearing its responsibility with respect to society, the environment and all of its stakeholders.

Posti has a Group-wide uniform sourcing policy that defines how the sourcing function and supplier cooperation are managed. The sourcing policy supports Posti's strategy, environmental program and the Corporate Responsibility Principles. It outlines decision-making responsibilities and responsibility boundaries, and it specifies the minimum requirements for the sourcing organization.

As part of responsible sourcing, Posti has defined its [Supplier Code of Conduct](#). It covers legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility.

The Group's partners are required to adhere to the [Corporate Responsibility Principles](#). They take into account the UN Global Compact principles, the UN Guiding Principles on Business and Human Rights and the UN Sustainable Development Goals (SDGs).

The Compliance project in sourcing, which began in spring 2015, continued in 2016. The aim of the project is to ensure that everyone in the Group complies with the common practices. Sourcing practices have been improved in 2016; for example, the amount of maverick buying has been significantly reduced.

A partner that enables growth

Through category management, Posti has identified key suppliers with which the company develops partnerships that enable mutual growth. In total, Posti has nearly 8,000 suppliers, of which roughly one in five are considered key suppliers.

Posti prioritizes local suppliers in sourcing. Of the suppliers approved in 2016, 81 percent were within the scope of self-assessment in Finland, representing a combined purchasing volume of EUR 430 million. All key suppliers carry out a self-assessment that involves an acceptance of the Supplier Code of Conduct. Some key suppliers are strategic suppliers that are audited in accordance with a uniform process and model.

Responsible sourcing networks: Sedex and EcoVadis

Posti is part of two responsible sourcing networks: Sedex (Supplier Ethical Data Exchange) and EcoVadis.

Sedex is the world's largest cooperation platform for sharing information on ethical supply chains. Sedex has over 38,000 members representing more than 30 industries in over 150 countries.

EcoVadis helps businesses monitor their suppliers' and partners' operating practices related to ethical, social and environmental issues in more than 110 countries. EcoVadis assesses suppliers annually based on their overall sustainability performance. Posti received a **Gold rating** for the performance in 2015. With a score of 65/100. Posti was ranked among the top five percent of companies in EcoVadis' evaluation of corporate sustainability in all industries.

Highlights

January–March

Posti's sustainability performance is deserving of a gold medal. Posti was awarded [gold-level recognition](#) by the international EcoVadis network for its sustainability performance in 2015. EcoVadis is a responsible sourcing network for buyers and suppliers. It includes 25,000 suppliers representing 150 different industries and 110 countries. The system assesses and scores the overall sustainability performance of suppliers annually in the areas of environmental responsibility, social responsibility, business ethics and sustainable sourcing.

Posti launched regular **Q&A with the CEO** events in March. Aimed at all personnel, the events feature members of the Executive Board answering questions from personnel on any topic related to Posti. Feedback, ideas, suggested solutions and discussions are also welcome in addition to questions.

[Improving safety at work](#) – Posti's early-morning delivery personnel received new slip-resistant cold-weather shoes for the winter. While safety at work comes down to more than just shoes, using appropriate footwear is a significant factor in safety. The most typical accident suffered by early-morning delivery personnel is slipping and tripping in staircases.

April–June

[The Society's Commitment to Sustainable Development](#) is a long-term vision for the future of Finland – “The Finland we want in 2050”. Participants in the initiative make actionable commitments to support the achievement of the shared goals stated in the Society's Commitment to Sustainable Development. [Posti's goal](#) is to reduce absolute carbon-dioxide emissions by 30 percent by 2020 (compared to 2007). The commitment also supports the UN sustainable development goal of taking urgent action to combat climate change and its impacts (SDG 13).

Posti organized the **Busting the Myths of Foreign Talent** seminar in May in cooperation with the FIBS Diversity Network. The rapidly changing postal and logistics industry will see a growing need for diverse and international talents. Posti's employees in Finland already represent more than 80 different nationalities.

The Association for Finnish Work granted **Posti Ltd** membership in the association and the right to use the [Key Flag symbol](#).

July– September

All of Posti's services in Finland are carbon neutral [Posti Green services](#) that generate no emissions for customers. The product-specific Posti Green calculation process and customer reporting was verified by a third party in summer 2016.

Posti provided summer jobs to approximately 2,500 people across Finland. The majority of the summer workers were employed in mail and publication delivery operations. As in previous years, Posti again participated in the national [Responsible Summer Job campaign](#).

When new stamps are issued, the first day of issue is celebrated at the Vapriikki Museum Center in Tampere. Collectors come to the event to pick up the first day's postmark for their items bearing the new stamps and to buy other philatelic products. On September 9, WWF Finland joined Posti to celebrate the first day of issue of the new **Endangered animals stamps**, which were produced in cooperation between Posti and WWF with the aim of increasing awareness of endangered animals and their protection.

October– December

Posti's representatives **Arimo Siren and Juhani Vuola won gold** at the IPC Drivers' Challenge organized by the International Post Corporation in Belgium. Posti also won the competition in the previous year. The Drivers' Challenge is part of the sustainable development program launched by IPC in 2009.

Home Services won gold in the New Business Diversification of the Year category in a competition organized by Postal Technology International. The competition had seven categories in total, with the category won by Posti's Home Services receiving a particularly large number of proposals.

Posti launched a Specialist Qualification in Management focused on [occupational safety management](#) in 2016. The first batch completed the program in November 2016 and the second batch will start in spring 2017. The advantages of the program include the opportunity for participants to obtain a vocational qualification as well as results that are reflected throughout the work community.

Society

One stamped letter per month

Postal services are facing a major transformation in Europe as digitization reduces mail delivery volumes substantially. Lower volumes, strict regulations and the general rise in costs are significantly increasing the unit costs of the delivered products. Today's mail delivery volumes are 30 percent lower than five years ago.

Posti is the only operator in Finland to provide five-day delivery services that cover the entire country. The universal service obligation covers the entire country, with the exception of the Åland Islands. The Finnish Communications Regulatory Authority supervises compliance with the obligation.

Following the amendments to the Finnish Postal Act in June 2016, the entire postal market is now open to free competition. This means that Posti's competitors are allowed to deliver mail anywhere and at any time without a specific delivery day obligation. Posti, however, is still subject to the five-day delivery obligation throughout the country, which puts Posti on unequal footing with regard to competition with the other players in the market.

Posti's universal service obligation currently covers a very small share of all postal items, namely letters and postcards paid by stamps. In 2016, Posti delivered some 2.1 billion items in total. Of this amount, approximately 109 million items (less than 6 percent) were covered by the universal service obligation. Christmas cards accounted for 28 million of these. Christmas cards are sent over a period of just a few weeks.

Finnish citizens currently receive an average of approximately 11 stamped letters per year, or about one letter per month. The lower the volume of mail delivered, the higher the costs for each item. Things must be done differently to keep costs under control. Otherwise, maintaining the universal service in the future will be under threat financially. The second phase of the reform of the Postal Act is underway, with new amendments expected to enter into force in June 1, 2017.

During the year, Posti delivered items that fall within the scope of the universal service obligation on five weekdays to all households in accordance with the Postal Act. In areas that are difficult to reach, Posti deviated from the five-weekday obligation in the case of approximately 91 households, with the maximum allowed number being 300. Posti processed 1,910 inquiries related to normal letters during the year. Of these inquiries, 652 were unresolved, 456 items were declared as having been lost, while 802 lost items were found. Inquiries related to letter items represented 0,00024 percent of the total volume.

A jubilee year for the Postal Museum



[The Postal Museum](#) is an active 90-year-old. Established in 1926, the Postal Museum studies, records and exhibits historical and present-day phenomena related to postal operations, mail communications and data and goods traffic. Maintained by the Postal Museum Foundation, the museum is located in Museum Centre Vapriikki in Tampere. Its [collection](#) includes artifacts and images from Posti's archives as well as all of the stamps ever published in Finland. The Postal Museum also comprises a special library focused on the industry.

The Finnish postage stamp remarkably celebrated its 160th anniversary in 2016. The mock-up sheet of Finland's first stamps and the die used to produce the stamps are exhibited at the Postal Museum. The Postal Museum is responsible for the archival, presentation and information services related to Posti's nearly 400-year corporate history. The museum also manages Posti's art collection.

The relocation of the Postal Museum from Helsinki to Tampere in 2013–2014 has proved to be an excellent decision: the number of visitors has tripled and feedback from the public has been positive. The year 2016 was a record year: the total number of visitors was 168,784. A high level of event activity and educational work with institutions ranging from day-care centers to universities are also part of the museum's day-to-day operations. The Postal Museum engages in research collaboration with various universities and publishes the results of research both digitally and in traditional book format. One of the focus areas of the museum's research activities has been communications in times of crisis and wartime correspondence.

[The exhibition activities](#) in 2016 covered themes ranging from covert correspondence between jaegers to all the stamps of Christmas, the story of the Finnish humor magazine *Pahkasika* and the illustration of Posti's long history and present-day challenges in the *Messengers* exhibition. The Postal Museum also highlighted the change in the equipment used in mail transport and fixed up the first electricity-powered delivery vehicle, a 1992 Elcat. The vehicle was included in the exhibition *From Minivans to Pick-ups – The History of Delivery Vehicles and Transportation* held at the national automobile and road museum *Mobilia*. The Postal Museum cooperates on a networked basis with various parties and is a member of international networks. The Postal Museum will hold special events to celebrate the centenary of Finland's independence!

Transparency and profitability are at the core of financial responsibility

Posti's financial responsibility is based on transparency and profitability. Posti wants to grow profitably, as only a financially sound company can implement its sustainability practices. Posti complies with responsible business practices in all of its operations.

Posti plans its finances from a long-term perspective, anticipating changes in the market, customer demands and risk scenarios in Finland and abroad. Posti develops innovative and efficient solutions in both physical and digital services.

Posti is a state-owned company that operates on market terms. Posti's operations are entirely based on the revenue received from the customers. Posti bears its financial responsibility through the renewal of its business and by improving its profitability in line with its strategy.

Posti's financial targets are: the operating profit is more than 5 percent, the return on capital is at least 10 percent, gearing does not exceed 35 percent and more than 10 percent of the Group's net sales will come from new business areas in 2018. The financial impact of Posti's operations is comparable to those of the banking and telecommunications sectors, as the services are used by hundreds of thousands of private and public sector operators every day, in addition to consumers.

Financial impact in accordance with the income statement

EUR million	2016	2015	2014
From customers			
Net sales	1,607.6	1,649.1	1,867.1



EUR million	2016	2015	2014
To personnel			
Salaries and fees	584.8	606.9	684.7
Social security expenses	49.8	50.9	59.3
Pension expenses	96.1	98.8	103.9
To suppliers			
Materials and services	448.6	437.5	527.4
Other operating expenses	338.2	365.4	400.5
To public sector			
Income tax on profit for the period*	4.4	18.3	1.6
To financial sector			
Interest expenses	12.2	14.1	16.3
To owner			
Dividends for profit for the period*	60.0**	18.0	0.0

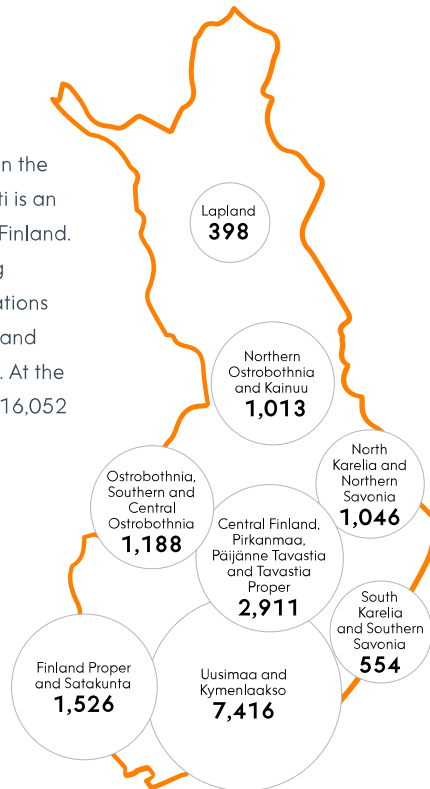
* more information from the section Tax footprint

** Board of Directors' proposal to the Annual General Meeting

Posti supports development and well-being throughout the country. The Group’s operations span the entire country, and Posti is an important employer in Finland. At the end of 2016, Posti had 20,497 employees in Finland. In addition to providing employment, Posti’s operations generate well-being in and [tax revenue](#) for Finland.

The geographical distribution of Posti’s employees in Finland on December 31, 2016

Group’s operations span the entire country, and Posti is an important employer in Finland. In addition to providing employment, the operations generate well-being in and tax revenue for Finland. At the end of 2016 Posti had 16,052 employees in Finland.



Tax footprint

In its tax footprint reporting, Posti adheres to the country-specific tax reporting guidelines for companies of which the state is the majority shareholder, provided by the Ownership Steering Department on October 1, 2014.

Tax strategy

All companies in the Group have committed to operating responsibly and to meeting all obligations and requirements defined by the valid legislation of each country. Posti Group companies pay their taxes in the countries in which their actual business operations take place. All taxes are to be paid on time without delay. The Group's long-term target is to ensure that the Group's effective tax rate is at the same level as the corporate income tax rate valid in Finland at each particular time.

According to the Group's tax strategy, taxation is always a consequence of business operations, which means that tax solutions must also be based on business needs. Posti does not practice tax planning that would aim at artificially decreasing the Group's taxable income. In tax-related issues, the Group operates within the framework of legislation and legal practice in planning the taxable profit of Group companies. This can include the utilization of tax losses accrued in a subsidiary or the granting of group contributions, for example. In transfer pricing between subsidiaries, Posti aims to always ensure that the prices are market-based. To clarify taxation practices, some situations may involve contacting the tax authorities for either verbal guidance or a written decision on the taxation treatment of the planned action.

Management of tax-related issues

The management of tax-related issues is centralized to the Group Finance unit, which is responsible for managing and monitoring tax-related issues at the Group level. Decisions related to taxation are made at the Group level. Significant matters of principle are presented to the parent company's Board of Directors for decision-making. The Group's CFO reports regularly on taxation-related issues to the Group's Audit Committee. The key task of the management of tax-related issues is to ensure that all Group companies comply with the regulations of tax legislation in all countries of operation. Tax risk management is part of the Group's risk management process.

Principles observed in tax reporting

Posti reports its tax footprint openly and transparently. The Group highlights potential decisions by the tax authorities and appeals concerning decisions by the tax authorities where such decisions and appeals have a material impact on the Group's tax position.

The information presented in this report is based on information collected from the Group's accounting systems. Taxes refer to taxes or tax-like fees paid to public sector entities, whether they are paid or remitted by the company. The nature and amount of taxes vary significantly from country to country. Taxes payable refer to taxes paid by the Group companies which are, as a rule, expensed in the company's Financial Statements. Taxes remitted refer to taxes or fees collected by the companies which are remitted to tax collectors, often on behalf of parties other than the company itself.

The company has restricted its tax reporting to only cover substantial operating countries. Based on this decision, country-specific tax information is only presented for Finland and Russia. Nearly 85% of the Group's net sales comes from these countries. According to the Group's strategy, these countries are its main markets. Other operating countries are grouped under Scandinavia and Other countries. Posti also uses the same geographical categorization in its Consolidated Financial Statements.

For countries other than Finland and Russia, information is presented on a country group-specific basis as the information reported is not of material importance and the presentation of country-specific information might jeopardize the non-disclosure of confidential information, such as customer or pricing details. From the Group's perspective, the amount of information reported is not of material importance when the taxes payable for an individual country do not exceed EUR 5 million.

The Group operates in ten countries. In addition, Posti has companies in countries where the Group no longer has business operations. When assessing the materiality threshold, net sales of EUR 1 million for each individual subsidiary is considered the threshold for non-materiality. Non-material companies are excluded from the reporting, as the amount of taxes paid by the companies is minor in proportion to the figures disclosed by the Group. These companies are in the categories Scandinavia and Other countries.

Posti does not have any operations in countries classified as tax havens, where the corporate income tax rate is significantly lower than the Finnish corporate tax rate. The information presented below is based on the financial statements of separate companies and the information has not been consolidated except net sales.

The Group's tax footprint

2016, MEUR	Finland	Russia	Scandinavia	Other countries
Net sales	1,261.9	104.6	133.2	107.7
Result before taxes	-191.3	-3.2	7.2	0.5
Number of personnel	14,141	2,468	375	1,539
Paid taxes	46.3	6.8	5.0	3.4
Remitted taxes	261.7	8.0	16.7	6.8
Received public support	0.1	0.0	0.0	0.1

2015, MEUR	Finland	Russia	Scandinavia	Other countries
Net sales	1,265.3	118.5	140.4	126.1
Result before taxes	133.9	-14.6	-9.7	0.6
Number of personnel	16,874	2,809	417	1,498
Paid taxes	43.7	7.5	5.6	5.0
Remitted taxes	274.8	10.4	13.5	6.8
Received public support	0.1	0.0	0.0	0.2

Remitted taxes by category and by geographical area

Remitted taxes 2016, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Value added taxes	165,150	148,659	4,862	10,083	1,546
Salary taxes	127,560	112,920	2,878	6,627	5,135
Other taxes	548	165	300	0	83

Remitted taxes 2015, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Value added taxes	172,389	155,400	6,505	8,918	1,566
Salary taxes	132,154	119,262	3,206	4,463	5,223
Other taxes	830	79	646	88	17

The Group's tax position in 2016

In 2016, the Group's effective tax rate was 21.5 percent (2015: 17.1 percent). The effective tax rate is calculated based on accrual-based income taxes and changes in deferred taxes. The increase in the tax rate was primarily attributable to changes in deferred taxes associated with the utilization in Finland of tax losses recognized by foreign subsidiaries. The Group's accrual-based income taxes for the financial year, excluding the effect of changes in deferred taxes, amounted to EUR 4.4 million. The Group received tax refund for previous financial years amounting to EUR 3.8 million.

Posti Group Corporation has lodged an appeal with the Board of Adjustment in Large Taxpayer's Office regarding a decision made by the Large Taxpayer's Office in 2015 to reject the utilization of tax losses by a foreign subsidiary that was merged with the company. The appeal concerns capital amounting to EUR 39.0 million. The matter is still pending in the Board of Adjustment.

In a decision made in October 2016, the Large Taxpayer's Office partly rejected Posti Group Corporation's claim to deduct in taxation the tax losses of a foreign subsidiary that was merged with Posti Group Corporation in 2015 as well as the deductibility of losses on the disposal of a foreign property company. The total value of these items is approximately EUR 20 million. The company considers the tax authorities' decision erroneous and has lodged an appeal with the Board of Adjustment in Large Taxpayer's Office. At the same time, however, the Large Taxpayer's Office approved approximately EUR 36 million of the merged foreign subsidiary's tax losses as deductible.

Posti Ltd was informed in January 2017 of the tax authorities' decision, according to which the adjustment to the recognition of revenue from pre-paid services is a deductible expense in the company's income taxation for 2016. This adjustment reduced the company's income taxes payable by EUR 5.3 million.

Taxes by category and by geographical area

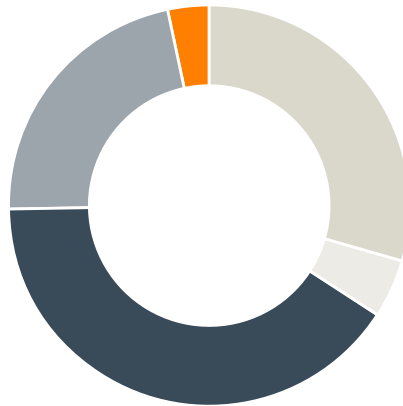
Paid taxes 2016, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Income taxes	18,254	17,878*	319	16	41
Real estate taxes	2,868	1,931	937	0	0
Employer taxes	24,956	11,035	5,585	4,976	3,360
Environmental taxes	13,516	13,482	0	0	34
Other taxes	1,970	1,970	0	0	0

*) includes income tax in the amount of EUR 10,188 thousand paid during 2016, but allocated to 2015.

Paid taxes 2015, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Income taxes	18,092	16,061	345	490	1,196
Real estate taxes	3,675	2,588	1,087	0	0
Employer taxes	26,278	11,240	6,082	5,115	3,841
Environmental taxes	13,184	13,184	0	0	0
Other taxes	567	567	0	0	0

Paid taxes and fees

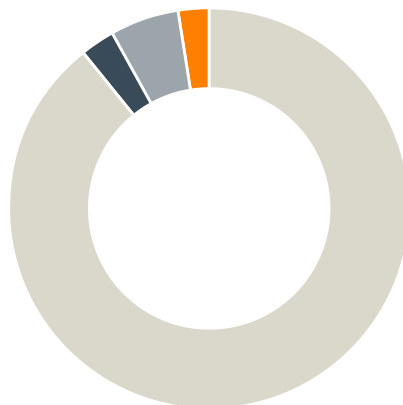
total 61.6 MEUR



Income taxes 18.3 MEUR Real estate taxes 2.9 MEUR Employer taxes 25.0 MEUR
 Environmental taxes 13.5 MEUR Other taxes 2.0 MEUR

Remitted taxes by geographical area

total 293.3 MEUR*

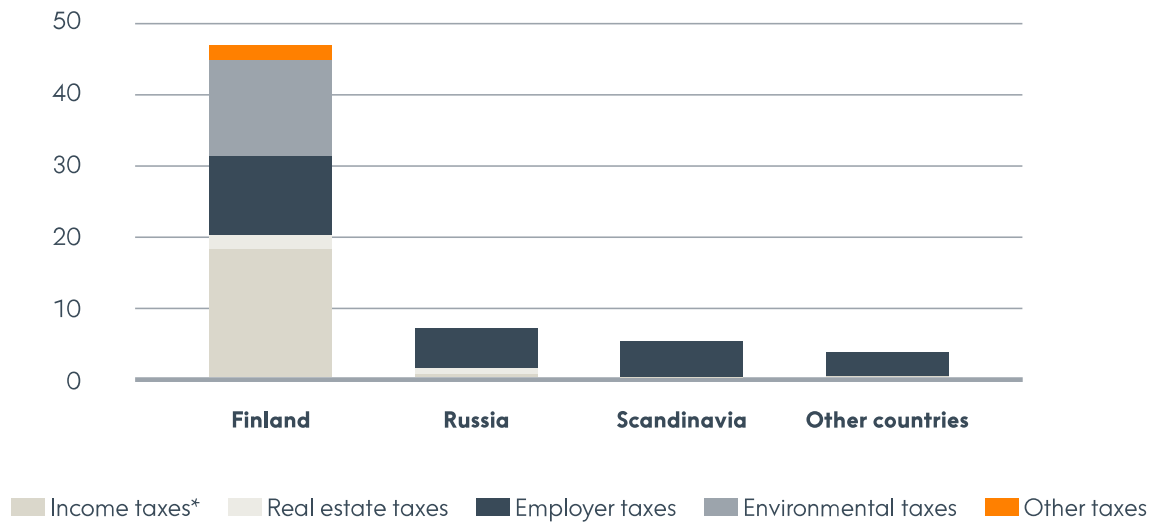


Finland 261.7 MEUR Russia 8.0 MEUR
 Scandinavia 16.7 MEUR Other countries 6.8 MEUR

* of which value added taxes 165.1 MEUR, salary taxes 127.6 MEUR and other taxes 0.6 MEUR.

Paid taxes by type and geographical area

total MEUR



* The income taxes for Finland contain 10,188 thousand euros, which have been paid during the year 2016, but will be directed for the year 2015.

Cooperation with stakeholders

It is important for Posti to actively engage its stakeholders. Posti keeps in contact with its stakeholders through open communication and dialog. Stakeholder relations are managed with confidentiality, integrity and fairness. Posti's key stakeholders are customers, personnel, personnel organizations, the state as the owner, political decision-makers, the authorities, associations, and the media as well as Posti's partners in subcontracting, research and the industry.

Posti conducted an extensive [stakeholder survey](#) at the turn of 2015–2016. The survey assessed stakeholders' views regarding the regulation of the postal industry, the future of the industry, as well as their perceptions related to sustainability. The amendments that made up the first phase of the reform of the Finnish Postal Act entered into force in June 2016. The second phase of amendments is expected to take effect in spring 2017. Posti has actively engaged in discussions with its stakeholders throughout the different phases of the Postal Act reform process. The next extensive stakeholder survey will be conducted after the amendments have entered into force. The reform of the Postal Act has initiated a lot of discussion, some of which has been quite emotional.

Posti engages in active dialog with its partners and networks regarding the focus areas of the industry and sustainable development. These partners and networks include the international postal industry associations PostEurop, UPU (Universal Postal Union) and IPC (International Post Corporation), Service Sector Employers Palta, the Finnish Federation for Communications and Teleinformatics (FiCom), FIBS CR Network and the Global Compact network. Posti is a member of the aforementioned associations and networks.

Developing the measurement of the customer experience

The customer experience is very important for Posti. Posti requests feedback from its customers on a continuous basis to support the development of its operations. In 2016, Posti developed its indicators of customer satisfaction. Some of the indicators were implemented in fall 2016, some in early 2017. Due to the extensive changes in this area, comprehensive data is not available for the year 2016.

The goal is to quickly obtain concrete feedback on specific transactions. Ongoing automated questionnaires produce more accurate data than traditional interviews conducted less frequently. When feedback can be linked to specific transactions, corrective actions are easier and faster to take.

Posti currently has approximately 15 measurement points linked to specific transactions. The plan is to increase the number of measurement points going forward. This represents a significant investment in the continuous collection and utilization of data on the customer experience. Project-specific customer satisfaction surveys are also used.

The content of the customer satisfaction survey aimed at business customers was developed in 2016. The focus is on the customer-supplier relationship or, in other words, what Posti is like as a partner.

Personnel

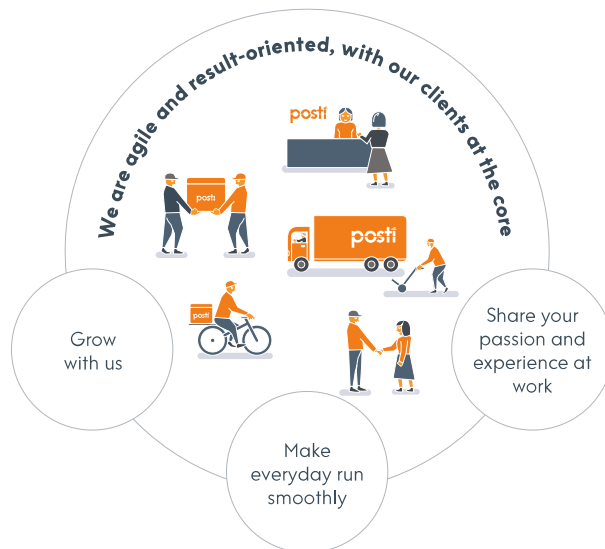
Developing professional competence

Posti is the largest corporate employer in Finland. Posti wants to be the best employer in its industry, one that adheres to shared values in all aspects of its operations. As a work community, Posti is equal, international and diverse.

The constantly changing business environment and the pursuit of new growth give rise to new competence requirements. Posti develops the competence of the personnel in new services and their ability to address the opportunities of digitalizing business. Needs are assessed in personal target and development discussions.

Skilled and motivated personnel are an essential starting point for Posti’s success and good results. Professional development is supported by providing employees with opportunities for on-the-job learning, support for self-motivated study and access to a range of training courses. The digital transformation of the business environment calls for new know-how, the capacity to learn new things and the ability to quickly adapt to changing circumstances.

At the supervisor and expert level, special focus is placed on supporting change management. In production, the line management training program for supervisors will continue with a focus on regionality and ensuring that the themes of the training are current. Good management is reflected not only in higher productivity, but also the commitment, well-being and competence development of Posti’s personnel.



Using the tools of service design

The development of competencies related to the customer experience and service design supports the strategic goals of Posti's business and organization. Posti markets products and processes developed in cooperation with customers, which means that there is a clear and validated customer and business need for them. Existing products are developed according to the same principle. A better customer experience helps Posti differentiate itself from its competitors.

In service design development programs, a multi-talented team is formed for each project right from the start. This means that the service being developed will be examined from a variety of perspectives. Broad participation also creates more commitment among different functions towards the service being developed. Customer interviews in various stages of the development process are a key element of the projects. Approximately 100 Posti employees participated in service design training in 2016. In addition, more than 10,000 consumer and business customers participated in interviews concerning the services being developed.

The service design development programs have led to initiatives such as the Befriending Service, the Helposti code and the Posti.fi mailer's instructions website, and the programs have also contributed to the development of the online grocery shopping concept. Now ideas are being developed, also in a business-led manner.

People responsibility indicators

At the end of the year, Posti employed a total of 20,497 people. The average number of personnel was 20,632. A total of 16,160 people on average were employed in Finland.

Of the total personnel, 81 percent are covered by collective labor agreements. In Finland, 99 percent of Posti's personnel are covered by collective labor agreements. The Baltic countries, Poland and Russia do not have binding collective labor agreements. The employees represented by the labor protection committee make up 78 percent of Posti's total personnel. In Finland, the ratio between the basic salaries of women and men was 97 percent.

Number of operating locations

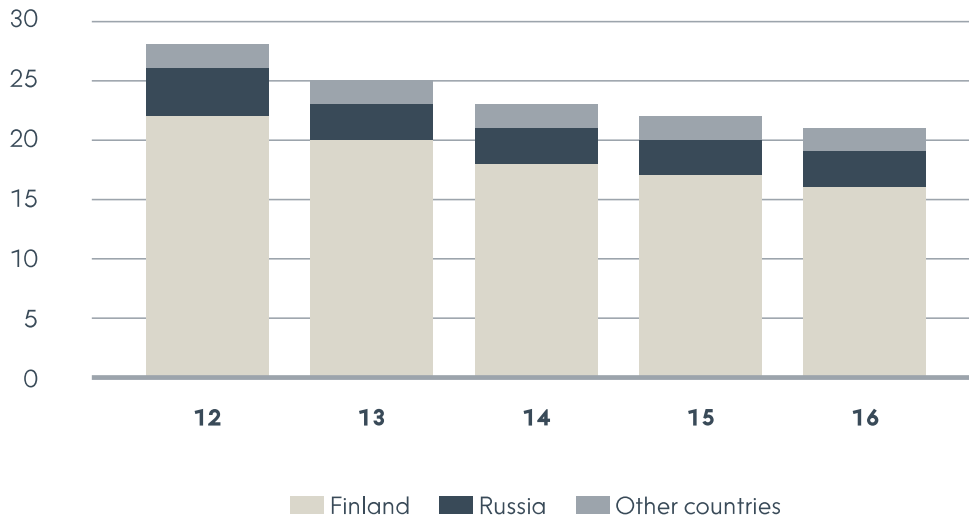
	2016	2015
Finland	563	596
Russia	15	21
Other countries	25	30
Total	603	647

Personnel per country on December 31, 2016

	2016	2015
Finland	16,052	16,874
Russia	2,553	2,809
Poland	620	568
Sweden	229	260
Estonia	378	419
Norway	144	157
Denmark	0	0
Latvia	94	164
Lithuania	278	259
Germany	146	88
Other (USA)	3	0
Total	20,497	21,598

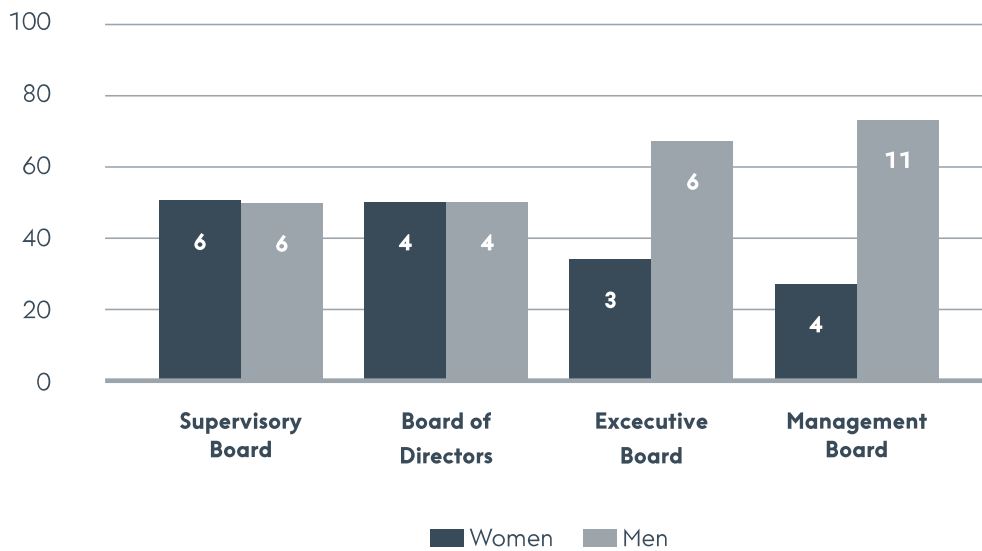
Development in the number of personnel

1,000 persons



Number of women and men in leadership roles

%



Women made up 38 percent and men 62 percent of the Group's employees. Posti's Supervisory Board has 12 members and the Board of Directors has eight members. The Executive Board is composed of nine members, and the Management Board is composed of 15 members. The Supervisory Board and the Board of Directors have had an equal number of men and women as members, while men have constituted the majority of the Executive Board and Management Board.

The share of the personnel within the scope of regular personal development discussions and performance reviews is approximately 2,000 people. The discussions are held at least twice a year. With the people working in production in Finland, the accomplishments of the previous year as well as the objectives and targets for the coming year are discussed with the working group once a year. In addition, a personal discussion is held in relation to personal development and well-being at work.

Posti received a total of 30,100 job applications during the year. In Finland, Posti signed 289 new permanent employment relationships (acquisitions not included). There is substantial seasonal variation in Posti. The number of seasonal employees is highest in the summer and around Christmas. Posti provided [summer jobs](#) to 2,500 people. During the Christmas peak period, Posti employed 3,200 seasonal assistants across Finland. Most of the seasonal assistants worked in mail delivery, sorting and transportation.

The following tables and charts illustrate the employee leaving rate in Finland, the breakdown of employment contracts, the length of employees' careers and the age distribution of personnel.

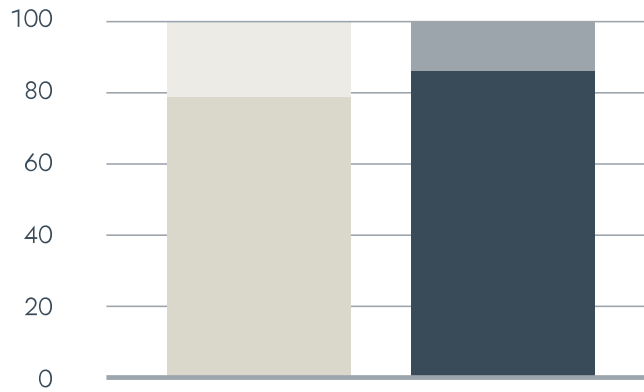
Employee leaving rate in Finland

Leaving rate, Finland	Leaving rate
Females	19.2%
under 25 years	29.8%
25–34 years	18.1%
35–44 years	13.8%
45–54 years	10.1%
55 years or older	32.3%
Males	12.7%
under 25 years	27.8%
25–34 years	15.7%
35–44 years	10.7%
45–54 years	4.4%
55 years or older	19.1%
Total	14.9%

Total leaving rate 14.9% without seasonal employees

Breakdown of employment contracts in 2016

%

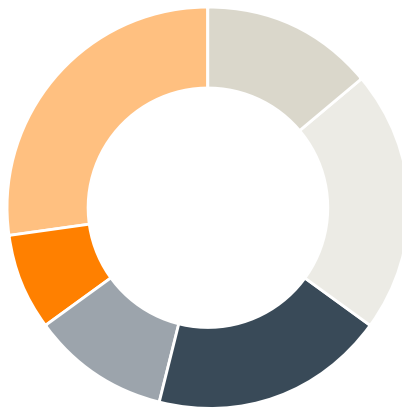


Full-time employees 16,138 (79%)
 Part-time employees 4,359 (21%)

Permanent employees 17,542 (86%)
 Fixed-term employees 2,955 (14%)

Length of employees' career in 2016

%



Less than 1 year 14%
 1-5 years 21%
 6-10 years 19%

11-15 years 11%
 16-20 years 8%
 more than 20 years 27%

Age distribution of personnel

%



under 25 9% 25-34 23% 35-44 21%
45-54 27% 55 or older 20%

Responsible employer

Posti's Voice employee survey is aimed at all employees. The questionnaire was conducted in September in Finland, Russia, Estonia, Latvia and Lithuania. A total of 11,380 Posti employees completed the questionnaire, which represents 70 percent of all personnel (2015: 62 percent).

The questionnaire's key indicators are the dedication index (38 percent, 2015: 47 percent) and the performance facilitation index (52 percent, 2015: 58 percent). The results reflect the fact that Posti is in a period of transformation. The future is seen as uncertain. However, the results indicate differences between units. Posti is a large organization that is undergoing rapid changes.

The results of the questionnaire have been discussed by the Executive Board. A number of common themes were included in the action plan for 2017: prioritizing activities, highlighting the positives, management having an active presence in day-to-day operations and increasing dialogue within the organization.

OpusCapita's employee survey emphasized the practical implementation of culture management. The questionnaire was conducted in fall 2016. A total of 1,633 employees completed the questionnaire, which represents 84 percent of all personnel (2015: 81 percent). The questionnaire emphasized the realization of credibility, respect, fairness, pride and camaraderie in the company. The respondents rated the statements in the questionnaire on a scale of 1–5. The results indicate the percentage of respondents who somewhat agree or fully agree with the statements (responses 4 and 5 on the scale). The result for 2016 was 65 percent, which represents an improvement from the previous year (2015: 61 percent). This is a significant improvement considering the size of the company. OpusCapita benchmarks its performance mainly against the largest multinational corporations in Europe. The target is to elevate the result to a level above 70 percent.

A fresh start with the help of the Uusi polku program

The delivery volumes of letters and publications are decreasing rapidly as a result of digital communications. Posti's business is undergoing a major transformation. Posti has had to conduct a number of cooperation negotiations based on production and financial reasons with personnel representatives. As a responsible employer, Posti invests in helping its personnel cope with the changes brought about by the circumstances. It is important for Posti to seek solutions related to personnel impacts in cooperation with personnel organizations.

Uusi polku (New path) is a support program for Posti's personnel launched in January 2014. By the end of 2016, a total of 2,523 employees had applied for the program, and 1,782 had been accepted. The program was established to provide financial and personal support to Posti employees interested in building a new career path through a new job, studying or entrepreneurship.

Posti is actively monitoring the effectiveness of the program for its participants. A total of 92 program participants have found a new occupation. In 2016, personnel reductions amounted to 1,383 person-years. Out of this total, 417 person-years were related to production and finance, 39 person-years were reduced through voluntary resignation and pension plans, 857 person-years were reduced via the Uusi polku program, and 70 person-years were reduced in relation to acquisitions.

Responsible Summer Job campaign

Posti received a total of 7,000 summer job applications and provided summer jobs to approximately 2,500 people across Finland. While the majority of the summer workers were employed in mail and publication delivery operations, some also worked in sorting, transport, warehouses, customer service and administration.

As in previous years, Posti again participated in the national Responsible Summer Job campaign. The campaign has seen Posti make a commitment to the principles of a good summer employer.

A summer job gives young people the opportunity to learn more about working life. Posti wants to offer young people unique experiences and diverse duties. A large proportion of Posti's summer workers are students, many of whom come back to work summers at Posti time after time.

Occupational safety and well-being

On the path toward an accident-free workplace

Posti invests in the well-being of its employees. Posti aims to promote well-being for its personnel and their ability to cope with work to ensure that employees are motivated and healthy. Putting well-being at work into practice is part of the daily work of supervisors. Every Posti employee is also responsible for their own well-being and for promoting psychological well-being in the working community.

Posti's goal is to provide healthy and safe work and a healthy and safe working environment for its employees. In promoting safety at work, Posti's focus is on proactive measures. Accident prevention is a shared responsibility.

Mail is delivered five days a week, regardless of the weather. The frequency of occupational accidents remains regrettably high. A total of 1,845 accidents were recorded in 2016 (2015: 2,072). These figures include occupational accidents at workplace and commuting accidents which led to an absence.

Improving and promoting occupational safety are important development areas for Posti. This work is done consistently in three areas:

1. A systematic approach to the management of occupational safety
2. Increasing competence and awareness
3. Procedures, working methods and tools

Posti's goal is to be a healthy and accident-free workplace. The management of occupational safety is a precondition for achieving safety objectives. Increasing competence and awareness helps enforce best practices and develop the company culture. Appropriate tools also ensure a smooth workflow. Posti has committed to the following five safety principles:

1. Safety comes first
2. Responsibility for safety management belongs to Posti's leadership and managers
3. Safety starts with me
4. Posti is committed to working together throughout the organization to develop our safety
5. Workplace safety improvement in Posti is consistent and systematic

Developing procedures and competencies

Managing safety risks lays the foundation for a safe operating environment. Workplace surveys and risk assessments are ongoing activities at Posti.

Posti has implemented company-level minimum requirements for adopting systematic approaches and harmonizing working methods. Compliance with these requirements is evaluated by internal assessment processes.

In 2015, Posti partnered with the Institute of Marketing to launch a Specialist Qualification in Management focused on occupational safety management. The first batch completed the program in fall 2016 and the second batch will start in spring 2017. The training program is aimed at managers and supervisors in production operations. The advantages of the program include the opportunity for participants to obtain a vocational qualification as well as results that are reflected throughout the work community.

The results of the program can be seen in the work community as a whole. By promoting and strengthening occupational safety procedures, the participants in the program help build a culture of safety at work.

Occupational safety training tailored to Posti's requirements was also introduced in 2016, with more than 200 Posti employees participating.

The two-year project of the Finnish Meteorological Institute focused on reducing commuting accidents through the development road condition warnings and supported by the Finnish Work Environment Fund concluded in 2016. The project made use of, among other things, Posti's accident records and the observations of Helsinki-based postal workers, who are on the move every day, regardless of the weather. The project's participants were the Finnish Meteorological Institute, the Finnish Institute of Occupational Health, Vaisala and Posti. Its results will be published in the Finnish Meteorological Institute's publications for 2017 (FMI publications). Posti has also participated in the "[Stay Upright](#)" campaign since 2012.

Accidents

Posti monitors the frequency of workplace accidents that lead to absences (LTA1; occupational accidents per million working hours). In 2016, the LTA1 figure was 41. This figure includes occupational accidents that occurred during working hours and led to an absence of at least one day (excluding OpusCapita). Taking commuting accidents into account, the total number of occupational accidents in 2016 was 1,845, which is 11 percent lower than in 2015.

Large part (55 percent) of the accidents lead to a short-term absence from work. In 2016, the number of accidents that led to more than a month-long absence from work was 107 (2015: 131). This means that 6 percent of the accidents that occurred in 2016 led to a long-term absence from work.

Accidents and sickness related absences*

	2016	2015	2014	2013	2012
Sickness related absences (%)	6.6	6.2	6.2	5.7	5.9
Lost time accidents (number)	963	1,046	1,089	1,306	1,329
Accident frequency**	41.3	43.3	41	46.7	48.7

*) Group level, Finland

**) Excluding OpusCapita

Maintaining health and work ability

Posti introduced the OmaTyöterveys telephone service in the fall to harmonize practices and help employees maintain their health and work ability. A corresponding service was previously piloted for one year. Following positive feedback from both employees and supervisors, a corresponding common practice was implemented for all of the personnel. The telephone service involves health care professionals assessing the employee's situation, providing health-related counseling, granting short-term sick leave and, if necessary, referring the employee to occupational health care. The new service means that employees do not need to travel while sick to visit occupational health care.

In order to harmonize procedures, the EsimiesKompassi (Supervisor Compass) system was made available to all Posti's supervisors in fall 2016 to support the management of absences and work ability. A corresponding system was previously piloted for one year. The feedback was positive and the work ability management system has provided concrete support in the day-to-day management of work ability.

In addition to occupational health care services, Posti provides a diverse range of well-being services to employees. They include various sports and fitness services, support for independent physical exercise as well as support for workplace meals. Since 2006, Posti has also had its own Foundation for Well-being at Work that is tasked with promoting the psychological and physical health of employees. The Foundation's operations are divided into measures improving well-being at work and research activities. The Foundation organizes various sporting events, fitness overhaul campaigns and active family vacations.

Posti is currently implementing changes to managerial work, taking work ergonomics into consideration. For Posti, the best way to influence the strain of mail delivery work is to develop mail delivery tools and to instruct employees to use appropriate and varied working methods.

Posti continued to produce ergonomics guidelines and videos in 2016. Posti has also commissioned studies to evaluate work ergonomics and measure the strain arising from work.

Disability pensions and retirement*

	2016	2015	2014	2013	2012
Disability pensions	77	68	78	76	84
Part-time disability pensions	80	80	62	74	103
Total disability pensions	157	148	140	150	187
Average age for retiring on disability pension	56.2	56	56.3	56.7	56.5
Average retirement age	61.4	62.5	62.5	60.9	60.7
Retired	281	320	301	342	315

*) Group level, Finland



For example, the various ways of using the Ergo bag and their effects on the physical strain of work were studied in cooperation with the TTS Work Efficiency Institute. The study applied methods including heart rate measurements, analyses of the position and movements of the head and upper limbs, assessing the exertion associated with work by means of the Borg RPE scale, time measurements and electromyography (EMG). The results will be used directly by employees and they will also be utilized in cooperation with Posti's occupational health care professionals.

Environment

Posti's environmental management is based on environmental management standards, particularly ISO 14001, as well as legal and official requirements and the UN's Global Compact principles and Sustainable Development Goals (SDGs). Posti's [quality and environmental policy](#) covers all countries of operation.

Environmental issues are discussed both in the Management Board and the Audit Committee at least once a year as part of more extensive corporate responsibility reporting. The targets for environmental work are determined by the corporate responsibility steering group. The business groups determine more detailed operating programs as part of their management model.

Employees' awareness of environmental issues is promoted through training and employee orientation as part of the ISO 14001 management system. Environmental issues are also regularly discussed in the channels of internal communication. At the end of 2016, certified environmental management systems covered 83 percent (2015: 88 percent) of the Group's personnel. The warehouses in Russia also follow an environmental management system pursuant to ISO 14001.

Posti's [environmental program](#) aims to reduce carbon-dioxide emissions by 30 percent by 2020, in proportion to net sales (compared to 2007).

Improving energy efficiency

Posti was among the first to join [the new energy efficiency agreement period](#) 2017-2025. The agreement is a voluntary commitment to improve energy efficiency. Posti signed the agreement for the second time now.

Posti aims to reduce the energy consumption of its facilities by 10.5 percent during the review period 2014-2025. The relevant measures concern the properties with the highest rates of energy consumption. In many locations, lighting technology about to become obsolete was replaced with LED lights during 2016. The work will continue in 2017. Changes to lighting control have also been carried out at many locations. Lighting is responsible for nearly 60 percent of the energy consumption in Posti's facilities.

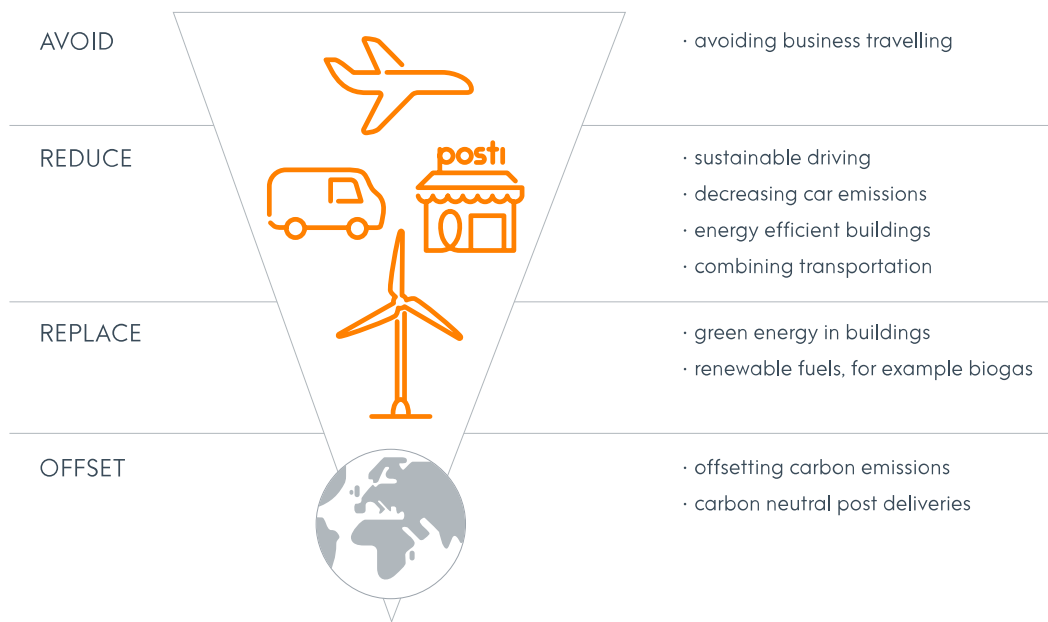
1,920 solar panels on the roof of the logistics center in Vantaa

Posti uses only green electricity and, in the future, part of it will be produced by Posti itself. Last winter, Posti mounted 1,920 solar panels on the roof of its Vantaa logistics center. The nominal power of the plant is 500 kW. Its calculated annual output is 450,000 kW. This is equal to the annual consumption of approximately 25 detached houses. Posti uses all of the energy itself, because the logistics center operates around the clock.

To ensure sustainable development, Posti has undertaken to:

- comply with all applicable environmental laws and standards, including ISO 14001;
- reduce the fuel consumption of its vehicles;
- reduce the energy consumption of its facilities;
- improve recycling and reduce landfill waste;
- consider environmental aspects in sourcing, subcontracting and investment decisions;

- engage in open discussion with its stakeholders to minimize its environmental impact;
- ensure sufficient resources for maintaining and continually improving its environmental operations; and
- report its environmental impact annually and provide employees with information and the opportunity to operate in an environmentally efficient manner.



Recycling of work clothing

In the spring of 2016, Posti began to recycle valuable and usable work clothing. Extra, usable work clothing is sent to the warehouse of the work clothing supplier, where the clothing is washed, repaired and labelled and recycled. In the warehouse, recycled work clothing is placed on top of the piles. When ordering new work clothing, recycled clothing is always received first. For now, work clothing that is unfit for recycling ends up being utilized in energy production or as mixed waste.

Up to 99 percent of waste already recovered

Posti has centralized its waste management services to a single operator in Finland. This ensures energy efficiency and cost-effectiveness. The aim of waste management is to increase the amount of recoverable waste and minimize landfill waste. Posti aims to improve the recovery rate by one percent every year. In 2016, the recovery rate was already at 99 percent (2015: 98 percent) and the recycling rate was 66 percent. Each of Posti’s ISO 14001 certified operating locations has a documented waste management plan. It includes a list of what waste fractions the property collects, related operating models, and illustrations of the placement of waste containers at the property. The volumes of waste per fraction are presented in more detail under [Indicators](#).

Green logistics and Posti Green

The vast majority, approximately 85 percent, of Posti's carbon-dioxide emissions in Finland arise from transports and vehicle emissions. As the largest transport and delivery company in Finland, Posti plays a major role in the development of eco-friendly and energy efficient transportation systems. The environmental efficiency of transport operations is improved primarily by planning routes efficiently, ensuring a high utilization rate, combining deliveries, and driving in an environmentally responsible manner.

Posti's fleet of nearly 3,900 commercial vehicles in Finland recorded a total of 114 million kilometers in 2016 (2015: 108 million km). Posti's subcontractors logged in roughly 80 million kilometers (2015: 85 million km).

Posti is a pioneer, and participates actively in the trials of alternative fuels. Posti's fleet includes some 40 biogas vehicles that run on the 100-percent renewable Finnish Gasum biogas. Its use does not generate fine particulate matters harmful to health, and the greenhouse gas emissions during the fuel's life cycle are minor.

Mail is also delivered on bicycles and on foot. Every day, around 1,800 delivery routes – approximately 36 percent of all routes – are gone through with delivery bikes and delivery carts, on foot. The majority of these are e-assist bikes and carts.

Increasing the number of electric cars in delivery is challenging. Electric cars that are compatible with the winter conditions in Finland and meet the criteria set by every aspect of delivery have so far not been available on the market. The car must be able to transport enough load and to operate at least reasonable routes without recharging in between, also in winter conditions. The lack of extensive network is a challenge itself.

Significant cost benefits through the improvement of utilization rates

Significant changes in the operating model and the use of vehicles took place in 2015. The same strategy continued to be implemented in 2016. The same vehicles are used to carry mail, parcels and freight. The fleet is renewed continuously to respond to changing needs. The utilization rates of vehicles have improved considerably due to route optimization and the combining of transports. Posti engages in active development work to increase the fleet's utilization rate.

The improved utilization rate has brought cost benefits through lower vehicle costs and the vehicles' reduced fuel and servicing costs. In delivery vehicles, the average consumption of fuel has increased despite good driving habits and more advanced engine technology. The vehicles' loading rates and the weights of the transported loads have increased. These have a direct impact on fuel consumption.

Economic and safe driving habits make a difference

Since 2015, every vehicle in Posti's own use has been equipped with a system that monitors driving habits. The system is a daily tool in production activities, including supervisory work, planning, and operations management. In the spring of 2016, driving habit monitoring devices were fitted into more than 400 trailers. These collect data on the kilometers driven, as well as telematics and GPS data, which are used in periodic servicing and dispatching.

Since the roll-out of the system, Posti has successfully reduced fuel and servicing costs. It has also been successful in improving occupational safety. The number of traffic accidents has declined, particularly the number of accidents involving personal injuries. The trend in insurance statistics has been positive; the number of traffic accidents has reduced and the damage repair costs have fallen.

The scope of the monitoring now covers approximately 8,000 people. Every driver receives a regular report, or a link through which to print a report, on their own driving habits. The report allows drivers to monitor the development of their driving habits. A personal driving habit index helps drivers to develop a more economic way of driving (ecodriving) and promote safe driving habits. If necessary, driving habits are intervened in according to the process.

The data collected with the driving habit monitoring devices and the usage targets are developed actively. Development targets include the safety of production, efficiency, quality, customer experiences and new services.

Posti Green

Since 2011, Posti has provided its customers with carbon neutral mail delivery at no extra cost. In 2015, Posti expanded the Posti Green product portfolio to cover the parcel and logistics business in addition to postal services. Posti Green services are part of Posti's [environmental program](#).

Climate change is a global issue. Posti's industry is very large, and the company wants to contribute to mitigating climate change while serving as an example of sustainability to others. Using Posti Green products allows customers to reduce the carbon dioxide emissions of their supply chain processes and communicate the environmental responsibility of their operations to their customers.

Arranging zero-carbon transport services is practically impossible. Emissions are necessarily created in spite of Posti's continuous efforts to reduce CO₂ emissions from transport; for example, by optimizing routes, combining transports and ensuring economical driving.

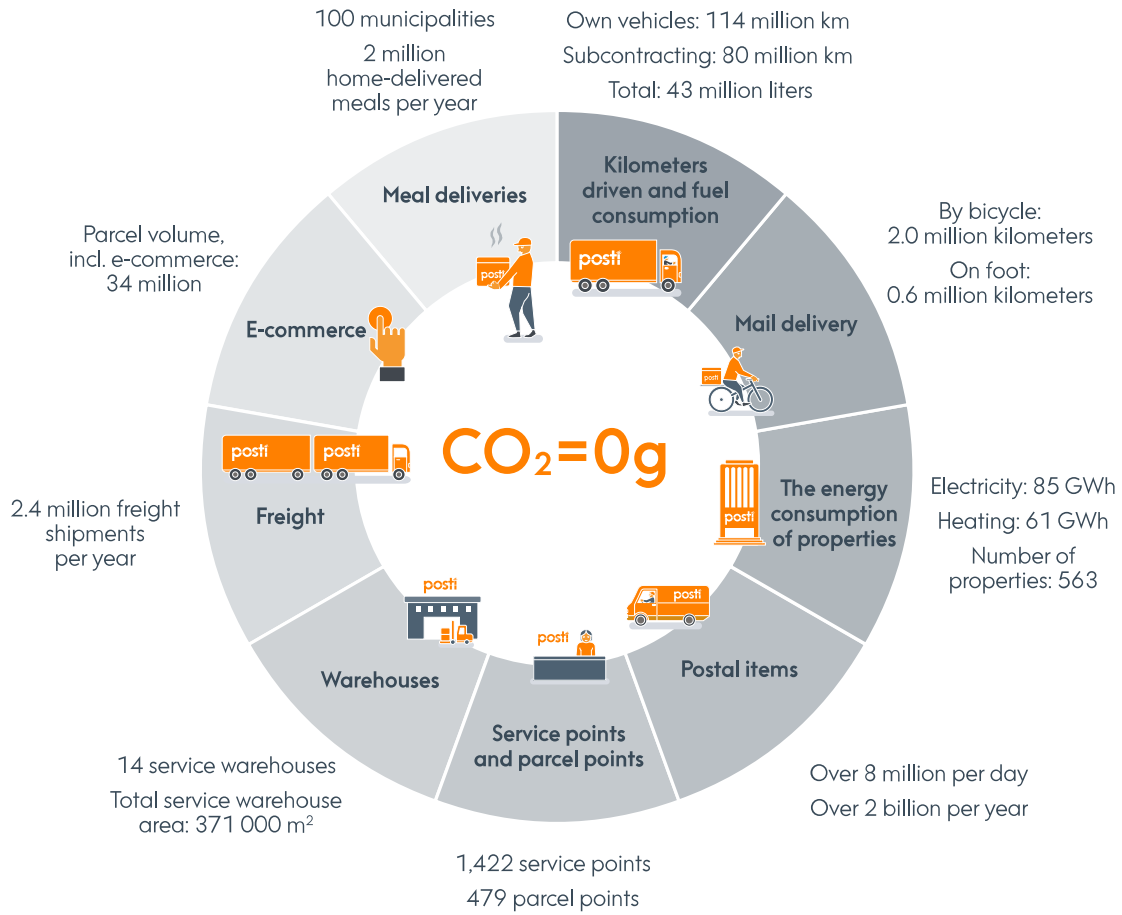
Certified climate projects

Transporting a letter generates around 28 grams of carbon dioxide and transporting a parcel generates approximately 700 grams. Posti offsets its emissions balance by participating in [certified climate projects](#). The projects ensure that a corresponding amount is cut from carbon dioxide emissions somewhere else.

The projects Posti is involved in include wind power projects in India and Turkey. The renewable energy generated by the farms reduces emissions by replacing fossil fuels. The projects also have a regional job creation effect.

Posti Green service model

All of Posti's services in Finland are carbon neutral Posti Green services that generate no emissions for customers. The product-specific Posti Green calculation process and customer reporting was verified by a third party in summer 2016.



Indicators

EN3 Energy consumption within the organization

Terajoules (TJ)	2016	2015	2014	2013	2012
DIRECT ENERGY CONSUMPTION					
Renewable					
Biogas	2	1	4	2	1
Non-renewable – facilities and own vehicles					
Natural gas	157	158	267	165	188
Fuel oil	0	0	1	1	5
Traffic fuel	766	730	778	879	672
INDIRECT ENERGY CONSUMPTION					
Renewable					
Electricity, Finland	306	313	337	265	271
Non-renewable					
Electricity, other countries	187	204	207	303	280
District heating	271	278	324	352	346
Traffic fuel – outsourced, Finland	804	547	612	664	572

The electrical power used by Posti in Finland has been produced with 100 percent renewable energy. The use of renewable energy sources is ensured with guarantees of origin. The measurement of the emissions of the purchased electricity employs a market-based method pursuant to the GHG Protocol standard.

EN15–EN17 The Group's CO₂ emissions

Tons	2016	2015	2014	2013	2012
Fuel use in transport – Posti's vehicles, Scope 1	52,532	50,014	53,396	60,406	46,169
Fuel use in buildings – energy generation, Scope 1	8,818	8,900	15,020	9,268	10,724
Electricity and heat use in buildings, Scope 2	39,068	40,266	44,199	38,272	46,496
Subcontracted transport by vehicles* and air, Scope 3	62,524	65,298	70,801	73,490	59,287
Business travel flights, Scope 3	1,358	1,512	2,139	2,190	2,260
Total	164,300	165,991	185,555	183,625	164,936

*) Includes subcontracted transport in Finland

EN21 Emissions to air – own vehicles

Tons/year	2016	2015	2014	2013	2012
	Finland	Finland	Finland	Finland	Finland
CO	50	54	59	60	56
HC	10	16	16	16	14
NO _x	144	137	130	166	97
Particles	4.4	5.4	5.8	5.9	4.7
SO ₂	0.5	0.5	0.6	0.6	0.5

Source of information: VTT/LIPASTO emissions of traffic. Source of data: kilometers driven by own vehicles.

EN23 Waste management in Finland

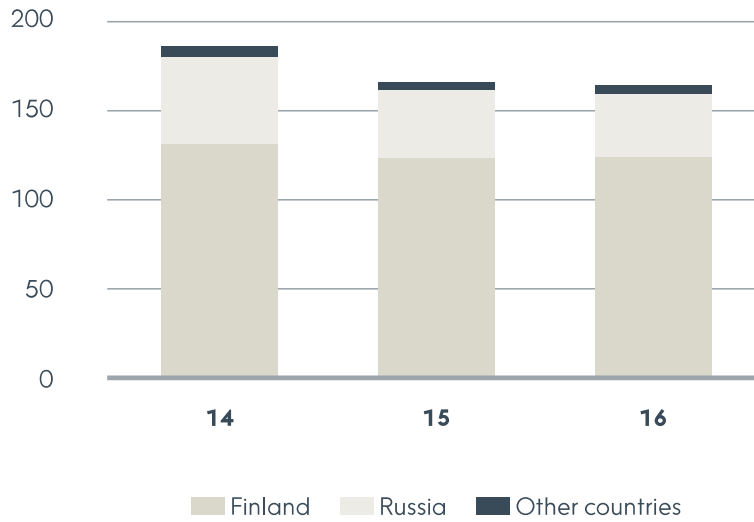
	2016	2015
Properties included in waste management agreement, tons*	Finland	Finland
Recycle and reuse	8,308	8,463
Other recover	3,779	3,747
Inceneration	489	367
Final disposal	82	173
Hazardous waste**	537	471
Recycle and reuse	462	444
Final disposal	74	27
Total	13,194	13,221
Recovery rate, %	99%	98%

*) Excluding properties where waste management is included in the rent. Reporting of the fractions of waste has been refined since 2015.

***) of which 443 (418) tons is refrigeration devices and Waste Electrical and Electronic Equipment (WEEE).

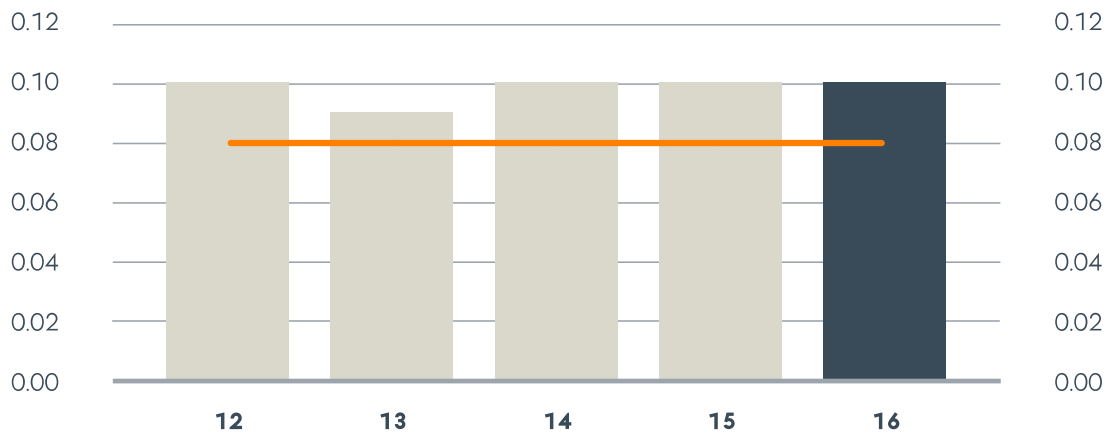
Carbon dioxide emissions

1,000 tn



Carbon dioxide emissions relative to net sales in Finland

kg/EUR



Target at -30% by 2020 (compared to 2007)

Absolute CO₂ emissions have decreased by over 30,000 carbon dioxide tons (20%) from year 2007 to 2016.

GRI reporting

This corporate responsibility report is based on the Global Reporting Initiative guidelines (GRI G4). In addition, Posti complies with the reporting requirements of its owner, the Finnish State.

In accordance with the GRI guidelines, Posti focuses on factors that are key to its operations and essential to its stakeholders. Posti's corporate responsibility report covers the key areas of economic, social and environmental responsibility. The report has not been subject to third-party assurance. According to Posti's estimate, the corporate responsibility report corresponds to the G4 Core application level of the GRI guidelines. A summary of the comparison between the report contents and the reporting guidelines is presented in the [GRI index](#).

Reporting boundary

Posti's sustainability aspects, environmental indicators and HR indicators are reported annually for the same period as the financial figures (January 1–December 31). Key indicators for the different areas of sustainability are reported to the Audit Committee of Posti Group's Board of Directors at least once per year.

Unless otherwise mentioned in context, the reporting covers all operations of the parent company and subsidiaries. Reporting covers all Group functions in all countries of operation. The reporting does not, as a rule, include the operations of subcontractors or affiliated companies. The coverage of the indicators is reported in connection with the indicators.

For figures related to personnel, the key indicators have been calculated in accordance with the Accounting Standards Board's general guidelines on annual reports. In GRI reporting, the information concerning personnel is primarily based on the Group's personnel in Finland.

The indicators for environmental responsibility cover the Group's operations with the greatest environmental impact in all of its countries of operation. In Finland, the environmental impacts of transport subcontracting are also taken into account. The environmental accounting applies the World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) protocol and the GHG Inventory Standard for the Postal Sector protocol, which includes more detailed instructions for the postal industry.

The data and key indicators pertaining to financial responsibility are taken from the consolidated financial statements. Posti reports on its finances in accordance with the IFRS accounting standards, the Finnish Securities Market Act and the rules and regulations of Nasdaq Helsinki. [Posti's financial communications](#) are described in more detail in [Disclosure Policy](#).

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GRI content index

Code	GRI Standard Disclosures	Reference page	Remarks
Strategy and Analysis			
G4-1	CEO's statement	President and CEO's review	
G4-2	Key impacts, risks, and opportunities	Strategy Board of Directors' Report	
Organizational Profile			
G4-3	Name of the organization		Posti Group Corporation
G4-4	Primary brands, products, and services	This is Posti Logistics, mail and financial management services	
G4-5	Location of the organization's headquarters		Postintaival 7. Helsinki
G4-6	Number of countries and names of countries with major operations or that are relevant to sustainability issues	This is Posti	
G4-7	Nature of ownership and legal form	Share capital and shareholding	
G4-8	Markets served	This is Posti	
G4-9	Scale of the reporting organization	Key figures	
G4-10	Total workforce by employment type, employment contract, region and gender	Personnel	
G4-11	Percentage of total employees covered by collective bargaining agreements	Personnel	
G4-12	Organization's supply chain	Supply chain	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	New business through acquisitions	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization		The precautionary approach and principle has been taken into account in accordance with statutory requirements.

G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Managing responsibility	
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	Stakeholders	

Identified Material Aspects and Boundaries

G4-17	List of stakeholder groups engaged by the organization	This is Posti Group companies	
G4-18	Process for defining report content and Aspect Boundaries	Sustainability at Posti GRI reporting	
G4-19	Material Aspects	Sustainability at Posti Stakeholders	
G4-20	Aspect Boundary for each material aspect within the organization	GRI reporting	
G4-21	Aspect boundary for each material aspect outside the organization	GRI reporting	
G4-22	Restatements of information provided in previous reports	Correction of an error	See G4-LA6. No other significant changes during the reporting period.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	New business through acquisitions GRI reporting	

Stakeholder Engagement

G4-24	List of stakeholder groups engaged by the organization	Stakeholders	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholders	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholders	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Stakeholders	

Report Profile

G4-28	Reporting period	GRI reporting	
G4-29	Date of most recent previous report		March 16, 2016
G4-30	Reporting cycle		Annually
G4-31	Contact point for questions regarding the report or its contents	GRI reporting	
G4-32	GRI content index		Self-assessment has been made, no external assurance.
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	GRI reporting	

Governance

G4-34	Governance structure of the organisation and committees	Governance	
G4-35	Delegating authority	Governance	
G4-36	Executive-level positions with responsibility for economic, environmental and social topics	Sustainability at Posti	
G4-37	Consultation with stakeholders	Stakeholders	
G4-42	Board of Directors' role in setting purpose, values and strategy	Corporate Governance Statement	
G4-45	Board of Directors' role in the identification and management of risks	Corporate Governance Statement	
G4-46	Reviewing the effectiveness of risk management	Corporate Governance Statement	
G4-47	Frequency of risk reviews	Corporate Governance Statement	
G4-48	Formal approval of the organisation's sustainability report	GRI reporting	
G4-49	Communicating critical concerns	GRI reporting	
G4-51	Remuneration policies for the Board and senior executives	Remuneration Statement	
G4-56	Organization's values, principles, standards and codes	Managing responsibility Supply chain	

G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	Sustainability at Posti
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	Sustainability at Posti

Code	Indicators	Reference page	Remarks
Generic Disclosures on Management Approach			
<i>Category: Economic</i>			
G4-EC1	Direct economic value generated and distributed	Society Tax footprint	
G4-EC4	Financial assistance received from government	Other operating income	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Supply chain	
<i>Category: Environmental</i>			
G4-EN3	Energy consumption within the organization	Indicators	
G4-EN5	Energy intensity	Indicators	
G4-EN6	Reduction of energy consumption	Environment	
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Indicators	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Indicators	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	Indicators	
G4-EN18	Greenhouse gas (GHG) emissions intensity	Indicators	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Environment Green logistics and Posti Green	
G4-EN21	NOx, SOx, and other significant air emissions	Indicators	
G4-EN23	Total weight of waste by type and disposal method	Indicators	

G4-EN24	Total number and volume of significant spills		In November, an articulated vehicle transporting substances classified as hazardous, had a traffic accident. An estimated 250 liters of sodium hydroxide solution leaked in the environment. Clearance work was carried out in collaboration with the Fire Brigade.
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Environment	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No significant fines or sanctions during the reporting period.
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Environment	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Supply chain	

Category: People

G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Personnel	Covers mainly only operations in Finland. More information is available on Indicators for people responsibility.
G4-LA4	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements	Responsible employer Personnel	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Occupational safe and well-being	In Sustainability Report 2015, 1,739 accidents were reported. In 2015, 2,072 accidents were recorded. The reporting error is due to a system error, which was discovered during 2016.
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Personnel	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Personnel	

G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Supply chain	
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms		There were five grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms during the reporting period. After addressing the matters, corrective actions were taken in two cases.
G4-HR3	Total number of incidents of discrimination and corrective actions taken		No reported discrimination incidents.
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Supply chain	
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		No reported grievances about human rights impacts.

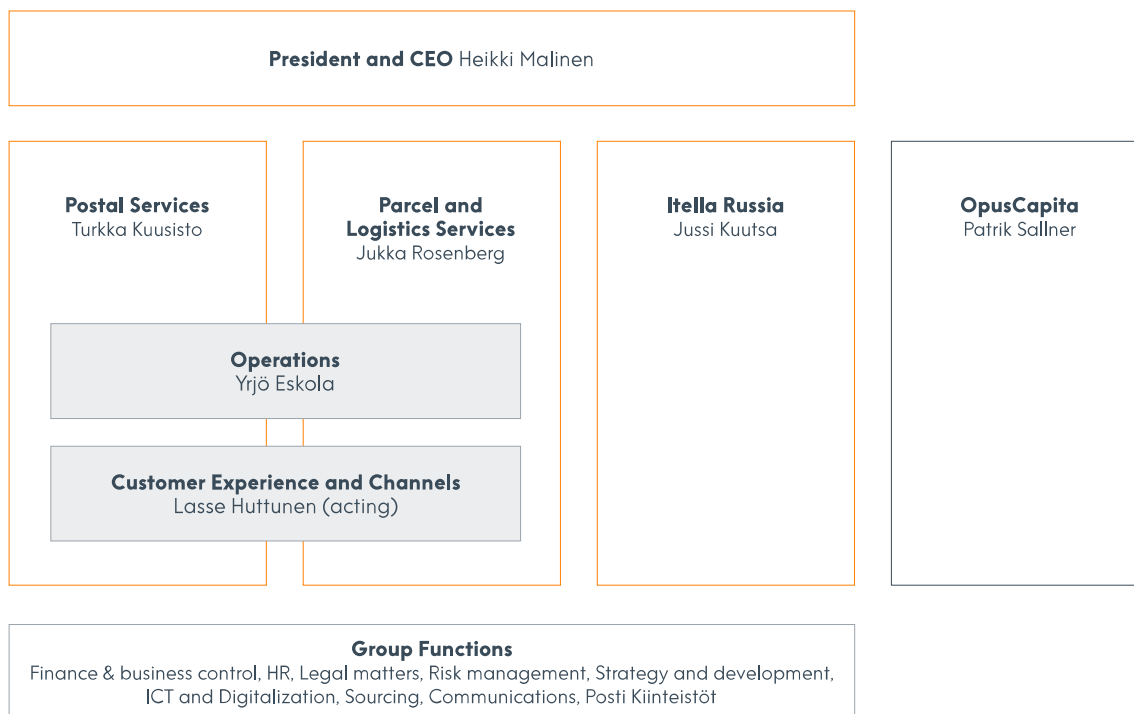
Category: Society

G4-SO4	Communication and training on anti-corruption policies and procedures		Training of the Employee Code of Conduct is compulsory for all employees of the Group. In 2016, the completion rate for the training was 79% (31.12.2016). Posti Group Corporation has published and implemented Gifts and Hospitality Policy in October, 2016.
G4-SO5	Confirmed incidents of corruption and actions taken		One confirmed incident of corruption during the period under review. The authorities are investigating the case. The personnel of the unit has been changed.
G4-SO6	Total value of political contributions by country and recipient/beneficiary		Posti Group does not support any political parties or institutions.

G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		One investigation request has been done against the company concerning the abuse of the dominating position on the market. No other legal actions for anti-competitive behaviour or significant fines or other sanctions for non-compliance with laws and regulations.
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Legal proceedings	The Finnish Communications Regulatory Authority has set a penalty payment of EUR 100,000 for the company regarding the quality standard of universal service of letters.
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Supply chain	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		None during the period under review.
G4-PR5	Results of surveys measuring customer satisfaction	Stakeholders	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		None during the period under review.
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Managing responsibility Society	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Legal proceedings	The Finnish Communications Regulatory Authority has set a penalty payment of EUR 100,000 for the company regarding the quality standard of universal service of letters.

Governance model

The Group consists of the parent company, Posti Group Corporation, and its subsidiaries. The company is domiciled in Helsinki. Its business operations have been divided into four business groups: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.



The highest decision-making body of Posti Group Corporation is the Annual General Meeting, which elects the Supervisory Board, Board of Directors and auditor. The Group is managed by the Board of Directors and the President and CEO.

More information on the governing bodies is available at www.posti.com/corporategovernance.

Corporate Governance Statement 2016

Introduction

This statement describes the governance structures, practices and policies that Posti Group applies in order to ensure the independence and integrity of decision-making as well as the appropriate controls related thereto.

Posti Group's Corporate Governance Statement is prepared according to the Finnish Corporate Governance Code issued by the Securities Market Association on 1 October 2015, and in force starting 1 January 2016. The Finnish Corporate Governance Code is available on the website of the Securities Market Association at www.cgfinland.fi.

Corporate governance at Posti is based on Finnish laws, the company's Articles of Association and the written charters of the Supervisory Board, the Board of Directors and its Committees. The sole owner of the shares of Posti Group Corporation is the State of Finland. Posti complies with the Finnish Corporate Governance Code 2015 as in force, except regarding recommendations 1,2,3 and 4, since it has only one shareholder*.

The Corporate Governance Statement has been reviewed by the Audit Committee of Posti Group Corporation's Board of Directors. This Corporate Governance Statement is published as a separate, unaudited report released in connection with the Financial Statements and is given in addition to the Board of Directors' Annual Report. Posti prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Finnish Securities Markets Act, as well as the appropriate Financial Supervision Authority's regulations and guidelines, and Nasdaq Helsinki's rules for bond issuers.

Governing Bodies

Posti has a governance model, by which the management of Posti Group is the responsibility of the General Meeting of Shareholders, the Board of Directors and the President and CEO. In addition, the management of the company is supervised by the Supervisory Board. The duties of these corporate bodies are as defined in the Finnish Companies Act. The General Meeting of shareholders elects the Supervisory Board, Board of Directors and auditors. The Supervisory Board is responsible for overseeing the lawfulness of the management of the company and giving advice in certain matters. The Board of Directors is responsible for the strategic management of the company. The Board appoints the President and CEO, who is in charge of the operative, day-to-day management of the company. He/she is assisted in his work by the Executive and Management Boards.

**) Posti Group departs from the Corporate Governance Code in the following ways:*

- *the members of the Board of Directors do not participate in the General Meeting of the Shareholders (Recommendation 3)*

In addition, Posti Group departs from the Corporate Governance Code in that it does not publish on its website:

- *the notice of the General Meeting and the appendices thereto (Recommendation 1)*
- *the date by which a shareholder must present to the Board of Directors a matter that he insists be discussed in the General Meeting (Recommendation 2)*
- *the archive of the documents of the General Meeting (Recommendation 4)*

Compliance with the above recommendations of the Code is not relevant, since the communication between the state-owned company and its sole shareholder is handled via regular exchanges between the Board of Directors, the management of the company and the sole shareholder, and thus regular and sufficient information is available for the sole shareholder at all times.

The agenda and notice to the General Meeting are prepared well in advance in direct communication with the sole shareholder in order to ensure that all relevant matters will be discussed at the General Meeting. The sole shareholder's rights are also effectively protected as the minutes of the meetings and other documentation related thereto are made available to the shareholder directly.

General Meeting of the Shareholders

Posti's highest decision-making body is the General Meeting of Shareholders. It resolves the issues as defined for General Meetings in the Companies Act and the company's Articles of Association, among other things.

- approving the financial statements
- deciding on the distribution of dividends
- discharging the members of the Supervisory Board, Board of Directors and CEO from liability for the financial year
- electing the members of the Supervisory Board and Board of Directors as well as the auditors and deciding on their remuneration

A General Meeting of Posti Group Corporation is held at least once a year, at no later than the end of April. If needed, the company may also hold Extraordinary General Meetings. The invitation to the General Meetings of Shareholders is sent by the Board of Directors latest eight days before the meeting. Posti Group Corporation does not publish its Shareholders' General Meeting invitations on the company's website, as it has only one shareholder, as previously described.

Annual General Meeting 2016

Posti's Annual General Meeting (AGM) was held on 23 March 2016. All 40,000,000 shares and votes were present. The AGM approved the financial statements and discharged the members of the Supervisory Board, Board of Directors and the company's President & CEO from liability for the financial year 2015. The AGM approved the Board of Directors' proposal to pay a dividend of EUR 18.0 million. The dividend was paid on 4 April 2016.

Representatives of the State of Finland, the Chair of the Board of Directors, company management and the auditor were present at the AGM.

Extraordinary General Meeting 2016

Posti held an Extraordinary General Meeting on 27 October 2016. All 40,000,000 shares and votes were present. The meeting elected Juha Pylväs as a new member of the Supervisory Board to replace Marisanna Jarva, who had resigned.

The Supervisory Board

Posti Group Corporation's AGM elects the members of the Supervisory Board and appoints the chair and deputy chair. The Supervisory Board is composed of six to twelve members. Persons aged 68 and above are not eligible for membership of the Board. The term of office for the members is one. The AGM elected twelve members to the Supervisory Board in 2016 and nominated Markku Rossi as the Chair and Jani Toivola as the Deputy Chair. The Supervisory Board has adopted a written Charter which lays out the Supervisory Board's key responsibilities and working principles.

The Supervisory Board convenes four times a year following a pre-determined schedule. In addition, the Supervisory Board convenes as necessary. All meetings are documented in serially numbered minutes.

The Supervisory Board's key duties are overseeing that the company is managed according to law and the bylaws, providing the Board with guidance on issues of broad implication, monitoring the functionality of postal services, and providing the Annual General Meeting with a statement regarding the financial statements and the auditors' report.

Posti's Supervisory Board 2016

Member	Born	Education	Occupation	Attendance at meetings
Markku Rossi (Chair)	1956	Vocational Qualification in Business and Administration	Member of Parliament	4/4
Jani Toivola (Deputy Chair)	1977	Actor	Member of Parliament	2/4
Maria Guzenina	1969	Matriculation examination	Member of Parliament	4/4
Marisanna Jarva*	1981	Master of Administrative Sciences	Member of Parliament	3/3
Rami Lehto	1973	Electric Power Technology Technician	Member of Parliament	4/4
Eeva-Maria Maijala	1967	LL.M. trained on the bench	Member of Parliament	4/4
Sari Moisanen	1980	B. Eng.	Program Chief, House of Lapland	4/4
Mats Nylund	1964	Vocational Qualification in Agriculture	Member of Parliament	4/4
Juha Pylväs**	1971	M. Agric., Agronomist	Member of Parliament	1/1
Sari Raassina	1963	Licentiate in Medicine	Member of Parliament	4/4
Lulu Ranne	1971	M.Sc. (Tech.)	Project and Environmental Expert	4/4

Satu Taavitsainen	1977	Bachelor of Social Services	Member of Parliament	4/4
Kari Tolvanen	1961	Master of Police Services	Member of Parliament	3/4

*) Until October 13, 2016

***) As of October 27, 2016

The Board of Directors as of December 31, 2016

The Board of Directors is presented on a separate [page](#).

The Board of Directors is responsible for the management of the company and the proper organization of its operations. The Board of Directors is composed of five to nine members. The term of office for members of the Board of Directors is one year and it ends at the close of the AGM that follows their election. Persons aged 68 and above are not eligible for membership of the Board. The AGM nominates the chair, deputy chair and the members of the Board. The AGM elected eight members to the Board of Directors in 2016 and nominated Arto Hiltunen as the Chair, no Deputy Chair was nominated. The Board of Directors has adopted a written Charter which lays out the Board of Directors' key responsibilities and working principles.

The Personnel Committee (previously the Nomination and Remuneration Committee) assists in preparing suggestions to the sole shareholder regarding needed competences and suitable directors for the Board. The Ownership Steering Department prepares the final proposal for the composition of the Board and presents it to the General Meeting of Shareholders for decision. Posti does not currently publish the candidates for the Board on its website as previously described.

The Board evaluates the independence of the members annually and re-evaluates its independence as necessary. The Board also conducts an annual self-evaluation of its operations and working methods. The purpose of this evaluation is to assess how the Board has executed its tasks during the year and to identify ways of developing the working practices of the Board for the future. It also assesses the performance and working methods of the President and CEO.

The Board convenes circa ten times a year following a pre-determined schedule. In addition, the Board convenes as necessary. All meetings are documented in serially numbered minutes.

The President and CEO, the Chief Financial Officer, and the General Counsel, as secretary to the Board of Directors, attend the Board meetings on a regular basis.

Diversity principles

In order for the Board of Directors to discharge its duties in the most effective manner, the Board must be highly qualified and sufficiently diverse, taking also into consideration the diversity in Posti's businesses and customers. Highly important criteria are the educational and professional backgrounds of the individual candidates, as well as their local and international experience, so that the Board composition in full represents a wide variety of competencies and qualifications set to a company in the public domain. Also the candidate's age is considered, as having different seniority levels on the Board is considered beneficial in terms of ensuring mutually complementing viewpoints. Posti's principle with regard to gender diversity is to have members of both genders represented on the Board.

Posti's Board of Directors consisted of 50% male and 50% female members in 2016, which fulfils the requirement set to government owned companies by the Council of State in its Decision in Principle given February 2, 2015.

Responsibilities

The duties of Posti Group Corporation's Board of Directors are as specified in the Companies Act, the Articles of Association of the company, the Decision-Making Guidelines approved by the Board of Directors and the Board's charter. The Board is also responsible for considering any matters which do not fall within the scope of the day-to-day administration of the company and have not specifically been appointed to the President and CEO. Accordingly, the Board is responsible among other things for:

- ensuring the functioning of the company's management system
- appointing and, if necessary, dismissing the President and CEO
- preparation of the matters to be put before the General Meeting of Shareholders
- overseeing the organization of financial supervision within the company
- approving the company's strategic goals and risk management principles; and
- approving the annual and interim financial statements

Board member meeting participation in 2016

Member	Attendance at Board meetings
Arto Hiltunen, Chair	19/19
Päivi Pesola*	4/4
Petri Järvinen	19/19
Petri Kokko	19/19
Jussi Kuutsa**	19/19
Marja Pokela	19/19
Kirsi Nuotto	19/19
Suvi-Anne Siimes	18/19
Arja Talma***	15/15

*) Until March 23, 2016

**) Until December 31, 2016

***) As of March 23, 2016

All Board members other than Marja Pokela, who is in an employment relationship with the Ownership Steering Department of the Prime Minister's Office, are independent of the shareholder, and all Board members are independent of the company based on the Board of Directors' overall evaluation. The average attendance rate in Board of Directors' meetings in 2016 was 99.3%.

The Board's Committees

The Board has appointed two Committees to assist in its work in its constitutive meeting on 31 March 2016; the Audit Committee and the Personnel Committee. The tasks of the Committees are laid out in their respective written charters.

The Committees prepare matters entrusted to them for the Board of Directors' decision. The Chair of the Committee convenes the Committee as required. He/She also reports to the Board on the Committee's work.

The Audit Committee

The Board of Directors elects a minimum of three and a maximum of four of its members to the Audit Committee. The members have the qualifications necessary to perform the responsibilities assumed by Committee, the duties of which include:

- the preparation, control, review, and assessment of risk management policies, internal control systems and internal audit
- organizing financial reporting and auditing
- examining financial statements with the auditors before submitting them for review to the Board of Directors
- submitting a proposal concerning the appointment of the auditor
- assessing the independence of the auditor and the additional services offered by the auditor
- steering and monitoring the activities of the Compliance Officer

In its meeting of March 31, 2016, the Board of Directors resolved that the members of the Audit Committee are: Arja Talma (Chair), Jussi Kuutsa, Marja Pokela and Suvi-Anne Siimes.

Audit Committee meeting participation in 2016

Member	Attendance at Audit Committee meetings
Arja Talma (Chair)*	7/7
Päivi Pesola (Chair)**	1/1
Jussi Kuutsa***	8/8
Marja Pokela	8/8
Suvi-Anne Siimes	6/8

*) as of March 23, 2016

***) Until March 23 2016

****) Until December 31, 2016

The average attendance rate in Audit Committees' meetings in 2016 was 93.8%.

The Personnel Committee

The Board of Directors elects a minimum of three and a maximum of four of its members to the Personnel Committee. The members have the qualifications necessary to perform the responsibilities assumed by the Committee, the duties of which include:

- preparation of decisions concerning the appointments and remuneration of executive management;
- preparation of the outlines for the remuneration, bonus, and incentive schemes and ensuring that they are fair and competitive
- preparation of the outlines of the group's remuneration, bonus and incentive schemes
- follow up of the group's people strategy
- discusses the competences required by the Board in its work and assists in preparing nomination suggestions for Board of Directors' members

In its meeting of March 31, 2016, the Board of Directors decided that the members of the Remuneration and Nomination Committee are: Arto Hiltunen (Chair), Petri Järvinen, Petri Kokko and Kirsi Nuotto.

Personnel Committee meeting participation in 2016

Member	Attendance at Personnel Committee meetings
Arto Hiltunen, Chair	7/7
Petri Järvinen	7/7
Petri Kokko	7/7
Kirsi Nuotto	7/7

The average attendance rate in Personnel Committees' meetings in 2016 was 100%.

President and CEO and other management, December 31, 2016

President and CEO and other executives are presented on a separate [page](#).

Nikolay Voinov served as the President of Itella Russia and as a member of the Executive Board until October 31, 2016. Martin Nilsson, CFO, Itella Russia, served as the intermediate President of Itella Russia until January 1, 2017.

President and CEO

The President and CEO is responsible for the Group's operative management in accordance with the Companies Act and the instructions and directions issued by the Board of Directors. The President and CEO is appointed and, if necessary, dismissed by the Board of Directors, which also determines the terms and conditions of the President and CEO's employment relationship.

Heikki Malinen, M.Sc.(Econ.), MBA, has served as President and CEO of Posti Group Corporation since December 11, 2012.

Executive and Management Boards

The Posti Group Executive Board assists the President and CEO in matters relating to business control and development and coordinates Group management. It also prepares matters for consideration of the Board of Directors. The most essential matters considered in the Executive Board are the Group's strategy and annual planning, financial and sales planning and follow-up, business development and other business-related investments. The Executive Board is not a decision-making body, but the matters considered by it are either further considered in Posti Group Corporation's Board of Directors or implemented with the CEO's authorization.

In addition, Posti Group also has a Management Board. The duties of the Management Board are connected with the management, development and follow-up of Group-wide functions and internal services on various levels. The Management Board is not a decision-making body, but the matters considered by it are further discussed in Posti Group Corporation's Board of Directors or implemented with the CEO's authorization.

Both the Executive and Management Board are chaired by the President and CEO.

The Chief Financial Officer's main areas of responsibility include group control, treasury, investments, project financing and taxation. The Senior Vice Presidents heading the businesses are responsible for the sales volumes and profitability of their respective businesses. The Managing Director of Itella Russia is responsible for the group's Russian businesses and operations. The Senior Vice President, Operations, is responsible for the management and development of the Group's homeland operative functions. The Senior Vice President, ICT and Digitalization, is responsible for the development of digitalization processes within the group and for the effective management of ICT resources. The main responsibility of the Senior Vice President, Strategy, is the development, alignment and implementation of the group-wide strategy. The Senior Vice President, Human Resources, is responsible for people related processes.

The members of the Management Board are the Directors and Officers of the group's vital support functions, and each are responsible for the effective management and development of their respective functions. The Personnel Representative participates in the work of the Management Board.

Rewarding

The General Meeting of Shareholders annually decides on the compensations to be paid for work in the Board of Directors and its Committees and the determination criteria of the remuneration.

The Board of Directors is responsible for deciding the remuneration of the President and CEO and for approving the remuneration of the direct subordinates of the President and CEO.

The President and CEO's benefits are described on Posti's website at www.posti.com/corporategovernance.

The remuneration statement and other information related to the Corporate Governance Code are available at www.posti.com/corporategovernance.

Other Corporate Governance

Internal control

Internal control is an important part of Posti Group's corporate governance. Posti Group's Board of Directors, management and other personnel all take part in internal control processes. Internal control is not a separate process, but it is integrated into the company's day-to-day operations. Internal control covers all of Posti Groups processes, policies and organizational structures that help to ensure that the Group, Business Groups and –Units are achieving their objectives. This is accomplished when:

- business operations are run efficiently
- assets are managed responsibly and cost-effectively
- financial reporting is organized reliably
- business conduct is ethical, and in compliance with the laws, regulations and internal policies

Overall responsibility for arranging internal control lies with the Board of Directors of Posti Group Corporation. The CEO is responsible for creating the control environment and for internal control follow-up. Additionally, the heads of the Business Groups, Units and Corporate Functions are responsible for organizing internal control within their area of responsibility. The operational managers within the organization act as the first line of defense in managing process risks. In practice majority of risk identification and mitigation is done by this level, and it thus has a great importance when implementing internal control.

The first line is supported by internal monitoring and oversight functions (such as financial control, quality, risk management, compliance, and legal). At the Group level, internal control relies on Posti's values and ethical guidelines, the Group's code of conduct and operating principles, and the functional organization, which also allow efficient monitoring in different parts of the Group. One of the core monitoring mechanisms is the follow-up of financial targets and financial supervision, which are based on monthly reporting. In addition to actuals it includes updated forecasts for the whole financial year and for the next 12 rolling months.

Risk management

The Group's risk management, based on the principles of Enterprise Risk Management (ERM), covers all Group operations and forms an integral element of Posti's management and strategy processes. Its aim is to secure and improve business profitability and the achievement of strategic goals by reducing the likelihood of risk occurrence and the impact thereof, and by supporting the exploitation of business opportunities. Risk is the possibility that an event will occur in Posti and adversely affect the achievement of objectives. A business opportunity, in turn, is defined as an event whose effective utilization will positively affect the achievement of objectives.

Risk identification, analysis, and the planning of risk management measures is carried out once a year as part of the Group's strategy process. The status of the risk profile and management measures is, in addition, updated regularly once a year and whenever significant risks are identified or the profiles of major risks undergo material changes. The Group's risk portfolio is compared against the risk-bearing capacity based on a financial model developed within the Group.

Risk management's responsibilities

Posti's Board of Directors approves the Group's risk management policy and principles. The CEO and the CFO are responsible for the planning and efficient implementation of overall risk management processes. The Group's Executive Board and the Board of Directors' Audit Committee regularly monitor the development and functionality of risk management processes and the whole made up of the most important risks with regard to the Group's risk-bearing capacity. The Audit Committee assesses the coverage and functionality of risk management.

The Business Audit unit assesses the coverage and functionality of the Group's risk management and provides support in risk identification.

Risk owners

Risks are managed where they are created. The management of the Group's business groups and units and of Group functions defined as critical is responsible for risk management as part of strategic and operative management in its operations as well as in outsourced functions for which it is responsible. The management is also responsible for ensuring that the whole made up of the most important risks remains within the risk-bearing capacity. A Risk Champion has been appointed in all business groups, their business units and the most important Group functions. In addition, every employee at Posti is responsible for taking risks into consideration in his/her work and for reporting detected risks to his/her supervisor.

Risk management support

Group Finance administers currency and other financial risks in a centralized manner based on financing guidelines confirmed by the Board of Directors and secures the availability of equity financing and debt financing under competitive terms. It supports the business groups in financing-related arrangements and takes care of external funding in a centralized manner. It is also responsible for financial assets management and hedging measures.

The Group's Chief Risk and Security Officer supports risk management policy implementation, coordinates key risk consolidation and develops risk management tools and operating methods. He reports to the General Counsel, who reports to the CEO. The Chief Risk and Security Officer also reports to the CFO in a matrix with regards to Enterprise Risk Management.

The risk management unit supports Group units in the management of operational risks related to corporate security.

Posti Group's comprehensive risk management policy is available at www.posti.com/riskmanagement.

Internal audit

The Group's internal audit produces independent assessment, assurance and consultation services required by Corporate Governance, which are used to analyze the Group's business functions and their processes and the efficiency of management, risk management, supervision, reporting and administration. Its goal is to help identify development targets through which the efficiency, predictability, productivity and compliance of business can be improved.

Internal audit supports the Board of Directors and Group management, which are responsible for organizing internal control, in their supervisory duty. It also assists the management and organization in the planning and development of internal control.

The Business Audit unit, which is responsible for internal audit, reports administratively to the CFO, and with regard to audit operations to the CEO and the Audit Committee. Planning, co-ordination, reporting and follow-up are all carried out using the unit's own resources. The unit's own resources and external resources are used in the realization of the audit.

Insider administration

As of July 3, 2016, in its insider administration, Posti adheres to Regulation (EU) No 596/2014 of the European Parliament and of the Council (market abuse regulation, MAR).

At Posti, insider information refers to information that could have a material impact on the value of Posti's listed bonds and that should therefore be disclosed in a stock exchange release.

Auditor

The authorized public accountancy firm PricewaterhouseCoopers Oy (PwC) was re-elected as Posti Group Corporation's auditor until the next Annual General Meeting, with Authorized Public Accountant Merja Lindh as the principal auditor.

The auditor was remunerated for audit services during 2016 by EUR 494,000. In addition, non-audit services were purchased in 2016 with EUR 355,000 from the auditor.

Remuneration Statement

The aim of the Group's reward policy is to motivate competent personnel at all organizational levels and increase their commitment to the company, as well as to reward them for results and successful outcomes.

The company's Board of Directors determines the principles according to which executive management and key personnel are remunerated and receive bonuses annually, on the recommendation of the Personnel Committee (previously Remuneration and Nomination Committee).

Posti complies with the state-ownership guidelines concerning the remuneration and pension benefits of executive management.

The Cabinet Committee on Economic Policy, representing the Government Ownership Steering Department, issued a new statement on the remuneration and pension benefits of management in companies with State ownership on August 13, 2012. All reward schemes that begin after the issuance of the statement are in compliance with the guidelines contained therein.

All previous reward schemes are in compliance with the Cabinet Committee on Economic Policy's previous statement from 2009.

The Remuneration Statement is available in full at <http://www.posti.com/corporategovernance>.

Risk management

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Posti Group's comprehensive risk management policy is available at www.posti.com/riskmanagement.

Risks are also described in Posti Group's [Corporate Governance Statement](#) and the [Board of Directors' Report](#).

Supervisory Board

Chairman, Vice Chairman

Chairman Markku Rossi, MP, Centre Party
Since 2015

Vice Chairman Jani Toivola, MP, The Greens of Finland
Since 2015

Members

Maria Guzenina, MP, Social Democratic Party
Since 2013

Rami Lehto, MP, Finns Party
Since 2015

Eeva-Maria Maijala, MP, Centre Party
Since 2015

Sari Moisanen, Program Manager, House of Lapland, Left Alliance
Since 2011

Mats Nylund, MP, Swedish People's Party of Finland
Since 2015

Juha Pylväs, MP, Centre Party
Since 2016

Sari Raassina, MP, National Coalition Party
Since 2015

Lulu Ranne, Master of Science (Tech.), Finns Party
Since 2015

Satu Taavitsainen, MP, Social Democratic Party
Since 2015

Kari Tolvanen, MP, National Coalition Party
Since 2015

Board of Directors



Arto Hiltunen

Chairman

b. 1958, M.Sc. (Econ.)

Member of the Board since 2010

Chairman of the Remuneration and Nomination Committee

Employment history

- S Group (1980–2009), most recently as CEO and Chairman of the Board of Directors
- Previously held several positions in the S Group, including Managing Director of HOK-Elanto, Ässä Partners and Alepa

Board Memberships

- Chairman of the Board: Veho Group
- Member of the Board: Jenny and Antti Wihuri Foundation, Foundation for Economic Education, Metsäliitto Group, Metsä Tissue Corporation, SRV Group, Yliopiston Apteekki



Petri Järvinen

Director, Supply Chain, Logistics and Quality
Coop Sverige
b. 1964, M.Sc. (Tech.)

Member of the Board since 2014
Member of the Remuneration and Nomination Committee

Employment history

- Coop Sverige (since 2016): Director, Supply Chain, Logistics and Quality
- Mölnlycke Health Care (2013–2016): Global Supply Chain Planning Director
- Nokia (2007–2013): Global Supply Chain Development Director roles
- Unilever (1996–2006): several Director roles in European Supply Chain
- Unilever Finland (1993–1995): Logistics Manager
- Kymmene Corporation (1990–1993): Logistics Development Manager



Petri Kokko

Director, Retail
Google Germany GmbH
b. 1966, M.Sc. (Econ.)

Member of the Board since 2014
Member of the Remuneration and Nomination Committee

Employment history

- Google Germany GmbH (since 2011–): Sales Director
- Google Inc. (2009–2011): Global HRD Director
- Google Finland Oy (2006–2009): Country Director, Finland and Sweden
- Stream Helsinki Oy (2005–2006): Managing Director
- Nike Finland Oy (2003–2005): Country Director
- The Finnish Sport Television Oy (Suomen Urheilutelevisio Oy) (2001–2003): Head of Program



Jussi Kuutsa*

Country Director
SRV Group Plc
b. 1964, M.Sc.(Econ.)

Member of the Board since 2011
Member of the Audit Committee

Employment history

- SRV Group (since 2010), Country Director of Russia
- Stockmann Group (2000–2010), managerial positions in international operations

**) Jussi Kuutsa gave up on Board Membership on December 31, 2016 and started as a Senior Vice President of Itella Russia and as a member of Posti Group's Executive Board on January 1, 2017*



Kirsi Nuotto

SVP, Human Resources
VTT Technical Research Centre of Finland Ltd
b. 1959, MA

Member of the Board since 2015
Member of the Remuneration and Nomination Committee

Employment history

- VTT Technical Research Centre of Finland Ltd (since 2016): SVP, Human Resources
- Outotec Corporation (2013–2016), Senior Vice President, Human Resources
- Cargotec Corporation (2012–2013), Executive Vice President, Human Resources
- Cargotec (2009–2011), Executive Vice President, Human Resources and Communications
- Cargotec (2006–2009), Senior Vice President, Human Resources
- GlaxoSmithKline (2001–2006), Human Resources and Communications Director - Finland
- Datex Ohmeda - Instrumentarium Corporation (1998–2001), Director, Global Education, Datex Ohmeda
- Datex Ohmeda - Instrumentarium Corporation (1988–1998), Various training positions



Marja Pokela

Senior Financial Specialist, Government Ownership Steering Department

b. 1955, BBA, M.Sc. (Adm.)

Member of the Board since 2014

Member of the Audit Committee

Employment history

- Prime Minister's Office, Government Ownership Steering Department (since 2007): Senior Financial Specialist
- Ministry of Transport and Communications (2006–2007): Senior Administrative Officer
- Tax Office for Major Corporations (2001–2006): Tax Inspector
- Hackman Oyj / Designor Oy Ab (1999–2001): Financial Manager
- Marimekko Oyj (1997–1999): CFO
- Valtameri Osakeyhtiö (1988–1997): Financial Manager

Board memberships

- Member of the Board: Tapio Oy



Suvi-Anne Siimes

Managing Director, Finnish Pension Alliance TELA
b. 1963, Licentiate of Political Science, (Econ.)

Member of the Board since 2013

Member of the Audit Committee

Employment history

- Finnish Pension Alliance TELA (since 2011): Managing Director
- Pharma Industry Finland (2007–2011): Managing Director
- Finnish Co-operative for Pharmaceutical Injury Indemnities (2010–2011): Managing Director
- Several positions in European organizations in the pharmaceutical sector (2007–2011)
- Member of Parliament (1998–2007)
- Left Alliance (1998–2006): Chairman

Board memberships

- Member of the Board: Yrjö Jahnesson Foundation
- Delegation member: Institutum Romanum Finlandiae Foundation



Arja Talma

Board Professional

b. 1962, M.Sc. (Econ.), eMBA

Member of the Board since 2016

Chairman of the Audit Committee

Employment history

- Kesko Corporation (2013–2015), Senior Vice President, Store Sites and Investments
- Rautakesko Ltd (2011–2013), President
- Kesko Corporation (2005–2011), Senior Vice President, Chief Financial Officer
- Kesko Corporation (2004–2005), Vice President, Corporate Controller
- Oy Radiolinja Ab (2001–2003), Executive Vice President

Board memberships

- Chairman of the Board: Serena Properties AB
- Member of Board of Directors: Aktia Bank Plc, Metso Corporation and Sponda Plc

Executive Board and Management Board



Heikki Malinen

President and CEO

b. 1962, M.Sc. (Econ.), MBA (Harvard)

Joined Posti in 2012

Chairman of the Executive Board since 2012

Employment history

- Posti Group Corporation (since 2012): President and CEO
- Pöyry Plc (2008–2012): President and CEO
- UPM-Kymmene Corporation, Helsinki, Finland (2006–2008): Executive Vice President, Strategy; Member of the UPM Executive Team
- UPM North America, Chicago, USA (2004–2005): President
- UPM North America, Chicago, USA (2002–2003): President of Sales
- Jaakko Pöyry Consulting, New York, USA (2000–2001): Managing Partner
- McKinsey & Co, Atlanta, USA (1997–1999): Engagement Manager
- UPM Paper Divisions, Helsinki, Finland (1994–1996): Director of Business Development

Board memberships

- Chairman of the Board: OpusCapita
- Vice Chairman of the Board: Service Sector Employers Palta
- Member of the Board: EastOffice, Outokumpu Plc and Realia Group
- Supervisory Member of the Board: Finnish Fair Corporation
- Remuneration and Nomination Committee member: Outokumpu Plc



Sanna Ahonen

SVP, Strategy and Development

b. 1969, M.Sc. (Econ.), BA (International Relations, Politics)

Joined Posti in 2014

Member of the Executive Board since 2014

Employment history

- Posti Group Corporation (since 2014): Senior Vice President, Strategy and Development, ICT, M&A, BI and eCommerce
- Finnair (2011–2013): Vice President, Corporate Development
- Nokia Siemens Networks (2010–2011): Head of BSO BE
- Nokia Siemens Networks (2007–2009): Head of Strategic Change Projects
- Basware Inc (2006–2007): Vice President, Global Consulting
- Nokia, Vodafone CBT (2005–2006): Director, Customer Projects & Quality
- Nokia (2001–2005): Business Development Manager, Business Development Unit
- Nokia (1999–2000), Executive Leadership Training

Board memberships

- Member of the Board: OpusCapita, Samlink



Yrjö Eskola

SVP, Operations
b. 1972, M.Sc. (IEM)

Joined Posti in 2013
Member of the Executive Board since 2015

Employment history

- Posti Group Corporation (since 2015): Senior Vice President, Operations
- Itella Corporation (2014–2015): Vice President, Logistics Development (Itella Logistics)
- Itella Corporation (2013–2014): Director, Strategic Development Programs
- Nokia Corporation (2008–2012): General Manager, Nokia Komárom Ltd. Hungary
- Nokia Corporation (2007–2008): Director, Supply Management
- Nokia Corporation (2004–2007): Director, Logistics EMEA
- Nokia Corporation (1997–2004): various management positions in EMEA Logistics and Sourcing & Procurement organizations



Sari Helander

CFO

b. 1967, M.Sc. (Econ.)

Joined Posti in 2011

Member of Posti's Executive Board since 2011

Employment history

- Posti Group Corporation (since 2011), CFO
- Nokia Corporation (2001–2011), Vice President, Business Reporting & Control; various control and financial management positions
- Nokia Networks (1994–2001)
- Helsingin Tilikartta, Interbank, Union Bank of Finland (1986–1992)

Board memberships

- Vice Chairman of the Board: OpusCapita
- Chairman of the Audit Committee: OpusCapita



Jaana Jokinen

SVP, Human Resources

b. 1957, M.Sc. (Econ.)

Joined Posti in 2009

Member of the Executive Board since 2009

Employment history

- Posti Group Corporation (since 2009): Senior Vice President, Human Resources
- Nokia Corporation (2004–2009): HR Director for Demand Supply Network Management
- Nokia Networks (2001–2003): global managerial positions in HR
- Nokia Networks (1995–2001): managerial positions in customer training in Finland and China
- Learning Systems Ltd (1990–1995): Consultant for HR Development
- ICL (1986–1989), Training Manager



Jani Jolkkonen

SVP, ICT and Digitalization
b. 1973, M.Sc. (Tech.), EMBA

Joined Posti in 2002
Member of the Executive Board since 2013

Employment history

- Posti Group Corporation (since 2016): Senior Vice President, ICT and Digitalization
- Posti Group Corporation (2015–2016): Senior Vice President, Postal Services
- Itella Corporation (2013–2014): Senior Vice President, Itella Logistics
- Itella Corporation (2004–2013): managerial positions in Delivery and Marketing Services and Operations at Itella Mail Communications
- Itella Corporation (2002–2004): Business Controller
- Telia Mobile (2001–2002): Business Controller
- Digiscope (2000–2001): Business Consultant
- Cap Gemini Ernst & Young (1998–2000): Consultant



Turkka Kuusisto

SVP, Postal Services
b. 1979, M.Sc. (Tech.)

Joined Posti in 2016
Member of the Executive Board since 2016

Employment history

- Posti Group Corporation (since 2016): Senior Vice President, Postal Services
- Lindorff Group AB (2015–2016): Executive Vice President, Head of Debt Collection & Regional Managing Director
- Lindorff Group AB (2008–2015): several managerial duties, including the Managing Director of Lindorff in Finland and Head of business operations in Russia and the Baltics
- Kronstöm Oy Ma-Kron (2004–2008): Managing Director
- Accenture (2003–2004): Management Consultant
- Bonito Oy (2003–2003): Management Consultant
- Helsinki University of Technology (2002–2003): Research Assistant
- Trainers' House (2000): Junior Consultant

Board memberships

Chairman of the Board: Idego Consulting Oy, Irpola Oy



Jukka Rosenberg

SVP, Parcel and Logistics Services
b. 1962, M.Sc. (Econ.)

Joined Posti in 2011
Member of the Executive Board since 2011

Employment history

- Posti Group Corporation (since 2015): Senior Vice President,
- Parcel and Logistics Services
- Itella Corporation (2011–2014): Senior Vice President,
- Itella Mail Communications
- IBM Global Services (2006–2011): Executive, Strategic Outsourcing
- Tieto Corporation (1997–2006): Senior Vice President,
- Financial Services Sector
- Fujitsu Services Oy (1985–1997): managerial positions in international sales and marketing

Management Board



Timo Anttila

VP, Communications and Stakeholder Relations
b. 1962, M.A. (Political History)

Joined Posti in 2013

Employment history

- Posti Group Corporation (since 2013): Vice President, Stakeholder Relations
- Danske Bank (2008–2013): Head of Communications
- Sampo Bank (2007–2008): Communications Manager
- Ilta-Sanomat (2003–2007): Head of Political Desk and Financial Editor
- Iltalehti (2002–2003): Financial Editor
- Iltalehti (1989–2002): Head of Political Desk, Political Editor



Markku Gerdt

VP, Sourcing

b. 1970, BEng, Master of Business Administration

Joined Posti in 2012

Employment history

- Posti Group Corporation (since 2014): Vice President, Sourcing
- Itella Corporation (2012–2014): various management roles in Itella Mail Communications's and Itella Group's Sourcing
- Nokia Spain SAU (2010–2012): Senior Sourcing Manager
- Nokia Corporation (2006–2010): Group Manager for Finland and Eurasia Sourcing and various other positions in sourcing organization
- Elisa Networks (1998–2006): various management roles



Pertti Miettinen

National Chief Shop Steward, Finnish Post and Logistics Union PAU (employee representative)

b. 1968

Joined Posti in 2015

Employment history

- Posti Group Corporation (since 2015): National Chief Shop Steward
- Finnish Post and Logistics Union PAU (2002–2015): Working Conditions Specialist
- Posti Group Corporation (1995–2002): Postal Worker



Kaarina Ståhlberg

VP, Legal Affairs

b. 1966, LL.M. (Helsinki University, Columbia University)

Joined Posti in 2016

Employment history

- Posti Group Corporation (since 2016): Vice President, Legal
- Kaarina Ståhlberg Law Consulting,(2014–2016): Legal advisor, Independent professional
- Fortum Corporation (2014): Legal Advisor in nuclear business related matters
- Fortum Corporation (2013–2014): General Counsel
- White & Case (2012–2013): Counsel
- Nokia Corporation (2005–2012): Vice President, Assistant General Counsel
- Nokia Corporation (2004–2005): Vice President, Mobile Phones Legal
- Nokia Corporation (1999–2003): various legal and managerial duties
- Dittmar & Indrenius (1993–1998): Attorney-at-law
- Law Offices Heikki Haapaniemi (1992–1993): Attorney-at-law

Board memberships

- Member of the Board: Vaisala Corporation
- Member: Market Practice Board of the Securities Market Association, Policy Committee of the Directors' Institute of Finland



Esa Viitamäki

CTO
b. 1958, B.Sc.

Joined Posti in 2013

Employment history

- Posti Group Corporation (since 2016): CTO
- Posti Group Corporation (2013–2019): CIO
- LocalTapiola (2009–2013): CIO
- Tieto Corporation (2004–2009): Vice President, Common Processes and Vice President, Financial Services
- Primasoft Ltd (2002–2004): Senior Vice President
- Tieto Corporation (2001): General Manager
- Pohjolan ATK-palvelu Oy (1998–2001): Managing Director



Jarkko Ämtö

CEO, Posti Kiinteistöt
b. 1972, M.Sc. (Tech.)

Joined Posti in 2015

Employment history

- Posti Kiinteistöt Ltd (since 2015): CEO
- Sanoma Corporation (2012–2015): Head of Real Estate Management
- Sanoma Corporation (2007–2012): Real Estate Manager
- SanomaWSOY Corporation (2005–2007): Project Manager
- SanomaWSOY Corporation (2003–2005): Sales Manager
- Rautakirja Ltd (2001–2003): Retail Store Sites Manager
- Kesko Corporation (1998–2001): Consultant on Store Sites

Board of Directors' Report 2016

Market situation and business environment 2016

The Finnish economy began to improve late in the year. The confidence indicators in all main sectors showed a rising trend, and the aggregate confidence indicator rose to a level above the long-term average after the summer. Finnish GDP increased by 1.5% in January–September. Consumer confidence also rose particularly at the end of the year to a level above the long-term average. According to the Finnish Transport Agency, transport volumes in heavy traffic in Finland turned to an increase in April 2016 after a long period of decline, and they continued to increase through the latter part of the year.

The improved situation was reflected in Posti's freight and parcel volumes, which showed favorable development. Development during the year was particularly positive in cross-border trade and the B2C segment. In March, Posti joined the DHL partner network that offers harmonized international parcel deliveries in 16 European countries.

The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continued. This is reflected in the decreasing volumes of domestic delivery products. Posti's competitors have expanded their mail delivery operations following the entry into force of the amended Postal Act in June. In addition to Posti, mail is at the moment delivered by 13 delivery service providers. The decline in paper invoices and the competitive situation were also reflected in OpusCapita, particularly in the volumes of iPost products.

In Russia, the economy has contracted over the past two years, and the depreciation of the ruble has eroded consumer purchasing power. The increase in oil prices, which began in summer 2016, has strengthened the Russian ruble. The ruble appreciated by 20.3%, which also began to be reflected in the real economy. The Bank of Finland and OECD both predict growth of approximately 1% in Russia in 2017.

Posti's universal service obligation was discontinued for domestic parcels starting from October 31, 2016, but it remains in effect for international parcels sent from Finland, weighing no more than 10 kg, throughout Finland except the Åland Islands.

By the parliament's decision in June, the Finnish State can decrease its ownership in Posti Group Corporation. In accordance with Government Resolution on Ownership Steering Policy, 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.

Changes in management

Kaarina Ståhlberg, LL.M. (Columbia University), was appointed as VP, Legal Affairs, and a member of the Management Board, effective from March 2016.

Turkka Kuusisto, M.Sc. (Tech.), was appointed as SVP, Postal Services, effective from August 2016. Kuusisto was also appointed as a member of Posti's Executive Board.

Jani Jolkkonen, M.Sc. (Tech.), EMBA, was appointed as SVP, ICT and Digitalization, effective from August 2016. Jolkkonen also continued as a member of Posti's Executive Board.

Jussi Kuutsa, M.Sc. (Econ.), was appointed President of Itella Russia effective from January 1, 2017. In conjunction with the appointment, Kuutsa gave up his membership in the Board of Directors of Posti Group Corporation.

Performance improvement program

The EUR 75 million savings target of the Group's performance improvement program 2015–2016 was achieved in the first quarter of 2016. Savings were achieved in all areas of the Group, particularly through improving the efficiency of production in both postal and logistics operations and reducing ICT costs and the Group's general expenses.

Group-wide measures will continue to increase operational efficiency and achieve savings through methods including automation. In addition, the Group will continue to aim at achieving net savings in operational and general expenses and in sourcing function's purchases.

Net sales and operating result in 2016

The Group's net sales decreased by 2.5% and amounted to EUR 1,607.6 (1,649.1) million. Net sales grew by 0.2% in Finland and declined by 16.2% in other countries. International operations accounted for 14.4% (16.8%) of net sales.

The number of working days in 2016 was higher than in the previous year by one day.

The Group's adjusted EBITDA was EUR 126.7 (128.2) million, 7.9% (7.8%).

The Group's EBITDA declined to EUR 116.0 (147.2) million, 7.2% (8.9%).

The adjusted operating result was EUR 47.1 (47.6) million, or 2.9% (2.9%) of net sales.

Special items in 2016 totaled EUR -16.4 (+7.2) million. The special items of the businesses are described in more detail below, in connection with the results analysis specific to each segment. Posti Kiinteistöt sold the Pennala logistics center in Orimattila to RBS Nordisk Renting. The net profit was recognized in special items under Other operations.

The operating result declined to EUR 30.7 (54.8) million, or 1.9% (3.3%) of net sales.

The result before taxes declined to EUR 29.5 (42.3) million.

The Group's net financing costs amounted to EUR 1.2 (12.5) million. Net financing costs were favorably affected by a reversal of impairment recognized on receivables, as well as exchange rate gains on the ruble.

Return on equity stood at 3.9% (6.2%).

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 (154.8) million, or 9.2% of the Group's net sales.

Key figures of Posti Group

	2016	restated 2015*	restated 2014*
Net sales, MEUR	1,607.6	1,649.1	1,867.1
Adjusted EBITDA, MEUR	126.7	128.2	145.1
Adjusted EBITDA, %	7.9	7.8	7.8
EBITDA, MEUR	116.0	147.2	104.0
EBITDA, %	7.2	8.9	5.6
Adjusted operating result, MEUR	47.1	47.6	58.6
Adjusted operating result, %	2.9	2.9	3.1
Operating result, MEUR	30.7	54.8	13.5
Operating result, %	1.9	3.3	0.7
Result before taxes, MEUR	29.5	42.3	3.2
Result for the period, MEUR	23.2	35.1	1.8
Cash flow from operating activities	63.1	81.9	93.2
Return on equity, % (12 months)	3.9	6.2	0.3
Return on invested capital (12 months), %	5.1	6.4	1.9
Equity ratio, %	54.9	46.9	45
Gearing, %	-13.6	-10.9	17.9
Gross capital expenditure, MEUR	100.4	66.8	63.6
Employees on average	20,632	22,219	24,617
Dividends, MEUR	60,0**	18.0	-

*) Restated due to change in the revenue recognition principle

***) Board of Directors' proposal to the Annual General Meeting

Mail, Parcel and Logistics Services

The year-on-year development of Posti's product volumes were as follows:

- Addressed letters -7% (-8%)
- Parcels +3% (+2%), of which B2C parcels +7% (+7%)
- Domestic freight measured in waybills +7% (-15%)
- Warehouse fill rate in the end of the reporting period 73% (68%)

The amount of parcels delivered by Posti grew to 33.5 (32.4) million parcels.

The number of electronic letters (Netposti) increased by 1%. The number of digital mailbox Netposti users increased by 8% and stood at 686,000 (636,000) at the end of the year.

The net sales of Mail, Parcel and Logistics Services were largely unchanged from the previous year at EUR 1,321.6 (1,337.8) million. The decrease in net sales was attributable to a decline in domestic delivery product volumes. 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 services and the acquisitions of Veine and Kuljetus Kovalainen.

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

Net sales, EUR million	2016	2015	Change
Mail and Marketing Services	552.4	571.5	-3.4%
Press Services	164.3	169.6	-3.1%
Parcel Services	272.2	270.6	0.6%
Logistics Services	337.0	333.1	1.2%

The net sales of Mail and Marketing Services were reduced by a decline in the domestic delivery product volume. Posti's competitors have expanded their mail delivery operations following the entry into force of the amended Postal Act in June. The impact on Posti's volumes from the expansion of competitors' mail delivery operations was not yet significant in the review period. The lower rate of decline in Press Services was due to changes in customers' mailing methods. Customers have, among other changes, moved products from unaddressed direct marketing to magazines. The net sales of parcel services grew. Development was positive particularly in cross-border trade and the B2C segment. In the Baltic countries, parcel volumes increased by 26%. The number of parcels going through parcel points grew by 29%. In logistics services, the net sales of domestic freight increased due to the positive development of volumes as well as acquisitions. Freight volumes have now increased continuously since April 2016. In the warehousing business, processing volumes and fill rates increased.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 91.0 (90.3) million, 6.9% (6.8%). The factors contributing to the increase included continued operational efficiency improvement measures related to production, real estate, the retail network and administration. Price increases implemented in postal services also helped the result remain on a par with the previous year in spite of the significant decrease in volume. EBITDA declined to EUR 76.9 (80.9) million, 5.8% (6.0%), mainly due to special items related to personnel restructuring being higher than in the previous year.

In spite of net sales decreasing by 1.2%, the adjusted operating result remained on a par with the previous year at EUR 48.7 (49.2) million.

The factors contributing to the result remaining at the previous year's level included improvements in operational efficiency and the increases in postage fees that took effect at the beginning of 2016. Intensifying competition in the parcel business also had a negative impact on the result.

Special items recognized during the period amounted to EUR 14.1 (10.5) million. The majority of the special items were related to personnel restructuring in both the review period and the comparison period.

The operating result declined to EUR 34.6 (38.7) million, mainly due to higher special items.

In cash services offered to consumers, Posti adopted the pricing model used commonly in Europe, in which all domestic and foreign letter items have their own fees. The change was made in February. There were also price increases in other cash-paid postal services.

In April, Posti revised the delivery routes and extended mail delivery toward the evening. The change allows the delivery of postal items and different types of services, parcels and products more flexibly to customers' homes, including in the evening. In addition, Posti simplified the sending of letters by combining the 1st and 2nd letter classes starting from the beginning of 2017.

Posti strengthened its position in international e-commerce and established a pickup point network in the Baltic countries to serve consumers and companies at shops and kiosks in Estonia, Latvia and Lithuania. The network encompasses 1,200 item pickup points and is the largest pickup point system in the Baltic countries. Posti also joined the DHL partner network, which offers harmonized international parcel deliveries in 16 European countries.

Stockmann and Posti signed an agreement on transferring the logistics operations of Hobby Hall to Posti starting from May 1, 2016. The agreement covers the warehousing of Hobby Hall's products, online store logistics services — including dispatches and the center for product returns — and the transportation of products to the Hobby Hall store. The entire warehouse personnel of Hobby Hall were transferred to Posti as existing employees.

On June 1, 2016, Posti signed an agreement to acquire the entire share capital of Veine, a company that specializes in temperature-regulated logistics. Veine is a Finnish logistics company that offers transport, terminal, delivery and warehousing services. Its annual net sales are approximately EUR 54 million and it employs 130 people. The transaction was finalized in August 2016. The acquisition supports Posti's strategy to grow in food logistics. Together, Posti and Veine can offer competitive and nationwide food logistics solutions.

In October, Posti acquired Kuljetus Kovalainen, a company that specializes in food product transport, to continue its strategic growth in food logistics and the transport of temperature-regulated products.

The renewal of Posti's retail network has progressed according to plan. At the end of the year, Posti had a total of 1,422 service points in Finland, of which 479 were parcel points.

Itella Russia

Measured in local currency, Itella Russia's net sales decreased by 3.9%. 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.

Euro-denominated net sales decreased by 12.0% to EUR 104.6 (118.9) million.

The adjusted EBITDA declined to EUR 2.6 (4.1) million, 2.5% (3.5%).
EBITDA improved to EUR 3.9 (-8.3) million, 3.7% (-7.0%).

The adjusted operating result improved to EUR -4.0 (-5.1) million. The 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.

Warehouse fill rates declined year-on-year in Moscow as well as other regions. The fill rate for warehouses in Moscow was 75% (86%) at the end of December, while that of other areas was 82% (90%). 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.

In Russia, the economy has contracted over the past two years, and the depreciation of the ruble has eroded consumer purchasing power. The increase in oil prices, which began in summer 2016, strengthened the Russian ruble in the end of the year. The ruble appreciated by 20.3% from the previous year.

The operating result improved to EUR -2.7 (-25.0) million. The result of the comparison period (EUR -25.0 million) included an EUR 7.5 million for loss-making agreements and a provision of EUR 11.7 million for loss-making agreements related to the loss of customers and currency depreciation.

Itella Russia acquired the Russian courier company MaxiPost in March. MaxiPost specializes in the delivery of parcels for e-commerce operators. The company delivered approximately one million items in 2016. The MaxiPost acquisition strengthens Itella Russia's e-commerce and parcel services expertise in line with its strategy.

Itella Russia's investments amounted to EUR 4.7 (2.9) million.

OpusCapita

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. This includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 203 million transactions, which represents 42% of the total transaction volume. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continue. This was reflected in particularly in the declining volumes of iPost products.

OpusCapita's net sales decreased by 6.4% to EUR 240.1 (256.7) million. Some 59% of the net sales came from Finland, while the remaining 41% was from other countries.

The adjusted EBITDA declined to EUR 19.1 (21.6) million, 7.9% (8.4%).
EBITDA declined to EUR 12.2 (21.4) million, 5.1% (8.4%).

The adjusted operating result declined to EUR 9.7 (14.5) million. The decline was 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.

Special items amounting to EUR 11.1 (1.2) were recognized during the review period, related to corporate transactions and personnel restructuring in accordance with the new strategy.

The operating result decreased to EUR -1.4 (13.3) million.

On January 11, 2016, OpusCapita sold its business operations in Estonia, Latvia, and Lithuania, which served the local markets in the Baltic countries. The transaction did not include the service centers and centers of expertise related to OpusCapita's global business that are located in the Baltic countries.

On April 25, 2016, OpusCapita acquired the Germany-based software company jCatalog, whose solutions in the areas of e-commerce, catalog management, supplier management and procurement processes complement OpusCapita's purchase to pay offering. The software company employs some 130 professionals in Europe and the United States and its net sales in 2015 amounted to approximately EUR 10 million. The acquisition supports OpusCapita's strategy to build a global buyer-supplier ecosystem offering and expands its geographical reach.

Key Figures of Segments

EUR million	2016	restated 2015*	Change
Net sales			
Mail, Parcel and Logistics Services	1,321.6	1,337.8	-1.2%
Itella Russia	104.6	118.9	-12.0%
OpusCapita	240.1	256.7	-6.4%
Other operations	5.1	8.7	-41.5%
Intra-Group sales	-63.9	-72.9	
Posti Group	1,607.6	1,649.1	-2.5%
Adjusted EBITDA			
Mail, Parcel and Logistics Services	91.0	90.3	0.7%
Itella Russia	2.6	4.1	-37.7%
OpusCapita	19.1	21.6	-11.8%
Other operations	14.1	12.1	16.3%
Posti Group	126.7	128.2	-1.1%
EBITDA			
Mail, Parcel and Logistics Services	76.9	80.9	-5.0%
Itella Russia	3.9	-8.3	
OpusCapita	12.2	21.4	-43.0%
Other operations	23.1	53.2	-56.6%
Posti Group	116.0	147.2	-21.2%
Adjusted EBITDA, %			
Mail, Parcel and Logistics Services	6.9%	6.8%	
Itella Russia	2.5%	3.5%	
OpusCapita	7.9%	8.4%	
Posti Group	7.9%	7.8%	

EBITDA, %

Mail, Parcel and Logistics Services	5.8%	6.0%
Itella Russia	3.7%	-7.0%
OpusCapita	5.1%	8.4%
Posti Group	7.2%	8.9%

Adjusted operating result

Mail, Parcel and Logistics Services	48.7	49.2	-0.9%
Itella Russia	-4.0	-5.1	
OpusCapita	9.7	14.5	-33.4%
Other operations	-7.3	-11.0	
Posti Group	47.1	47.6	-1.1%

Operating result

Mail, Parcel and Logistics Services	34.6	38.7	-10.5%
Itella Russia	-2.7	-25.0	
OpusCapita	-1.4	13.3	
Other operations	0.2	27.8	-99.1%
Posti Group	30.7	54.8	-44.0%

Adjusted operating result, %

Mail, Parcel and Logistics Services	3.7%	3.7%
Itella Russia	-3.8%	-4.3%
OpusCapita	4.0%	5.7%
Posti Group	2.9%	2.9%

Operating result, %		
Mail, Parcel and Logistics Services	2.6%	2.9%
Itella Russia	-2.6%	-21.0%
OpusCapita	-0.6%	5.2%
Posti Group	1.9%	3.3%

*) Restated due to change in the revenue recognition principle

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 63.1 (81.9) million.

Investments according to the statement of cash flow amounted to EUR 92.3 (55.9) 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 (136.4) 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 (258.9) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 132.1 (290.3) million. The equity ratio was 54.9% (46.9%), and gearing was -13.6% (-10.9%).

Research and development

Expenditure related to research and development activities in 2016 was EUR 13.9 (12.9) million, or 0.9% (0.8%) of the Group's total operating expenses.

The Mail, Parcel and Logistics Services segment piloted and launched several data services (IoT) and developed services aimed at mail carriers that utilize mobile devices. The devices allow Posti to sell services, increase the efficiency of operations as well as improve quality and customer service. The Group also carried out a renewal of the ordering channels in postal services and logistics and introduced new sorting technology in the sorting of printed products, and several supply chain outsourcing moves were also implemented. Posti also piloted and launched several new home services.

Itella Russia developed warehouse management systems and carried out an e-commerce project in partnership with a customer. The use of the voice-controlled goods picking system previously introduced at warehouses was expanded. Other development areas included the system for scanning goods at warehouses.

During the year, OpusCapita continued to invest in solutions to bring its Purchase-to-Pay and Cash Management solutions to the digital era. Some of the investments were implemented in the form of an acquisition. Research and development expenses increased significantly due to investments in new products and cloud services. The development of the communication platform used for multi-channel invoicing also continued.

Environmental impacts

The Group's environmental impacts are mainly related to greenhouse gas emissions. Posti has made a commitment to reduce its carbon-dioxide emissions by 30% by 2020, in relation to net sales (compared to 2007). This target and the related reporting system concern all business operations in all countries of operation.

Posti's carbon neutral Posti Green concept covers all of Posti's services in Finland: postal services, parcel, transport and freight services, as well as warehousing services. With its 100% carbon neutral services, Posti is a pioneer in green logistics in Finland.

In March, Posti will publish a corporate responsibility report for 2016 that includes more detailed information on environmental responsibility.

Share capital and shareholding

Posti Group Corporation is wholly owned by the State of Finland. Its share capital consists of 40,000,000 shares of equal value. The company holds no treasury shares and does not have subordinated loans. No loans have been granted to related parties, and no commitments have been given on their behalf. The company has not issued shares, stock options or other rights with entitlement to company shares. The Board of Directors is not authorized to issue shares, stock options, or other rights with entitlement to company shares.

Administration and auditors

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 23, 2016. The meeting adopted the 2015 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

It was decided that the Board of Directors be composed of eight members. The following continued as members of the Board of Directors:

- Arto Hiltunen, M.Sc. (Econ.)
- Petri Järvinen, Director, Supply Chain, Logistics and Quality, Coop Sverige
- Petri Kokko, Director, Retail, Google Deutschland GmbH
- Jussi Kuutsa, Country Director, SRV, Russia
- Kirsi Nuotto, Senior Vice President, Human Resources, VTT
- Marja Pokela, Senior Financial Specialist, Government Ownership Steering Department, Prime Minister's Office
- Suvi-Anne Siimes, Managing Director, The Finnish Pension Alliance (TELA)

Board Professional Arja Talma was elected to join the Board of Directors as a new member. Arto Hiltunen continued as the Chairman of the Board of Directors.

It was decided that the Supervisory Board comprises twelve members. The following continued as members of the Supervisory Board:

- Maria Guzenina, MP (Social Democratic Party)
- Marisanna Jarva, MP, Centre Party
- Rami Lehto, MP, Finns Party
- Eeva-Maria Maijala, MP, Centre Party
- Sari Moisanen, Managing Director (interim), Sea-Lapland development centre, Left Alliance
- Mats Nylund, MP, Swedish People's Party of Finland
- Sari Raassina, MP, National Coalition Party
- Lulu Ranne, M.Sc. (Tech.), Finns Party
- Markku Rossi, MP, Centre Party
- Satu Taavitsainen, MP, Social Democratic Party
- Jani Toivola, MP, The Greens of Finland
- Kari Tolvanen, MP, Finns Party

MP Markku Rossi continued as the Chairman of the Supervisory Board and MP Jani Toivola as Vice Chairman.

In line with the Board of Directors' proposal, the Annual General Meeting decided that a dividend of EUR 18.0 million be distributed.

The authorized public accountancy firm PricewaterhouseCoopers Oy was elected as Posti Group Corporation's auditor, with Authorized Public Accountant Merja Lindh as the principal auditor.

The Annual General Meeting decided that the Members of the Board of Directors receive a monthly remuneration and a meeting fee. Members of the Supervisory Board receive a meeting fee.

Extraordinary General Meeting

MP Marisanna Jarva resigned from the Supervisory Board on October 13, 2016.

Posti Group Corporation's Extraordinary General Meeting was held in Helsinki on October 27, 2016. At the Extraordinary General Meeting, MP Juha Pylväs (Centre Party) was elected to the Supervisory Board to replace Marisanna Jarva.

Employees

At the end of the year, the Group employed 20,497 (21,598) people. The Group's average number of personnel was 20,632 (22,219). At the end of the year, a total of 4,445 (4,724) employees worked outside of Finland. The number of employees working in Finland was 16,052 (16,874).

Group personnel	2016	2015	2014
Salaries and wages, EUR million	584.8	606.9	684.7
Employees on December 31	20,497	21,598	23,289
Average number of employees	20,632	22,219	24,617

The Group's personnel expenses decreased by EUR 25.8 million, or by 3.4% year-on-year. Personnel expenses included EUR 18.9 (8.5) million in restructuring costs. Excluding restructuring costs, personnel expenses declined by 4.8% year-on-year.

Salaries and wages paid by the Group decreased by EUR 22.0 million from the previous year.

Based on the Group's financial result, the Board of Directors decided that a bonus will be paid to the personnel fund.

The company entered into 289 new permanent employment contracts in Finland in 2016. Personnel reductions amounted to 1,383 (734) person-years. Out of this total, 417 (328) person-years were related to production and finance, 39 (42) person-years were reduced through voluntary resignation and pension plans, 857 (311) person-years were reduced via the Uusi polku (New path) program, and 70 (53) person-years were reduced in relation to acquisitions.

The Uusi polku program launched at the beginning of 2014 offers personnel not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of the year, 2,523 employees had applied for the program and 1,782 had been approved.

Cooperation negotiations

On January 26, 2016, Posti started cooperation negotiations in administration, basic delivery in Operations, Sales and Customer Service and part of Group functions. The sphere of the negotiations covered a total of 7,600 employees and the reduction need was at most 860 employees. The negotiations were concluded on March 16, 2016, with the exception of the Operations unit's basic delivery in south-eastern Finland. A total of 181 employees were laid off as a result of the negotiations. In basic delivery in Operations in Southeast Finland, the negotiations covered 390 employees and the reduction need was at most 95 permanent employees. The negotiations were concluded on June 22, 2016. A total of 12 employees were laid off and seven employees were made part-time as a result of the negotiations.

OpusCapita started cooperation negotiations on February 8, 2016. The estimated reduction need was approximately 80 employees, of which at most 50 in Finland and about 30 in other countries. The final personnel reduction following the negotiations was 41 employees in Finland and 30 in other countries.

On June 13, 2016, Posti started cooperation negotiations concerning early-morning delivery in the Uusimaa region. The negotiations covered 538 employees. The final personnel reduction following the negotiations was 232 employees.

On July 4, 2016, Posti started cooperation negotiations concerning early-morning delivery in Oulu. The negotiations covered 47 employees and the reduction need was 47 employees. The final personnel reduction following the negotiations was 47 employees.

On July 28, 2016, Posti started cooperation negotiations at its warehouse in Vantaa. The negotiations covered 123 employees and the reduction need was 70 employees. A total of 28 employees were laid off as a result of the negotiations.

On August 8, 2016, OpusCapita started cooperation negotiations in its Finance and Accounting Outsourcing business unit in Finland. The negotiations covered 126 employees and the preliminary reduction need was at most 43 permanent employees. Following the negotiations, the final reduction need was 34 permanent employees in Finland. In addition, 12 temporary employment relationships were terminated.

On August 25, 2016, Posti started cooperation negotiations in warehousing services, mainly due to the bankruptcy of Anttila. The negotiations covered 588 employees. The reduction need at the start of the negotiations and at the end of the negotiations was 75 permanent employees.

On November 15, 2016, Posti started cooperation negotiations that covered all personnel of Postal Services, except the Head of Postal Services. The negotiations covered 70 people in total. The preliminary reduction need and the final reduction need following the negotiations was nine people.

Changes in corporate structure

In January, OpusCapita Group Ltd sold its business operations serving the local markets in the Baltic countries, namely OpusCapita AS in Estonia, OpusCapita AS in Latvia and UAB OpusCapita in Lithuania.

Posti Global Oy acquired the Russian courier company OOO MaxiPost in March.

In April, OpusCapita Group Ltd acquired the Germany-based software company jCatalog Software AG and the United States-based jCatalog Software Inc.

In August, Posti acquired Veine Group, a company specializing in temperature-regulated logistics.

In October, Posti acquired Kuljetus Kovalainen Oy, a company that specializes in food product transport.

Regulatory environment

The amended Postal Act entered into force on June 9, 2016. As a result of the amendments, nearly all of the delivery obligations were eliminated from the delivery operators that compete with Posti. Posti, however, remains subject to the five-day delivery obligation.

The Finnish Communications Regulatory Authority redefined the universal service obligation for parcels in June. According to the decision of the Finnish Communications Regulatory Authority, Posti's universal service obligation will be discontinued for domestic parcels starting from October 31, 2016, but it will remain in effect for international parcels sent from Finland, weighing no more than 10 kg, throughout Finland except the Åland Islands. The obligation applies to parcel services paid in cash.

Legal proceedings

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti and secondarily against Posti and the State of Finland in order to receive compensation for the value-added tax charged by Posti on its postal services in 1999-2014. The claim is based on the allegation that the Finnish Value Added Tax Act had been, and would still be, contrary to the EU's Value Added Tax Directive.

Posti has submitted a recourse claim against the State of Finland, demanding it to refund Posti for any sums that Posti may be ordered to pay in the legal proceedings initiated by the financial institutions. The recourse claim is pending until the claims by the financial institutions have been processed and a final ruling issued.

On September 18, 2015, the District Court of Helsinki issued a positive ruling in favor of Posti in the matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeal. The total amount of the compensations claimed in the Court of Appeal is approximately EUR 99 million, and the interest claimed amounted to approximately EUR 54 million on December 31, 2016.

It is expected to take several years until all of the final court orders are rendered in the matter. According to Posti, the allegations made by the plaintiffs are without merit and it has not recorded any receivables or provisions in its financials based on the claims made.

Business risks

The risks and uncertainties related to Posti's business include strategic risks, operational risks, risks related to the regulatory environment and financial risks.

The key strategic risks are related to the decline in postal delivery volumes, which is progressing more rapidly than expected, as well as the general economic development in Finland and neighboring areas and other changes related to markets and the business environment, including consumer purchasing power, that will be unexpected or more extensive than anticipated. From the Group's point of view, Russia also involves significant financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Other strategic risks are related to Posti's competitive ability as competition intensifies in all of Posti's businesses as well as Posti's ability to execute the Group's transformation, implement its strategy and develop new business models and its corporate culture. Operational risks are primarily related to profitability and Posti's ability to implement the necessary efficiency improvement programs, the ability of personnel to cope with constant change and the expectations of productivity growth, maintaining the quality of delivery operations, the dependence of businesses on functional IT systems, and business interruptions and other disruptions. The risks related to the regulatory environment arise from the fact that Posti and its delivery operations, including the universal service obligation, are subject to regulation and supervision by several public authorities. The proposed amendments to the Finnish Postal Act, which are currently in parliamentary proceedings, represent, in Posti's view, reforms in the right direction. It is important to ensure that the finalized Postal Act and its interpretation by the authorities will not lead to a rise in delivery costs.

Strategic risks

Weak economic development may have an impact on the activities of companies and consumers and, consequently, on the volumes of products transported by Posti and demand for warehousing services both in Finland and abroad. Turbulent exchange rates and financial markets and any related disturbances may also pose a risk to the Group's business operations.

Significant market risks include the digitization of postal services at a more rapid rate than expected and other unanticipated changes in this area, such as an unexpectedly fast decline in the volumes of letters, magazines, and newspapers. Posti strives to develop its operations continuously to minimize the impacts of this risk.

Finnish citizens will soon be required to use a digital service platform to transact with the authorities. According to the Ministry of Finance, the shift from paper letters to the digital service platform will primarily take place in 2018. This would have a negative impact on Posti's net sales and operating result.

Rigid cost structures slow the improvement of profitability, particularly in production operations in Finland. Special requirements related to the universal service obligation also limit the potential for enhanced efficiency. As volumes decline, the economic recession further complicates efforts to maintain profitability.

In logistics, unanticipated regulatory changes related to domestic transport and increasing international competition are also seen as risks, as are increasing fuel and energy prices.

In Russia, the development of the economic, social, legislative and other areas of the business environment may pose a strategic market risk for Posti. From the Group's point of view, Russia also involves significant financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Currency risk is managed in accordance with the financial policy confirmed by the Board of Directors. Equity investments in subsidiaries are not hedged. The Group has discontinued the hedging of the parent company's ruble-denominated receivables for the time being due to high hedging costs. The aim is to hedge local transaction risk in Russia.

Risks in Russia are managed by continuously monitoring business development, increasing the monitoring of critical processes and by establishing a solid foothold in the Russian market through the Group's own companies, employees, and effective networking. Posti seeks to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment, and regular compliance training for employees.

In OpusCapita, with the volume of paper-based transactions decreasing, and that of electronic transactions increasing rapidly, along with competition, it is evident that the average price of transactions will decline more than the volume of business operations will grow. This calls for continuous improvement in cost-efficiency.

Financial management software is being increasingly offered as cloud services. This involves the risk of whether OpusCapita is able to develop its operations and service offering quickly enough. OpusCapita's capacity to develop the outsourcing of financial processes against intensifying and increasingly international competition involves a strategic risk for OpusCapita. At the same time, it is essential to ensure profitability in outsourcing business operations.

Operational and other risks

Posti's profitability is affected by seasonal variation in business. Posti seeks to balance its impact through careful planning and business diversification. Profitability is also significantly affected by the company's ability to implement efficiency improvement programs for achieving cost savings while maintaining high operational quality and carrying out the necessary investments. There are also operational risks related to Posti's ability to develop new products and services as well as product and service concepts, including digital services, and expand its offering to compensate for the loss of net sales and profit caused by the decline in letter volumes.

In a labor-intensive industry, the successful management of sick leave and the effective and extensive prevention of accidents are extremely important in terms of employee well-being and productivity as well as the Group's profitability. The Safe Workplace project is underway at Posti in Finland to further develop the management of occupational safety risks related to employees.

The postal industry is undergoing the most dramatic transformation in its history. This requires Posti to continue to adjust its delivery and sorting capacity and strongly enhance the efficiency of its operations in the coming years. Changes may cause disturbances to mail deliveries and processes, which may have a negative impact on Posti's reputation and customers' trust in the company. In addition, changes and expectations of productivity growth may have a negative impact on the personnel's commitment to the implementation of the company's strategy. Posti seeks to minimize these risks through active cooperation with employees, good change implementation planning, flexibly adjusting plans as needed, training immediate supervisors and carrying out other internal training, the Uusi polku program launched at the beginning of 2014, and professional communication.

The collective agreement of employees in the postal industry will be up for renegotiation in 2017 at the expiration of the current agreement period. In addition, there are uncertainties related to the general labor market situation in Finland, which could compromise industrial peace or even cause a threat of a strike. The aim is to minimize these risks through communication between the company's management, shop stewards and other representatives.

The protection and development of key production and warehouse facilities and the continuity of the ICT infrastructure are critical in the management of operational risks related to loss and interruption. If they materialize, for example in a fire, such risks could result in substantial losses of customer accounts and value for Posti.

Other significant business disruption risks are related to the vulnerability of information security, networks and the production infrastructure. These risks concern both operations and the corporate image.

Any delays in the management of acquisitions and the integration of the acquired businesses and their operations into the Group cause direct financial losses and pose a strategic risk that limits business development. Posti's goal is to ensure successful integration through careful planning and monitoring.

The Group seeks to insure against all residual risks for which insurance is the best option for financial or other reasons. Insurance policies related to business continuity, property and liabilities as well as certain insurance policies related to personnel are managed centrally at the Group level. In addition to management liabilities, liability risks include risks arising from operations and products. Deductibles are determined based on the Group's risk-bearing ability.

Financial risks and their management are explained in the Notes to the Financial Statements.

Events after the financial period

Veine Oy, which was acquired by Posti in August 2016, merged into Posti on January 1, 2017.

Kuljetus Kovalainen Oy, which was acquired by Posti in October 2016, will merge into Posti on March 1, 2017.

On January 10, 2017, Posti acquired HR Hoiva Oy, which produces home care and personal assistance services for municipalities, joint municipal authorities and private customers.

On January 25, 2017, Posti announced it will start cooperation negotiations concerning administrative positions. The target group of the negotiations comprises 308 employees and the reduction need at the start of the negotiations is at most 43 people.

The Government submitted its draft bill for the Postal Act to the Parliament on January 26, 2017. The legislative reform concerns Posti's universal service products. If the proposed legislative amendments were to be implemented, five-day delivery would continue in areas that do not have a delivery network maintained by newspapers, i.e. early-morning delivery of newspapers. The proposal states that, in sparsely populated areas, delivery would be implemented by means of a sourcing procedure arranged by the universal service provider. The delivery speed requirements for letters covered by the universal service obligation would be made more flexible throughout the country, and a reasonable margin would be allowed in the pricing of universal service products. The right to deviate from the requirements pertaining to delivery frequency in areas that are difficult to reach would be made more flexible. Information in the postal code system and the address register system would be opened for better utilization. Apartment buildings could shift to mail delivery to pigeonholes, subject to the housing company's decision. A further proposal is that sending items in braille to people with visual impairments would be made free of charge. The new Postal Act is scheduled to enter into force on June 1, 2017.

On February 14, 2017, Posti announced it will build a terminal of approximately 22,000 m² on Suokalliontie in Vantaa. The construction of the terminal is a response to the growth of the freight business and it updates the Group's current business premises to better correspond to operational needs. The new terminal is intended to replace several smaller terminals in the capital region.

M.Sc. (Tech.), MBA, MA and the Managing Director of OpusCapita Patrik Sallner was elected as member of the Executive Board of Posti Group as of 1 March 2017.

Outlook for 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.

Net sales in euros for the year are expected to increase compared to the previous year. 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 excluding possible mergers and acquisitions is expected to increase from the previous year.

Board of Directors' proposal for the distribution of profits

In the financial statements, the parent company's distributable funds total EUR 548,963,852.15, of which the loss for the 2016 financial year is EUR 143,182,483.20.

No material changes have taken place in the Group's financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 2 of Chapter 13 of the Limited Liability Companies Act, affect the proposed distributable profit.

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.

Helsinki, March 7, 2017

Posti Group Corporation
Board of Directors

Alternative Performance Measures

Posti presents alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows prepared in accordance with IFRS. In Posti's view, alternative performance measures provide significant additional information on Posti's results of operations, financial position and cash flows.

Posti presents adjusted EBITDA and adjusted EBIT, which have been adjusted with material items outside of ordinary course of business to improve comparability between periods. EBITDA, adjusted EBITDA and adjusted EBIT are presented as complementing measures to the measures included in the consolidated income statement because, in Posti's view, they increase understanding of Posti's results of operations. Also net debt, net gearing, equity ratio, return on equity and return on investment are presented as complementing measures because, in Posti's view, they are useful measures of Posti's ability to obtain financing and service its debts. Gross capital expenditure provides also additional information of Posti's capital expenditure and investment cash flow.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform way, and therefore Posti's alternative performance measures may not be comparable with similarly named measures presented by other companies.

Calculation of key figures (IFRS)

Return on equity, % $100 \times \frac{\text{result for the period (12m rolling)}}{\text{total equity (average of opening and closing balance of previous 12m)}}$

Return on invested capital, % $100 \times \frac{\text{result before income tax (12m rolling)} + \text{interest and other financial expenses (12m rolling) *)}{\text{total equity + interest-bearing debt (average of opening and closing balance of prev. 12m)}}$

*) Interest and other financial expenses excluding unrealized losses on financial liabilities and interest rate derivatives and deducted by interest income on interest rate derivatives and unrealized gains on financial liabilities.

Equity ratio, % $100 \times \frac{\text{total equity}}{\text{total assets - advances received (current and non-current)}}$

Gearing, % $100 \times \frac{\text{net debt}}{\text{total equity}}$

Interest-bearing debt Non-current and current borrowings

EBITDA EBITDA is operating result excluding depreciation, amortization and impairment losses.

Adjusted EBITDA Adjusted EBITDA is EBITDA excluding special items.

Adjusted operating result Adjusted operating result is operating result excluding special items.

In order to enhance the comparability between periods, Posti reports adjusted EBITDA and adjusted operating result, where material items which are considered to incur outside of ordinary course of business are adjusted. These are referred as special items.

Special items The Group reports separately special items which include reorganization costs, significant impairment losses on assets, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, real-estates or business operations, changes in purchase consideration for business combinations after the date of acquisition recognized in income statement, and other material items outside of ordinary course of business are defined as special items.

Current interest-bearing receivables Key figure consist of financial assets held to maturity and financial assets at fair value through profit or loss - excluding derivatives.

Liquid funds Liquid funds consist of cash and cash equivalents, money market investments and investments in bonds.

Gross capital expenditure Investments in intangible and tangible assets, finance lease assets, and business acquisitions.

Consolidated Financial Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

EUR million	Note	2016	2015 restated	2014 restated
Net sales	<u>1</u>	1,607.6	1,649.1	1,867.1
Other operating income	<u>3</u>	26.0	57.5	12.6
Materials and services	<u>4</u>	448.6	437.5	527.4
Employee benefits	<u>5</u>	730.8	756.5	847.8
Other operating expenses	<u>3</u>	338.2	365.4	400.5
Depreciation and amortization	<u>7</u>	79.2	80.5	86.0
Impairment losses	<u>7</u>	6.1	11.9	4.4
Operating result (EBIT)		30.7	54.8	13.5
Finance income	<u>8</u>	12.7	13.9	26.6
Finance expenses	<u>8</u>	13.9	26.4	36.9
Result before income tax		29.5	42.3	3.2
Income tax	<u>9</u>	-6.3	-7.2	-1.4
Result for the period		23.2	35.1	1.8
Earnings per share, basic, EUR		0.58	0.88	0.04
Earnings per share, diluted, EUR		0.58	0.88	0.04

Consolidated statement of comprehensive income

Result for the period	23.2	35.1	1.8
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets	0.0	-0.1	0.3
Change in fair value of cash flow hedges	0.0	-	-
Translation differences	20.0	-9.0	-73.3
Income tax relating to these items	0.0	0.0	-0.1
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	0.0	4.6	-5.4
Income tax relating to these items	0.0	-0.9	1.1
Comprehensive income for the period	43.2	29.7	-75.7

Consolidated Balance Sheet

EUR million	Note	Dec 31, 2016	Dec 31, 2015 restated	Dec 31, 2014 restated
Non-current assets				
Goodwill	10	213.7	186.0	183.1
Other intangible assets	10	60.7	50.7	59.4
Investment property	11	9.7	10.3	11.0
Property, plant and equipment	12	360.5	406.0	516.4
Other non-current investments	21	6.1	6.3	5.9
Non-current receivables	21	2.6	1.5	10.5
Deferred tax assets	13	13.6	23.3	21.1
Total non-current assets		667.0	684.2	807.3
Current assets				
Inventories	14	4.0	4.8	5.1
Trade and other receivables	15	295.6	264.3	270.2
Current income tax receivables		4.2	1.0	1.7
Current financial assets	21	132.8	224.1	100.3
Cash and cash equivalents	21	82.0	130.1	98.7
Total current assets		518.6	624.2	476.0
Assets classified as held for sale	16	-	3.6	14.7
Total assets		1,185.6	1,311.9	1,298.1

EUR million	Note	Dec 31, 2016	Dec 31, 2015 restated	Dec 31, 2014 restated
Equity				
Share capital	<u>17</u>	70.0	70.0	70.0
General purpose reserve	<u>17</u>	142.7	142.7	142.7
Fair value reserve	<u>17</u>	0.1	0.1	0.2
Translation differences	<u>17</u>	-83.5	-103.6	-94.6
Retained earnings		479.2	474.0	435.2
Total equity		608.4	583.2	553.5
Non-current liabilities				
Deferred tax liabilities	<u>13</u>	26.6	23.1	31.6
Non-current borrowings	<u>21</u>	19.8	126.7	283.5
Other non-current payables	<u>20</u>	13.9	10.3	11.4
Advances received	<u>20</u>	16.8	16.6	16.7
Non-current provisions	<u>19</u>	14.3	17.0	12.6
Defined benefit pension plan liabilities	<u>18</u>	11.9	11.6	16.3
Total non-current liabilities		103.3	205.3	372.0
Current liabilities				
Current borrowings	<u>21</u>	112.3	163.6	12.0
Trade and other payables	<u>20</u>	298.1	282.0	303.8
Advances received		60.0	51.7	50.6
Current income tax liabilities		0.0	14.8	0.3
Current provisions	<u>19</u>	3.5	10.2	6.0
Total current liabilities		473.9	522.4	372.6
Liabilities associated with assets classified as held for sale	<u>16</u>	-	1.0	-

Total liabilities	577.2	728.7	744.6
Total equity and liabilities	1,185.6	1,311.9	1,298.1

Consolidated Statement of Cash Flows

EUR million	Note	2016	2015, restated	2014, restated
Result for the period		23.2	35.1	1.8
Adjustments for:				
Depreciation and amortization	<u>7</u>	79.3	80.5	86.0
Impairment losses	<u>7</u>	6.1	11.9	4.4
Gains on sale of intangible and tangible assets	<u>3</u>	-16.1	-46.4	-1.9
Losses on sale of intangible and tangible assets	<u>3</u>	0.5	1.5	1.0
Finance income	<u>8</u>	-10.9	-13.9	-26.6
Finance expense	<u>8</u>	13.9	25.7	33.1
Income tax	<u>9</u>	6.3	7.2	1.4
Other non-cash items		-9.8	8.2	-4.1
Cash flow before change in net working capital		92.6	109.8	95.1
Change in trade and other receivables		-12.7	2.4	25.1
Change in inventories		0.9	0.2	2.3
Change in trade and other payables		7.9	-20.1	-13.9
Change in net working capital		-3.9	-17.5	13.5
Cash flow before financial items and income tax		88.7	92.4	108.6
Interests paid		-12.5	-15.6	-21.2
Interests received		7.7	7.0	7.6
Other financial items		-2.1	1.0	3.1
Income tax paid		-18.7	-3.0	-4.9
Cash flow from financial items and income tax		-25.6	-10.6	-15.4
Cash flow from operating activities		63.1	81.9	93.2

Purchase of intangible assets		-14.5	-17.7	-11.4
Purchase of property, plant and equipment		-40.9	-34.7	-31.5
Proceeds from sale of intangible and tangible assets		69.7	122.2	1.9
Business acquisitions, net of cash acquired	<u>2</u>	-36.8	-3.5	-3.6
Proceeds from business disposals less cash and cash equivalents	<u>2</u>	8.4	14.2	0.7
Financial assets at fair value through profit or loss		48.6	-42.0	0.2
Financial assets held to maturity		40.3	-83.0	-12.0
Cash flow from other investments		2.0	4.0	9.5
Cash flow from investing activities		76.7	-40.4	-46.3
Increases in current loans		-	4.3	-
Repayment of current loans	<u>21</u>	-159.1	-	-12.5
Increases in non-current loans		-	-	0.2
Finance lease payments	<u>22</u>	-11.6	-12.2	-10.9
Dividends paid		-18.0	-	-
Cash flow from financing activities		-188.6	-8.0	-23.2
Change in cash and cash equivalents		-48.9	33.4	23.7
Cash and cash equivalents at the beginning of the period	<u>21</u>	130.1	98.7	81.0
Effect of exchange rates changes		0.8	-0.3	-5.9
Cash and cash equivalents included in assets classified held for sale		-	-1.8	-
Cash and cash equivalents at the end of the period	<u>21</u>	82.0	130.1	98.7

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity Jan 1, 2016, restated	70.0	142.7	0.1	-103.6	474.0	583.2
Result for the period					23.2	23.2
Other comprehensive income:						
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			0.0			0.0
Translation differences				20.0		20.0
Remeasurements of post-employment benefit obligations, net of tax					-0.0	-0.0
Total comprehensive income for the period			0.0	20.0	23.2	43.2
Transactions with equity holders						
Dividends paid					-18.0	-18.0
Equity Dec 31, 2016	70.0	142.7	0.1	-83.5	479.2	608.4

Notes to the Consolidated Financial Statements

Company information

Posti Group Corporation and its subsidiaries (together "Posti" or the "Group") provides businesses and consumers postal and logistics services, e-commerce services as well as extended purchase-to-pay and order-to-cash solutions. Posti operates in 10 countries. The Group's parent company, Posti Group Corporation ("the Company"), is domiciled in Helsinki, and its registered address is Postintaival 7 A, FI-00230 Helsinki.

Accounting policies

Posti's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and related interpretation of the IFRS interpretation committee (IFRICs). The consolidated financial statements are also in compliance with Finnish accounting and company legislation.

The consolidated financial statements are prepared under the historical cost convention, with the exception of financial assets and liabilities measured at fair value through profit or loss and non-current assets held for sale and available-for-sale financial assets. All amounts in the consolidated financial statements are presented in millions of euros, unless otherwise stated. The figures are rounded and thus the sum total of individual figures may be different than the total presented. These policies have been consistently applied to all the years presented, unless stated otherwise.

The financial statements include exceptionally comparative data for two years to increase longer term comparability, as Posti has changed its revenue recognition principles and segment reporting in 2016.

Correction of an error

Posti has noted that its revenue recognition principle formerly applied for stamps and certain other prepaid services has been incorrect as the Group has not had reliable data available for estimating the delivery time of future performance for the prepaid services. Formerly, revenue for these prepaid services has been recognized at the point of customer purchase and not as the service has been rendered in accordance with IAS 18. During 2016, as part of Posti's adoption process of IFRS 15 "Revenue from Contracts with Customers", Posti has invested in data-analysis as well as statistics and calculation models based on which Posti has been able to make a reliable estimate of the timing for revenue recognition. Posti has changed the revenue recognition principle for stamps, franking machines and prepaid envelopes in December 2016. The correction was done retrospectively as of January 1, 2014.

New revenue recognition principle for prepaid services:

The Group recognizes the revenue for prepaid services, including stamps, franking machines and prepaid envelopes, based on their estimated usage. Estimated usage is based on statistical model that incorporates historical sales and usage volumes and price changes. The unperformed services are accrued as a deferred revenue liability on the balance sheet. The amount of the liability is based on a statistical sampling that has been carried out for consumers, small businesses and associations. The volume of stamps held but not used by the customers to be used in the foreseeable future has been assessed based on the survey. Management estimates the value of these stamps based on the statistical model reflecting the usage of stamps and stamp prices. Stamp retailers' share of the liability has been estimated based on a survey carried out to the retailers. Deferred revenue is presented on the balance sheet as current and non-current. The portion of the prepaid services that are estimated to be performed within the next 12 months is presented as a current liability. The rest of the liability is presented as non-current.

The commissions to the retailers are recognized as an expense when Posti has performed the prepaid service. Accordingly, the sales commissions estimated to relate to unused stamps which are paid in advance to the retailers are recognized as receivables on the balance sheet.

The Group has used external specialists for developing both the revenue recognition model and statistical research. These models and researches will be regularly updated in future financial periods to generate as up-to-date estimate as possible on the existing conditions. Changes in estimates will be accounted for in the consolidated financial statements in accordance with IAS 8.

The impact of the correction of the error on previously reported figures for years 2015 and 2014 is presented in the [note 26](#).

Consolidation Principles

Subsidiaries

The consolidated financial statements include the accounts of the parent company, Posti Group Corporation, and all of its subsidiaries. Subsidiaries are entities over which the Group has control. Control exists, directly or indirectly, if the Group has decision-making powers, is exposed to, and has rights to, variable returns, and is able to use its decision-making powers to affect the amount of the variable returns. Subsidiaries are consolidated from the date on which the Group is able to exercise control and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations.

All intercompany transactions, balances, distribution of profits and unrealized gains on transactions between group companies are eliminated.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 per cent and 50 per cent of the voting rights. Investments in associated companies are accounted for using the equity method of accounting, under which the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee.

The Group's share of associates' results is presented separately before operating profit in the consolidated income statement.

Joint operations

Posti has investments in mutual real estate companies. These investments are accounted for as joint operations. As such Posti's direct share of the assets, liabilities, income and expenses in these arrangements is recognized in the consolidated financial statements under the appropriate headings.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Company.

Transaction and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary items in the balance sheet denominated in foreign currencies are translated into functional currency using the exchange rates at the balance sheet date and non-monetary items using the exchange rates at the transaction date, excluding items measured at fair value in a foreign currency which are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses arising from business operations are presented in the income statement under the respective items above operating profit. Foreign exchange gains and losses that relate to financing activities are presented in the income statement within finance income and finance expenses.

Group companies

If the subsidiaries' functional currency differs from the Group's presentation currency, their income statements, statement of comprehensive income are translated into euros using the average exchange rates for the financial year, and their balance sheets using the exchange rates at the closing rate at the balance sheet date. All resulting translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment and long-term intercompany loans that are attributable to the net investment in foreign entities are recognized in other comprehensive income. When a foreign entity is disposed of, the associated translation differences are reclassified through profit or loss, as part of gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated into euros using the rate at the balance sheet date.

Revenue recognition

A significant portion of the Group's revenue is generated by rendering of short-term services comprising of various delivery solutions, transporting and delivering mail, parcels and freight. Revenue from services is recognized when the service has been performed in accordance with the terms and conditions of the customer contract.

Net sales comprise the revenue generated by the sale of goods and services net of value added taxes, discounts and foreign exchange differences.

The Group recognizes the revenue for certain prepaid services, including stamps, franking machines and prepaid envelopes, based on their estimated usage. Estimated usage is based on statistical model that incorporates historical sales and usage volumes and price changes. The unperformed services are accrued as a deferred revenue liability on the balance sheet. The amount of the liability is based on a statistical sampling that has been carried out to consumers, small businesses and associations. The volume of stamps held but not used by the customers to be used in the foreseeable future has been assessed based on the survey. Management estimates the value of these stamps based on the statistical model reflecting the usage of stamps and stamp prices. Stamp retailers' share of the liability has been estimated based on a survey carried out to the retailers. Deferred revenue is presented on the balance sheet as current and non-current. The portion of the prepaid services that are estimated to be performed within the next 12 months is presented as a current liability. The rest of the liability is presented as non-current.

Revenue from the delivery of letters, publications, and direct marketing is recognized when the service has been performed. Where the payments are received for a service to be provided over a specified period of time (such as post office boxes), payments received are recognized as deferred revenue and released to the income statement over the period that the service is performed.

Revenue from the sale of goods comprising of various packaging materials, stationary products and office supplies sold in retail outlets is recognized when the customer makes the purchase and takes the possession of the goods.

Revenue from international mail and parcel services under universal service obligation is recognized as gross with terminal dues to third parties charged as expenses and reported as operating costs.

Parcel and logistics services include comprehensive supply chain solutions, parcel and e-commerce services, freight and transportation services and warehousing services.

The net sales of parcel services is recognized monthly, based on the date of observation. The date of observation reflects the moment at which the first registration concerning a parcel was entered into the production system.

Revenue on freight and transportation services is recognized when the physical item is received for physical transportation. Revenue on warehousing services includes two components: processing and the rent for premises. Processing services comprises collection, packing, labeling and other value-added services performed on behalf of the customer and the revenue is recognized when the service has been performed on the basis of the number of occurrences. The rent income for premises is recognized as revenue reflecting the space allocated to the customer's goods (pallet meters per day) on a straight-line basis over the contract period.

OpusCapita's net sales consist primarily of the volume-based invoicing of document processing automatization services, software solutions, and financial management services. Revenue is recognized when the service has been performed. Annual licenses related to software solutions are recognized over the license period.

Government grants

Government grants mainly refer to product and business development grants and salary subsidies, which are recognized as income and presented in other operating income when management has reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Employee benefits

Pensions

The Company has several pension plans of which the majority relate to defined contribution plans. For the defined contribution plans, the Group pays contributions to pension insurance plans on a mandatory or contractual basis. The contributions are recognized as employee benefit expenses in the income statement when occurred. The Group has no further payment obligations once the contributions have been paid.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. More information on the Group's defined benefit pension plans is presented in [note 18](#).

Income taxes

Income tax expense shown in the consolidated income statement includes Group companies' current income tax calculated on their taxable profit for the financial year using the applicable income tax rate for each jurisdiction based on local tax laws enacted or substantively enacted at the balance sheet date, as well as any tax adjustments for previous financial years and changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred taxes are calculated on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. The largest temporary differences arise from depreciation of property, plant and equipment, defined benefit pension plans, unused tax losses and fair value adjustments related to acquisitions. Deferred taxes are determined using the tax rates enacted or substantively enacted by the balance sheet date and which are expected to be applied when the related deferred tax asset is realized or deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it appears probable that future taxable profit will be available against which the temporary difference and losses can be utilized.

Where positions taken in tax returns are subject to interpretation and uncertainty, current and deferred tax assets and liabilities are recorded based on Posti's assessment of the expected outcome.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Intangible assets

Business combinations and goodwill

Acquisition method of accounting is used to account for all business combinations. The purchase consideration for the acquisition of a subsidiary or business operations comprises the fair values of cash consideration and contingent consideration arrangements. Any contingent consideration for a business combination is estimated by calculating the present value of the future expected cash flows. Contingent consideration is classified as a financial liability and presented in other payables. It is subsequently remeasured to fair value with changes in fair value recognized in the profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the purchase consideration over the Group's interest in the fair value of the net identifiable assets acquired is recognized in the balance sheet as goodwill.

After initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortized, but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose impairment testing goodwill is allocated to the cash generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. For more information on impairment testing see below "Impairment testing" and [note 10](#).

Research and development expenditure

Research and development costs are primarily expensed as incurred. Only development costs arising from new significant or substantially improved software products, service applications and enterprise resource planning systems are capitalized as intangible assets. An asset is capitalized only if it is technically and commercially feasible, the Group has intention and resources to complete the intangible asset and use or sell it, the expenditure attributable to the product during its development can be reliably measured and it is probable that the development asset will generate future economic benefits. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives 3–5 years from the moment that they are ready for use.

Other intangible assets

Separately acquired intangible assets, such as software licenses and applications, are initially recognized at cost. Intangible assets acquired through business combinations, such as customer portfolios, trademarks, acquired technology, are recognized at fair value at the acquisition date comprising the amortizable acquisition cost. Intangible rights in the balance sheet mainly comprise software licenses and customer portfolios and trademarks acquired through business combinations. The Group's intangible rights have finite useful lives, over which period they are amortized. The expected useful lives are as follows:

Software licenses	3–5 years
Customer portfolios	5–10 years
Trademarks	5 years
Acquired technology	5 years

Property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less any accumulated depreciation and impairment losses. The initial costs of an asset includes the expenditure that is directly attributable to the acquisition of the items such as purchase price, costs of bringing the asset into working condition and installation costs. PPE are depreciated on a straight-line basis over their expected useful lives or in case of certain leased equipment, over the lease term, if shorter. Land and water are not depreciated. Useful lives are reassessed, and adjusted, if necessary if estimates over their useful lives change.

The Groups PPE comprises land and water areas, production and office buildings and structures, machinery and equipment such as letter and parcel sorting machines, conveyors, vehicles and forklifts as well as other tangible assets consisting of e.g. storage shelves and storage systems and parcel points.

The expected useful lives of PPE are as follows:

Production buildings	8–25 years
Office buildings	25–40 years
Structures	15 years
Production equipment	3–13 years
Vehicles	3–5 years
Storage shelves and systems	5–13 years
Other tangible assets	3–10 years

If an asset under PPE constitutes several items with differing useful lives, each of them is accounted for as a separate asset. In such a case, the cost of replacing the item is recognized as an asset. Otherwise, subsequent costs, such as modernization and renovation project costs, are capitalized if it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Regular repair, maintenance and service costs are expensed as incurred.

Assets held for sale

When an asset's carrying amount is expected to be recovered principally through a sale rather than through continuing use, it is classified as held for sale. An asset is classified as held for sale if its sale is highly probable and it is available and ready for immediate sale. Furthermore, the company's management must be committed to a plan to sell the asset within 12 months of classification as held for sale. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. They are not amortized or depreciated while classified as held for sale.

Investment property

Investment property refers to land or buildings, or part thereof that Posti holds for rental income or capital appreciation. It is measured at cost less accumulated depreciation and impairment losses. Investment property buildings are depreciated over a period of between 30 to 40 years using the straight-line method and land is not depreciated. The fair value disclosed in the notes is determined by external, independent and qualified valuers and is used for impairment testing purposes. Impairment losses are recognized in accordance with the principles described under the section headed Impairment testing.

Impairment testing

Goodwill and intangible or tangible assets not yet in use (e.g. capitalized development projects not yet completed) are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. Other long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use refers to estimated future net cash flows from an asset or a cash generating unit, discounted to their present value. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Posti's cash-generating units that form the basis for goodwill impairment testing are presented in [note 10](#).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Leases

Leases of property, plant and equipment, in which substantially all risks and rewards of ownership transfer to the lessee, are classified as finance leases. Leases in which risks and rewards remain with the lessor are classified as operating leases.

The Group as lessee

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long-term or short-term debt. Each lease payment is allocated between the liability and finance cost. Property, plant and equipment recognized under finance lease are depreciated over the shorter of the asset's useful life and the lease term (notes [12](#) and [22](#)).

Payments made under operating leases are expensed to profit or loss on a straight-line basis over the lease term ([note 22](#)).

Inventories

Group's inventories comprise stamps, packaging materials, retail goods and production material, such as paper and envelopes. Inventories are valued on a weighted average cost basis and carried at the lower of cost or net realizable value. Cost includes all direct expenditure attributable to the inventories. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

Financial assets and liabilities

Financial assets are initially recognized at fair value. Their subsequent measurement depends on their classification. The Group's financial assets are classified into the following categories: financial assets recognized at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets available-for-sale. Classification of a financial asset depends on the purpose for which it was acquired. Transaction costs are included in the financial asset's original carrying amount, in the case of the financial asset is not carried at fair value through profit of loss. Purchases and sales of financial assets are recognized or derecognized at settlement date.

The Group derecognizes a financial asset when its contractual right to the cash flows from the asset has expired or is forfeited, or it has transferred substantially all risks and rewards outside the Group.

Financial assets recognized through profit or loss include financial assets held-for-trading. Also derivative instruments which are not hedge accounted for are classified as held-for-trading. Investments in bonds and money-market instruments are measured at fair value on the balance sheet date, based on price quotes on the market on the balance sheet date, or valuation models based on observable market information. Financial assets held-for-trading are included in current assets. Any unrealized and realized gains or losses resulting from fair value changes are recognized through profit or loss during the period in which they occur.

Investments held-to-maturity are financial assets with fixed payments and fixed maturity, which the Group intends to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest-rate method.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and not held for trading. Loans and receivables are included in current and non-current assets and measured at amortized cost applying the effective interest-rate method. Trade and other receivables are recognized at cost, corresponding to their fair value and recorded under current assets.

Available-for-sale assets are measured at fair value at each balance sheet date. Changes in fair value are recognized in other items of the comprehensive income, taking the related tax effect into account, and presented in the fair value reserve in equity. Changes in fair value are recorded through profit or loss if the investment is sold or if there is objective evidence of an impairment. Available-for-sale assets include unlisted shares and equity fund investments for which the fair value is determined by the fund manager.

Non-derivative financial liabilities are initially recognized based on the consideration received and subsequently measured at amortized cost applying the effective interest-rate method. Transaction costs are included in the initial carrying amount of financial liabilities. The carrying amount of trade and other current liabilities equal their fair value, since the effect of discounting is not substantial considering their short maturities. Financial liabilities are included in both non-current and current liabilities.

Derivative contracts and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at each balance sheet date. Profit or loss arising from valuation at fair value is recognized in accordance with the derivative contract's purpose of use. The income effect of the value changes of derivative contracts, which constitute effective hedging instruments and which are subject to hedge accounting, is shown consistently with the hedged item. The Group recognizes derivative contracts as hedges (fair value hedge) of either assets or fixed liabilities recorded on the balance sheet, or hedges of highly probable future business transactions (cash flow hedge) or as economic hedges, which do not meet the conditions for applying hedge accounting.

When hedge accounting is applied, Posti documents at the inception of the hedging transaction the relationship between the hedged item and the hedge instruments as well as the objectives of the Group's risk management and the strategy for carrying out the hedging transaction. The Group also documents and assesses the effectiveness of the hedging relationship by inspecting the hedge instrument's ability to offset the changes in fair value of the hedged item.

Changes in the fair value of derivatives that qualify for fair-value hedges as well as changes in the fair value of the hedged asset or liability attributable to the hedged risk are recognized in the income statement under financial items. If hedge accounting criteria are no longer met, the amount related to the hedged risk and recognized against the hedged asset or liability is recognized to the income statement during maturity of the derivative. Fair-value hedge accounting has been applied in accordance with Posti's risk management policy to hedge Posti's fixed-rate loans.

Effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognized in other comprehensive income. Amounts accumulated in equity are reclassified into profit or loss when the hedged item is recognized through profit or loss. The Group applies cash flow hedging for hedging against foreign exchange risk on commitments in foreign currencies. The gains or losses on hedging instruments are netted against the cost as the hedged item realizes. If a derivative contract classified as a cash flow hedging instrument expires or it is sold, or it no longer meets the conditions for hedge accounting, the accrued fair value gain or loss is carried in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accrued fair value gain or loss is recognized through profit or loss immediately.

Certain derivative instruments while entered into for risk management purposes do not qualify hedge accounting. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities as well as electricity derivatives which were utilized in previous periods. In addition, hedge accounting for interest rate swaps was discontinued as of 1 July, 2015. These contracts have been classified as held for trading and changes in their fair value are recognized through profit or loss, and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that can be easily exchanged for a pre-determined amount of cash and which are subject to an insignificant risk of changes in value. The money-market investments classified as the Group's cash and cash equivalents have a maximum maturity of three months.

Provisions and contingent liabilities

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for restructuring are recognized when the related, detailed and official plan has been approved and disclosed.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities also include obligations that will most likely not require the fulfillment of a payment obligation or the amount of which cannot be reliably determined. Contingent liabilities are disclosed in the notes to the consolidated financial statements.

Fair Value Measurement

The Group measures financial assets and liabilities held for trading purposes, financial assets available-for-sale, derivatives, as well as assets and liabilities acquired through a business combination at fair value. Also assets held-for-sale are carried at fair value if the fair value is lower than book value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as follows:

Level 1: Fair values are based on the quoted prices of identical asset or liabilities in active markets.

Level 2: Fair values are, to a significant degree, based on data other than quoted prices included in Level 1, but on data that are either directly or indirectly observable for the asset or liability in question. To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on observable market data.

Level 3: Fair values are based on data regarding the asset group or liability that is not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Critical accounting estimates and judgments in applying accounting policies

Preparing the consolidated financial statements in compliance with IFRS requires that Group management make certain estimates and judgments in applying the accounting policies. These estimates and assumptions are based on the management's best knowledge of current events and actions, but the actuals may differ from the estimates and assumptions stated in the financial statements. The areas involving a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong are disclosed below.

Impairment testing of Posti's cash generating unit Itella Russia

Itella Russia offers its customers comprehensive logistics solutions comprised of warehousing, freight and e-commerce last-mile delivery in all significant economic regions in Russia. The Russian economy is largely driven by raw material exports and depends heavily on oil prices which hit a ten year-low in early 2016 and remains at a low level, despite subsequent recovery. Fluctuations of oil prices also affect the Russian ruble ("RUB" or the "ruble") that in its turn determines the purchasing power of imported goods. The Ukraine crisis and related sanctions have, in turn, affected the Russian economy and weakened Russia's growth and growth prospects. Also property prices in the real estate market have decreased. As the market situation in Russia continues to be difficult, conducting business in Russia is subject to uncertainties and challenges especially in relation to Posti's ability to predict with certainty the development of Itella Russia's logistics operations in the long-term.

Itella Russia is a group of cash generating units with most significant assets relating to real estate investments in several locations, following the impairment of all historical goodwill in prior years. Due to the uncertainties in the Russian market, Posti has determined that it is not possible to determine value in use for Itella Russia as a whole and as such, management has determined that the appropriate way of testing for impairment for the Itella Russia long-lived assets is using the fair value less cost to sell method.

Posti has engaged external, independent and qualified valuers to determine the fair value for its real estate property in Russia each year. The valuation is performed at minimum annually on an asset by asset basis and the valuation method takes into consideration the current market prices in each active market for the properties. The key inputs in the valuation are the rent levels and investors' yield requirements. The most significant estimates in the valuation relate to these key inputs and if the RUB continues to decline or if the key inputs of the valuation change unfavourably, it may result in an impairment of Itella Russia's carrying values for its property potentially leading into an adverse effect on Posti's business, financial condition, results of operations and future prospects.

Goodwill impairment testing in Posti's cash generating unit OpusCapita

Posti has made significant investments in goodwill and other intangible assets including IT systems, licences, acquired trademarks and customer portfolios as well as in property, plant and equipment comprising mainly vehicles and other production equipment. Most significant goodwill balance subject to the annual impairment testing is allocated to OpusCapita, one of Posti's cash generating units that have goodwill on their balance sheets. Goodwill and intangible assets not yet in use are tested for impairment annually or more often if indicators of impairment exist, whereas other assets are tested for impairment when circumstances indicate there may be a potential impairment.

The determination of impairments of goodwill and other intangible assets involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in Posti's businesses, increased cost of capital, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. When determining the values in use for the cash generating units, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations. The most significant assumptions in goodwill impairment testing comprise of growth in net sales, development of EBIT margin, determination of the discount rate (WACC), and long-term growth rate used after the five-year forecast period. The carrying amount of goodwill at subject to impairment testing at OpusCapita as at 31 December 2016 was EUR 122.7 million (31 December 2015: EUR 107.1 million and 31 December 2014: EUR 104.1 million). Further details on goodwill impairment testing, including a sensitivity analysis, are included in [note 10](#).

Deferred revenue

The revenue recognition method for certain prepaid services, including stamps, franking machines and prepaid envelopes involves material uncertainty due to several assumptions included in the method. The valuation of estimated deferred revenue is based on statistical models, which are based on historical sales and usage volumes as well as on surveys performed by third parties. The key assumptions for the models are the estimated delivery volumes by payment type and their seasonality, the size and change rate of the stamp inventories held by customers and retailers. There is uncertainty in the volumes of stamps held but not used by the customers which are estimated on the basis of surveys and in the valuation of these stamps estimated by the management based on the statistical model. Also the volumes of unused prepaid envelopes are based on the statistical model and include uncertainty. The usage of franking machines during the year and the used amount at the reporting date include uncertainty as Posti receives the usage data only when the customer recharges the machine. Therefore, the deferred revenue is estimated based on the statistical model. If the assumptions used turned out to impact the estimated volumes of prepaid products held negatively, it could increase the liability in the balance sheet respectively.

As at December 31, 2016 deferred revenue for these services amounted to EUR 27.0 million (December 31, 2015 EUR 28.3 million and December 31, 2014 EUR 27.1 million). Refer to [note 20](#) for details on deferred revenue.

Uncertainty regarding the utilization of deferred tax assets

Deferred tax assets are recognized to the extent that it probable that future taxable amounts will be available to utilize the underlying temporary differences and losses. Significant judgement is required to determine the amount that can be recognized and depends foremost on the expected timing and level of taxable profits as well as potential tax planning opportunities. The judgements relate primarily to tax losses carried forward generated in some of Posti's foreign operations and whether these tax loss carryforwards will be utilized in these jurisdictions or in Finland. Posti assesses at each balance sheet date the expected utilization of deferred tax assets considering the likelihood of (a) expected future taxable profits and (b) positions taken in tax returns being sustained.

When an entity has a history of recent losses the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered as convincing evidence unless the entity has demonstrated the ability of generating significant taxable profit for the current year or there are certain other events providing sufficient evidence of future taxable profit. Uncertainty related to new transactions and events and the interpretation of new tax rules may also affect these judgements.

As at December 31, 2016 Posti had unused tax losses for which it has not recognized deferred tax assets of EUR 153.0 million (December 31, 2015 EUR 139.9 million and December 31, 2014 EUR 135.1 million). Refer to [note 13](#) for detail on deferred tax assets and liabilities.

Provisions – onerous contracts

Provisions for onerous contracts by Posti are determined based on the net present value (NPV) of Posti's total estimated unavoidable costs for onerous contracts. The estimates are based on future estimated level of losses taking into account the estimated revenue from these contracts and related directly attributable expenses. The estimates take into account the effect of inflation, cost-base development, the exchange rate development and discounting. Because of the inherent uncertainties in this evaluation process, actual losses may differ from the originally estimated provision, and the carrying amounts of provisions are regularly reviewed and adjusted to take into account of any changes in estimates.

Contingent liabilities

Posti exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement.

The Group is involved in a dispute regarding refund of value added taxes in Finland. Posti has submitted a recourse claim against the State of Finland, demanding it to refund Posti for any sums that Posti may be ordered to pay in the legal proceedings initiated by the plaintiffs. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99.2 million, and the interests claimed amount to approximately EUR 54.1 million on December 31, 2016. At this point in time, it is not possible to assess how or when the case will be resolved. No provision has been recognized in the consolidated statements of financial position as Posti considers the allegations made by the plaintiffs are without merit. It is expected to take several years until all of the final court orders are rendered in the matter. The outcome of the process may have a material adverse effect on Posti's financial position, results of operations and cash flows. For more information on this case, see [note 23](#).

Application of new or amended IFRS standards

The amendments to IFRS standards effective as of 1 January, 2016 had no impact on Group's financial statements.

The Group will apply the following new or amended standards as they become effective:

IFRS 15 Revenue from contracts with customers. The new standard shall be applied for the annual reporting periods beginning on or after 1 January, 2018. The new standard defines a five-step model to recognize revenue based on contracts with the customers and replaces the current standards IAS 18 and IAS 11 as well as their interpretations. The timing of the revenue recognition can take place over time or at a point of time, depending on the transfer of control. The standard also entails increased disclosures on revenue from customer contracts. Group is currently assessing the effects of applying the new standard on the group's financial statements and has identified the following areas that are likely to be affected, among others:

- Regarding certain OpusCapita services the identification of separate performance obligations can affect the timing of the recognition of revenue. OpusCapita contracts including implementation services and software licenses are under review. If implementation services are not separate service obligations, the revenue should be recognized over the contract period. License revenue should be recognized either when the license is granted to the customer or over the contract period, depending on the nature of the license. Currently OpusCapita recognizes implementation service revenue when the implementation work is performed and license revenue over the contract period.
- Accounting for long term transport services in Itella Russia segment is under review and the timing of the recognition of revenue for these services could be affected. The impact is expected to be immaterial.
- Warehousing service contracts are being reviewed with respect to whether the contract contains a lease as defined under IFRS 16 and regarding the appropriate timing of the revenue recognition.
- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognized as an asset under IFRS 15 and depreciated over the contract period. Group currently recognizes some minor items such as service level agreement payments as an expense and expects to recognize them as a deduction of net sales according to IFRS 15. The impact of these changes is expected to be minor.

Management is also reviewing certain contracts for principal versus agent considerations. The result of this review may impact whether Group is recognizing revenue in the gross amount (acting as a principal) or in the net amount (acting as an agent), but it has no impact in the Group operating profit. The contracts under review are in Mail, Parcel and Logistics Services and Itella Russia segment.

At this stage, Posti is not able to estimate the impact of the new rules on the consolidated financial statements. The Group is in the process of making detailed assessments of the impact over the course of 2017 and will give more detailed information on financial impact and decisions regarding accounting elections on transition in the interim reports during 2017. Moreover, as the transition process proceeds, it is possible that other areas to be affected will be discovered.

The Group will adopt the new standard on 1 January, 2018.

IFRS 16 Leases will affect primarily the accounting by lessees and as a result Posti will recognize almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

Posti's income statement will be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

Posti has not yet determined the total impact of the application of IFRS 16 standard to its consolidated financial statements. Given that Posti leases a large number of production, office and warehousing premises, transportation vehicles and production equipment from third parties for time periods longer than a year or under cancellable leases, the application of the standard is expected to have a significant impact on Posti's consolidated financial statements. Posti expects a significant increase in its leased assets and respective lease liabilities. In addition, related operating lease expenses will be reclassified as depreciation and financial expenses.

As at the December 31, 2016, the Group has non-cancellable operating lease commitments of EUR 326.8 million (see [note 22](#)). However, the Group has not yet determined to what extent these commitments and other cancellable leases will result in the recognition of an asset and a liability for future payments and how this will affect the Group's income statement and classification of cash flows as judgement will be required to determine the lease period that Posti expects to maintain under the cancellable leases or leases with extension options. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases.

The standard becomes effective for years commencing on or after 1, January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

IFRS 9 Financial Instruments replaces the multiple classification and measurement models in IAS 39 and it will bring changes to classification and measurement of financial assets their impairment assessment and to hedge accounting.

A debt instrument is measured at amortized cost only if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in debt instruments and equity investments, must be recognized at fair value. All fair value movements on these assets are taken through the income statement, except for equity investments that are not held for trading, which may be recorded in the income statement or in the equity (without subsequent recycling to profit or loss). In addition, some debt instruments can be classified at fair value through other comprehensive income according to entity's business model.

The Group expects based on its assessment that the new guidance impacts on the classification and measurement of its financial assets. This is because debt instruments currently classified at fair value through profit or loss will be classified at amortized cost category based on business model and SPPI (solely payments of principal and interest) test. Further, equity instruments now classified as available for sale will be classified at fair value through profit or loss.

The Group expects that changes in classification of financial assets due to new standard will decrease volatility in the income statement to some extent.

Impairment of financial asset will be based on new expected credit loss method. The group will apply a simplified provision matrix approach for trade receivables whereby the impairment loss is measured over the life of the asset unless the asset is already impaired due to credit risk. Financial assets at amortized cost are subject to impairment testing. Following the application of the new standard, the Group will recognize the credit losses earlier than currently.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. The group does not expect to increase hedge accounting, as a general rule, it will be easier to apply hedge accounting going forward due to the fact that only prospective effectiveness testing is required.

The new standard also introduces expanded disclosure requirements and changes in presentation.

IFRS 9 is effective from 1 January, 2018 which is also the initial application date for the Group.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1. Operating segments

Posti's reportable segments consist of four operating segments: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. The Group's operating segments are based on the various services and products they offer and on the respective markets. The operating segments are managed as separate businesses. The President and CEO is the chief operating decision maker, being responsible for allocating resources to operating segments and the evaluation of the segments' results.

The Postal Services operating segment and the Parcel and Logistics Services operating segments have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services. Beginning from the last quarter of 2016, Posti reports its result of operations according to the following reportable segments: Mail, Parcel and Logistics Services; Itella Russia and OpusCapita. The new aggregated reportable segment for the most part shares common operative functions, such as production, retail network and customer service. These functions represent the majority of the combined segment's expenses. The aggregated operating segments are similar in terms of their financial characteristics, services, production processes, customers and distribution channels.

In connection with the change in reporting segments, the Group has also changed its principles for the allocation of the Group's support functions to the businesses. More costs of support functions have now been allocated to the businesses and reportable segments. The changes in the segment reporting are presented retrospectively starting from 1 January, 2014 to increase longer term comparability.

The President and CEO primarily uses measures of adjusted EBITDA and adjusted operating result to assess the performance of the operating segments. The President and CEO also receives information about the segments' net sales and assets on a monthly basis. Balance sheet items allocated to the segments include non-current and current operating assets and liabilities, including non-interest bearing liabilities and provisions. Operating assets and liabilities are items the segment uses in its operations or that may be reasonably allocated to the segments. Capital expenditure consists of additions of tangible and intangible assets including additions of financial leases and business acquisitions.

The measurement and recognition principles used in the internal management reporting comply with Posti's accounting principles. Transactions between the segments are carried out at market prices.

Mail, Parcel and Logistics Services

Postal Services

Postal Services is in charge of mail, press and marketing services. Mail Services is in charge of stamps, mail redirection services, Netposti, international postal cooperation and mail services offered to companies and consumers. Press Services provides newspaper, magazine and free distribution paper delivery services for business customers. Marketing Services provides addressed and unaddressed direct marketing services for companies as well as value-added services, such as register services, target groups, the Contact service, and printed products that can be ordered online.

Parcel and Logistics Services

Parcel and Logistics Services is in charge of comprehensive supply chain solutions, parcel and e-commerce services, transport services for companies, as well as warehousing and supplementary services. Parcel and Logistics Services is the market leader in the B2C and B2B parcel business and in warehousing services in Finland. In transport services Parcel and Logistics Services is among the three largest operators in Finland.

Itella Russia

Itella Russia offers comprehensive logistics services to both Russian and international companies. Itella is the market leader in warehousing in Russia. In addition, Itella offers road, air, sea and rail freight services, customs clearance services and logistics services for online retailers. The activities also include Itella Connexions, which is one of the largest direct marketing specialists in Russia and MaxiPost which offers last-mile delivery services for e-commerce customers. MaxiPost was acquired in March 2016.

OpusCapita

OpusCapita provides companies with extended purchase-to-pay and order-to-cash solutions. OpusCapita offers a global ecosystem where buyers, suppliers, banks and other parties connect, transact and grow. Service offering includes also outsourcing services for financial management and documentation flows. OpusCapita operates in Finland, Scandinavia, Baltics, Poland, Germany and USA. OpusCapita has more than 11,000 corporate customers and software users approximately in 50 countries.

Other functions and unallocated items

In addition to operating segments, Posti has group headquarters, centralized support functions as well as real-estate company Posti Kiinteistöt which owns the facilities in Finland and offers facility management services to the businesses. These centralized Group functions and related corporate level costs including financing are reported under other functions and unallocated items.

Adjusted EBITDA and adjusted operating result

In order to enhance the comparability between periods, Posti reports adjusted EBITDA and adjusted operating result, which exclude effects of significant items of income and expenses which are considered to incur outside of the ordinary course of business. These adjusting items are referred as special items. Special items include restructuring costs, significant impairment losses on assets, significant gains or losses on sale of shares, real-estates or business operations, changes in contingent purchase considerations originated from business combinations, and other material items outside of the ordinary course of business.

2016

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Seg- ments total	Other functions and un- allocated	Elimi- nations	Group total
External sales	1,272.2	104.6	230.7	1,607.5	0.1		1,607.6
Inter-segment sales	-49.4	0.0	-9.4	-58.9	-5.0	-63.9	
Net sales	1,321.6	104.6	240.1	1,666.4	5.1	-63.9	1,607.6
EBITDA	76.9	3.9	12.2	93.0	23.1		116.0
Special items included in EBITDA:							
Personnel restructuring costs	14.7	0.4	3.1	18.2	0.8		18.9
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	0.0	0.0	-2.8	-2.8	-10.6		-13.4
Onerous contracts	0.0	-1.7	1.6	0.0	0.0		0.0
Changes in contingent purchase considerations	0.0	0.0	4.1	4.1	0.0		4.1
Other	-0.6	0.0	0.8	0.2	0.9		1.1
Special items included in EBITDA total	14.1	-1.3	6.8	19.7	-9.0		10.7
Adjusted EBITDA	91.0	2.6	19.1	112.6	14.1		126.7

Operating result	34.6	-2.7	-1.4	30.5	0.2	30.7
Special items included in operating result:						
Special items included in EBITDA	14.1	-1.3	6.8	19.7	-9.0	10.7
Impairment losses	0.0	0.0	4.3	4.3	1.4	5.7
Special items total	14.1	-1.3	11.1	23.9	-7.5	16.4
Adjusted operating result	48.7	-4.0	9.7	54.4	-7.3	47.1
Financial income and expense						-1.2
Profit/loss for the period before taxes						29.5
Assets	537.4	153.5	202.4	893.3	299.9	-7.6 1,185.6
Non-current assets classified as held for sale						0.0
Liabilities	329.6	23.0	47.5	400.1	184.6	-7.6 577.2
Liabilities associated with non-current assets classified as held for sale						0.0
Capital expenditure	31.6	4.7	38.5	74.8	25.6	100.4
Depreciation and amortization	42.2	6.5	9.4	58.1	21.2	79.2
Impairment losses	0.1	0.0	4.3	4.4	1.6	6.1
Personnel at period-end	15,455	2,389	2,051	19,895	602	20,497

2015, restated

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Seg- ments total	Other functions and un- allocated	Elimi- nations	Group total
External sales	1,285.2	118.8	245.2	1,649.2	-0.1		1,649.1
Inter-segment sales	-52.6	0.0	-11.5	-64.1	-8.7	-72.9	
Net sales	1,337.8	118.9	256.7	1,713.3	8.7	-72.9	1,649.1
EBITDA	80.9	-8.3	21.4	94.1	53.2		147.2
Special items included in EBITDA:							
Personnel restructuring costs	6.9	0.6	0.9	8.4	0.0		8.5
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	1.2	0.0	0.0	1.2	-40.8		-39.6
Onerous contracts	0.7	11.7	0.0	12.4	0.0		12.4
Changes in contingent purchase considerations	0.0	0.0	-1.3	-1.3	0.0		-1.3
Other	0.6	0.0	0.5	1.1	-0.2		0.9
Special items included in EBITDA total	9.4	12.4	0.2	22.0	-41.0		-19.1
Adjusted EBITDA	90.3	4.1	21.6	116.0	12.1		128.2
Operating result	38.7	-25.0	13.3	27.0	27.8		54.8
Special items included in operating result:							
Special items included in EBITDA	9.4	12.4	0.2	22.0	-41.0		-19.1
Impairment losses	1.1	7.5	1.1	9.6	2.3		11.9
Special items total	10.5	19.9	1.2	31.6	-38.8		-7.2
Adjusted operating result	49.2	-5.1	14.5	58.6	-11.0		47.6

Financial income and expense							-12.5
Profit/loss for the period before taxes							42.3
Assets	552.4	126.1	172.7	851.2	462.2	-5.1	1,311.9
Non-current assets classified as held for sale			3.6				3.6
Liabilities	312.6	27.0	36.1	375.7	357.2	-5.1	728.7
Liabilities associated with non-current assets classified as held for sale			1.0				1.0
Capital expenditure	29.1	2.9	15.4	47.4	19.4		66.8
Depreciation and amortization	41.1	9.2	7.1	57.4	23.1		80.5
Impairment losses	1.1	7.5	1.1	9.6	2.3		11.9
Personnel at period-end	16,200	2,646	2,178	21,024	574		21,598

2014, restated

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Seg- ments total	Other functions and un- allocated	Elimi- nations	Group total
External sales	1,448.0	171.7	246.8	1,866.5	0.6		1,867.1
Inter-segment sales	-52.2	-0.4	-12.8	-65.4	-39.2	-104.6	
Net sales	1,500.2	172.0	259.6	1,931.9	39.9	-104.6	1,867.1
EBITDA	58.5	16.2	19.9	94.7	9.3		104.0
Special items included in EBITDA:							
Personnel restructuring costs	22.7	0.1	2.5	25.3	0.6		25.8
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-1.3	0.0	0.0	-1.3	0.0		-1.3
Onerous contracts	0.8	0.0	0.6	1.4	0.0		1.4
Other	4.6	0.0	3.6	8.1	7.0		15.1
Special items included in EBITDA total	26.8	0.1	6.6	33.5	7.6		41.0
Adjusted EBITDA	85.3	16.3	26.6	128.2	16.9		145.1
Operating result	16.9	2.4	12.7	31.9	-18.4		13.5
Special items included in operating result:							
Special items included in EBITDA	26.8	0.1	6.6	33.5	7.6		41.0
Impairment losses	3.2		0.7	3.9			3.9
Special items total	30.0	0.1	7.3	37.4	7.6		44.9
Adjusted operating result	46.9	2.5	20.0	69.4	-10.8		58.6

Financial income and expense								-10.4
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Profit/loss for the period before taxes								3.2
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Assets	714.6	149.4	171.5	1,035.5	253.3	-5.4	1,298.1
Non-current assets classified as held for sale					14.7		14.7
Liabilities	337.5	22.2	42.1	401.8	348.2	-5.4	744.6

Capital expenditure	32.8	3.7	10.9	47.3	16.3		63.6
Depreciation and amortization	37.9	13.8	6.6	58.3	27.7		86.0
Impairment losses	3.7	0.0	0.7	4.4	0.0		4.4
Personnel at period-end	17,500	2,920	2,292	22,712	577		23,289

Geographical areas

The group operates in four geographical areas: Finland, Scandinavia, Russia and Other countries. The net sales of the geographical areas are determined by the geographical location of the Group's customer. Assets are presented according to their geographical location, and they include non-current assets except Group goodwill, deferred tax assets and financial instruments. Finland is the only individual country that generates a material part of the Group's net sales. The Group's customer base consists of a large number of customers over several market areas, and net sales to any single customer does not represent a significant part of the Group's net sales.

2016

EUR million	Finland	Scandinavia	Russia	Other countries	Total
Net sales	1,261.9	133.2	104.6	107.7	1,607.6
Non-current assets	294.2	5.0	110.5	27.3	437.0

2015

EUR million	Finland	Scan- dinavia	Russia	Other count- ries	Total
Net sales	1,264.1	140.4	118.5	126.1	1,649.1
Non-current assets	362.4	5.3	90.8	15.0	473.5

2014

EUR million	Finland	Scan- dinavia	Russia	Other count- ries	Total
Net sales	1,367.2	211.5	171.8	116.5	1,867.1
Non-current assets	456.8	19.3	114.9	16.4	607.4

Revenue streams

EUR million	2016	2015	2014
Sales of services	1,583.4	1,625.4	1,840.3
Sales of goods	14.6	13.5	16.4
Sales of licenses	9.7	10.2	10.5
Total	1,607.6	1,649.1	1,867.1

2. Acquired and divested businesses

Acquired businesses 2016

The assets and liabilities recognized as a result of the acquisitions are as follows:

Assets acquired

EUR million	jCatalog	MaxiPost	Veine	Preliminary Kovalainen	Fair value total
Intangible assets	15.3	0.1	2.3	0.7	18.4
Property, plant and equipment	0.2	0.0	2.6	5.3	8.1
Deferred tax assets	0.0	0.0	0.0	0.1	0.1
Inventory	0.0	0.0	0.0	0.1	0.1
Receivables	2.3	0.9	7.2	1.9	12.3
Cash and cash equivalents	3.0	0.0	0.9	0.0	4.0
Assets acquired	20.8	1.1	13.0	8.0	42.9

Liabilities acquired

EUR million					
Deferred tax liability	5.1	0.0	0.3	0.1	5.5
Interest-bearing liabilities	0.2	0.0	8.1	3.8	12.1
Trade payables and other liabilities	3.5	1.1	6.8	2.9	14.2
Liabilities acquired	8.7	1.1	15.2	6.8	31.9
Net assets acquired	12.1	0.0	-2.2	1.2	11.0

Components of purchase consideration

EUR million					
Purchase price	31.2	0.4	4.3	1.8	37.7
Contingent consideration	0.0	0.7	2.3	1.0	3.9
Total consideration	31.2	1.1	6.6	2.7	41.6
Fair value of net assets acquired	12.1	0.0	-2.2	1.2	11.0
Goodwill	19.2	1.1	8.8	1.6	30.6

Purchase consideration – cash out flow**EUR million**

Purchase price paid in cash	31.2	0.4	4.3	1.8	37.7
Cash and cash equivalents of the acquired subsidiary	3.0	0.0	0.9	0.0	4.0
Net outflow of cash – investing activities	-28.2	-0.4	-3.4	-1.7	-33.7

In the consolidated statement of cash flows the net outflow of cash totaling EUR 36.8 million includes also payments of deferred purchase considerations during the period.

MaxiPost

Posti Group's subsidiary, Posti Global Ltd, acquired a Russian courier company OOO MaxiPost on 17th March, 2016. MaxiPost offers courier services to Russian companies, employing approximately 250 people.

The acquisition cost was EUR 1.1 million, of which the contingent earn-out component reconized in liabilities is EUR 0.7 million. The goodwill arising from the acquisition totals EUR 1.2 million. The acquisition related transaction costs are included in other operating expenses in the income statement and in operating cash flow in the statement of cash flows.

jCatalog

In April 2016, OpusCapita acquired a German-based software company jCatalog Software. jCatalog Software's solutions in the areas of eCommerce, catalog management, procurement process and supplier management will complement OpusCapita's extended purchase to pay offering. jCatalog Software is headquartered in Dortmund, Germany and has operations in Europe and in the USA with some 130 professionals.

The purchase consideration amounted to EUR 31.2 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses. The goodwill arising from the acquisition amounts to EUR 19.2 million. The goodwill is justified as the acquisition supports OpusCapita's strategy to build a global buyer-supplier ecosystem offering and expands its geographical reach.

Veine

In August 2016, Posti acquired the entire share capital of Veine, a company operating in food logistics. Veine Group companies operate in Finland and have about 130 employees.

The purchase consideration amounted to EUR 6.6 million, including a contingent earn-out component recognized as liabilities amounting to EUR 2.3 million. The acquisition related transaction costs are included in other operating expenses in the income statement and in operating cash flow in the statement of cash flows.

The goodwill totaling EUR 8.8 million represents the synergies in services and operations. The goodwill is justified as the acquisition supports Posti's strategy to grow in food logistics. Posti and Veine can together offer competitive and nationwide food logistics solutions.

Kovalainen

In October 2016, Posti acquired the entire share capital of Kovalainen, a company operating in food logistics. Kuljetus Kovalainen is a Finnish transportation company, which has net sales of around EUR 15 million and a personnel of approximately 180.

The purchase consideration amounted to EUR 2.7 million, including a contingent earn-out component recognized as liabilities amounting to EUR 1.0 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses.

The goodwill arising from the preliminary acquisition amounts to EUR 1.6 million. The goodwill is justified as the acquisition supports Posti's strategy to grow in food logistics. Joining forces with Kovalainen enables Posti to offer extensive logistics services in Northern Finland, Ostrobothnia and Lapland.

Business and subsidiary divestments in 2016

In August 2016, Posti sold Kiinteistö Oy Linnakalliontie located in Pirkkala. Posti will continue operations in the real estate with a long term leasing contract.

OpusCapita Group has sold the business operations serving the local markets in the Baltic Countries to BaltCap 11 Jan, 2016. The transaction consisted of OpusCapita AS (Estonia), OpusCapita AS (Latvia) and UAB OpusCapita (Lithuania). The divestment did not include OpusCapita competence centers in Baltic Countries serving global business. The divestment had one-off positive impact on Group's first quarter result and cash flows.

Acquired businesses 2015

Posti Group's subsidiary, OpusCapita Group, acquired Swedish companies Kredithanterarna and Svenska Fakturaköp on April 30, 2015. The acquisitions enable OpusCapita to further broaden its offer of Order-to-Cash products by cash management solutions. The companies add OpusCapita thorough knowledge of the Swedish market in their business segment.

The acquisition cost was EUR 5.8 million, of which the contingent earn-out component reconized in long-term liabilities is EUR 1.4 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses.

Goodwill arising from the acquisition, totaling EUR 3.6 million, is generated by the substantial synergies in Order-to-Cash services and the possibilities to enter other Nordic markets. Had the acquired business been combined in the consolidated financial statements as of the beginning of the 2015, the Group's net sales in 2015 would have been EUR 1.0 million higher and its results would have increased by EUR 0.2 million.

The assets and liabilities recognized as a result of the acquisition are as follows:

Assets acquired

EUR million	Fair value
Intangible assets	2.5
Property, plant and equipment	0.0
Receivables	1.0
Cash and cash equivalents	0.4
Assets acquired	4.0

Assumed liabilities

EUR million	
Deferred tax liability	0.5
Non-current liabilities	0.4
Trade payables and other liabilities	0.8
Assumed liabilities	1.7
Net assets acquired	2.2

Components of purchase consideration**EUR million**

Purchase price	4.4
Contingent consideration	1.4
Total consideration	5.8
Fair value of net assets acquired	2.2
Goodwill	3.6

Purchase consideration – cash out flow**EUR million**

Purchase price paid in cash	4.4
Cash and cash equivalents of the acquired subsidiary	0.4
Net outflow of cash – investing activities	-4.0

Business divestments in 2015

Posti Group divested its road freight business in Sweden, Norway and Denmark as well as its international freight operations in Finland to Danish Nordic Transport Group (NTG) on April 30, 2015. Also the shares of a subsidiary KH Fur Oy were sold. The divestment had one-off negative impact on Group's result and cash flows.

Acquired businesses 2014

Posti Group's subsidiary, OpusCapita Group, acquired the Norwegian based financial accounting outsourcing company Norian Group on 1 October, 2014. The acquisition strengthened OpusCapita's position as the leading service provider in the Nordic countries.

The acquisition cost was EUR 5.0 million, of which the contingent earn-out component reconized in long-term liabilities is EUR 1.9 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses. In the acquisition, 175 employees were transferred to OpusCapita.

Goodwill arising from the acquisition, totaling EUR 4.2 million, is generated by the substantial synergies in products, services and clientele. Had the acquired business been combined in the consolidated financial statements as of the beginning of the 2014, the Group's net sales in 2014 would have been EUR 8,0 million higher and its results would have decreased by EUR 0.5 million.

The assets and liabilities recognized as a result of the acquisition are as follows:

Assets acquired

EUR million	Fair value
Intangible assets	1.2
Property, plant and equipment	0.2
Deferred tax assets	0.1
Receivables	1.8
Cash and cash equivalents	0.0
Assets acquired	3.3

Assumed liabilities

EUR million	
Deferred tax liability	0.4
Non-current liabilities	0.4
Trade payables and other liabilities	1.9
Assumed liabilities	2.6
Net assets acquired	0.7

Components of purchase consideration

EUR million	
Purchase price	3.1
Contingent consideration	1.9
Total consideration	5.0
Fair value of net assets acquired	0.7
Goodwill	4.2

Purchase consideration – cash out flow**EUR million**

Purchase price paid in cash	3.7
Cash and cash equivalents of the acquired subsidiary	0.0
Net outflow of cash – investing activities	-3.6

Business divestments in 2014

The Group sold its Mediapankki-business to Multiprint Oy on 1 September, 2014. The transaction did not have a material effect on Group's financial statements.

3. Other operating income

EUR million	2016	2015	2014
Gains on sale of property, plant and equipment	13.1	42.8	1.1
Rental income	5.5	5.7	6.4
Rents from investment property	1.9	1.7	1.8
Gains on sale of subsidiaries and businesses	3.0	3.6	1.3
Other items	2.6	3.7	2.0
Total	26.0	57.5	12.6

Gains on disposal of property, plant and equipment consists mainly of sale gains on buildings, real-estate and land. In 2016, Posti disposed of e.g. a Pennala logistics center located in Orimattila and in 2015 postal centers in Tampere, Kuopio and Oulu, as well as its warehouse in Tuusula. Rental income consists mainly of rents for the Group's buildings and apartments.

Gains on sale of subsidiaries and businesses 2016 include the disposal of OpusCapita business operations in Estonia, Latvia, and Lithuania, which served the local markets in the Baltic countries. In 2015, Posti disposed of road freight operations in Sweden, Norway and Denmark, as well as its international freight business in Finland.

4. Materials and services

EUR million	2016	2015 restated	2014 restated
Production materials	20.5	21.1	20.8
Subcontracting and external services	170.0	170.4	247.1
Mail transport and delivery services	213.5	207.5	214.1
Freight and transport	43.7	36.4	44.3
Other production cost	1.0	2.1	1.1
Total	448.6	437.5	527.4

External services consist mainly of purchased subcontracting services for production such as freight, forward and transport services.

5. Employee benefits

EUR million	2016	2015	2014
Wages and salaries	584.8	606.9	684.7
Pensions (defined contribution plans)	95.9	98.4	103.3
Pensions (defined benefit plans)	0.3	0.4	0.6
Other social expenses	49.8	50.9	59.3
Total	730.8	756.5	847.8

Employee benefits

[More detailed information on defined benefit pension plans can be found in note 18.](#)

Employee benefit expense includes EUR 18.9 million (2015: 8.5, 2014: 25.8) of personnel restructuring costs relating primarily to restructuring carried out in conjunction with the operational transformation and Group's various profitability improvement programs.

Group's employees are involved in the Group's profit sharing scheme. In Finland, the annual profit bonuses are transferred to the Personnel Fund, the aim of which is to increase the employees' commitment to the long-term targets and to enhance interest in the Group's financial success. The profit share is determined on the basis of Group's result. The proposed profit share to be distributed for 2016 is EUR 1.6 million (2015: 0.0, 2014: 1.0).

The Group's experts and managers are involved in the performance-based bonus scheme. The bonus is based on the Group's, the unit's and the team's financial indicators and on personal or team-specific performance indicators. Posti confirms annually the threshold values for these indicators.

Decisions concerning long-term incentive schemes are made by the Board of Directors on the recommendation of the Remuneration and Nomination Committee. Long-term incentive schemes are rolling 3-year programs. The schemes include the Executive Board as well as key employees per scheme named by the Board of Directors. The schemes have been implemented in accordance with the guidelines by the state-owner concerning the remuneration of executive management, issued on 13 August, 2012.

[For key management compensation, see note 24.](#)

6. Other operating expenses

EUR million	2016	2015	2014
Rents and leases	104.6	128.4	119.3
Voluntary employee expenses	16.4	17.1	20.2
Losses on disposal of property, plant and equipment	0.5	1.5	1.0
IT operating costs	67.4	64.2	85.4
Facility maintenance	38.4	42.4	45.4
Other production costs	37.1	36.0	59.9
Office, marketing and travel	40.1	42.1	49.8
Other operating items	33.6	33.7	19.5
Total	338.2	365.4	400.5

Other operating expenses include expenses on leased premises, vehicles and other equipment, voluntary personnel expenses, IT operating costs, facility maintenance expenses related to premises and vehicles and other operating expenses containing, expenses related to fuels and lubricants and other production expenses, sales commissions paid to non-employees as well as other sales and marketing costs, administration, traveling and entertainment expenses.

Posti Group other operating expenses and employee benefits include EUR 8.4 million research and development costs (2015: 8.3, 2014: 7.6). Amortization on capitalized development costs and internally generated intangible rights amounted to EUR 5.5 million (2015: 4.6, 2014: 3.6).

Office expenses includes auditor fees as follows:

Auditor fees			
Audit	0.5	0.6	0.5
Tax advisory	0.0	0.0	0.0
Other services	0.3	0.1	0.1
Total	0.8	0.7	0.6

7. Depreciation, amortization and impairment losses

EUR million	2016	2015	2014
Amortization on intangible assets			
Development costs	1.4	0.9	0.5
Intangible rights	16.9	15.2	17.1
Total	18.3	16.1	17.7
Impairment losses on intangible assets			
Impairment losses on intangible rights	4.3	8.6	2.1
Total	4.3	8.6	2.1
Depreciation on tangible assets			
Buildings and structures	14.4	17.3	22.4
Investment properties	0.3	0.2	0.7
Machinery and equipment	32.2	33.6	33.7
Assets leased under finance lease	13.3	12.4	10.6
Other tangible assets	0.7	0.8	1.0
Total	61.0	64.4	68.4
Impairment losses on tangible assets			
Impairment losses on machinery and equipment	0.3	0.0	-
Impairment losses on land and water	-	0.3	-
Impairment losses on buildings	1.5	2.9	2.4
Total	1.8	3.3	2.4
Total depreciation, amortization and impairment losses	85.3	92.4	90.4

Impairment losses on intangible assets in 2016 relate to capitalized development costs of OpusCapita's software products. In 2015, the majority of impairment losses relate to the customer portfolio of Itella Russia, which was booked to zero. The fair value of intangible assets is determined based on data that is not based on verifiable market data (Level 3).

Goodwill is not amortized but is tested for impairment annually and whenever there are indications for impairment. No impairment losses on goodwill were determined for years 2016, 2015 and 2014.

[More information about impairment testing of goodwill is presented in note 10.](#)

8. Finance income and expenses

Financial income

EUR million	2016	2015	2014
Dividend income	0.2	0.1	0.1
Interest income			
Financial assets at fair value through profit or loss	4.8	5.8	5.7
Loans and receivables	0.9	1.3	1.7
Assets held to maturity	0.7	0.6	0.0
Financial assets available-for-sale	-	0.0	0.0
Gains on disposal of financial assets at fair value through profit or loss	0.0	0.0	0.0
Gains on disposal of available-for-sale assets	-	-	0.0
Changes in fair value of financial assets at fair value through profit or loss			
Investments	-	-	0.5
Exchange rate gains			
Interest-bearing receivables and liabilities	5.2	1.2	2.0
Currency derivatives, non-hedge accounting	0.3	3.6	15.5
Change in fair value of loans	0.5	1.3	1.0
Total	12.7	13.9	26.6

Financial expense			
EUR million	2016	2015	2014
Interest expense			
Financial liabilities at amortized cost	11.5	12.8	12.9
Financial liabilities at fair value through profit or loss	0.7	1.3	3.4
Other financial expenses on financial liabilities at amortized cost	0.7	0.8	0.8
Losses on disposal of financial assets at fair value through profit or loss	0.3	-	0.2
Losses on disposal of available-for-sale assets	-	-	0.2
Changes in fair value of financial assets at fair value through profit or loss			
Investments	0.5	0.9	-
Interest rate derivatives, non-hedge accounting	1.9	1.0	-
Interest rate derivatives, hedge accounting	-	0.9	0.9
Exchange rate losses			
Interest-bearing receivables and liabilities	0.4	2.9	13.3
Currency derivatives, non-hedge accounting	0.3	2.8	5.2
Impairment on loans and receivables	-2.5	3.0	-
Total	13.9	26.4	36.9

9. Income tax

EUR million	2016	2015 restated	2014 restated
Current tax expense	4.4	18.3	1.6
Taxes for previous years	-3.8	-0.1	1.0
Deferred tax	5.7	-11.0	-1.2
Total	6.3	7.2	1.4

The Group's current tax expense for the year is affected by the significant tax-deductible expense in 2016 related to the cumulative adjustment in revenue recognition of prepaid services. For further information, please see [note 26](#).

In 2016, the adjustments to taxes from previous years related to a tax case in Finland. For further information regarding uncertain tax positions, please see [note 13](#).

Reconciliation of tax charge at Finnish tax rate (20%)

Profit or loss before tax and associates' results	29.5	42.3	3.2
Income tax at parent company's tax rate of 20%	5.9	8.5	0.6
Difference in foreign subsidiaries tax rates	-0.2	0.1	-1.8
Non-deductible expenses and other differences	0.5	1.0	0.9
Tax-exempt income	-2.5	-4.7	-2.4
Adjustments in taxes from previous years	2.4	1.0	1.0
Effect of changes of tax rates on deferred tax	-	0.0	-2.6
Unrecognized deferred tax asset on losses for the period	1.5	4.4	5.6
Changes in deferred tax assets for previous years' losses	-1.3	-3.1	-
Income tax	6.3	7.2	1.4
Effective tax rate	21.5%	17.0%	44.0%

10. Intangible assets

2016

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Cost January 1	249.1	219.4	30.3	15.2	264.9
Translation differences and other adjustments	-2.8	-0.3			-0.3
Acquired businesses	30.5	18.1	0.2		18.3
Sale of businesses					0.0
Additions		0.6	2.9	11.1	14.5
Disposals					0.0
Transfers between items		12.6	4.3	-16.9	0.0
Cost December 31	276.8	250.5	37.6	9.4	297.5
Accumulated amortization and impairment losses January 1	-63.1	-183.3	-27.5	-3.4	-214.2
Translation differences and other adjustments					0.0
Sale of businesses					0.0
Amortization for the financial period		-16.9	-1.4		-18.3
Impairments			-4.3		-4.3
Accumulated amortization on disposals and transfers					0.0
Accumulated amortization and impairment losses December 31	-63.1	-200.3	-33.2	-3.4	-236.8
Carrying amount on January 1	186.0	36.1	2.7	11.9	50.7
Carrying amount on December 31	213.7	50.2	4.4	6.1	60.7

2015, restated

EUR million	Goodwill	Intangible rights	Develop-ment costs	Advances paid and work in progress	Total other intangible assets
Cost January 1	246.2	218.9	29.1	9.2	257.3
Translation differences and other adjustments	-0.2	-4.9			-4.9
Acquired businesses	3.1	2.6			2.6
Sale of businesses					0.0
Additions		8.4	0.1	8.1	16.6
Disposals		-6.7			-6.7
Transfers between items		1.0	1.1	-2.1	0.0
Cost December 31	249.1	219.4	30.3	15.2	264.9
Accumulated amortization and impairment losses January 1	-63.1	-168.9	-25.6	-3.4	-197.9
Translation differences and other adjustments		1.9			1.9
Sale of businesses					0.0
Amortization for the financial period		-15.2	-0.9		-16.1
Impairments		-7.6	-1.054		-8.6
Accumulated amortization on disposals and transfers		6.6			6.6
Accumulated amortization and impairment losses December 31	-63.1	-183.3	-27.5	-3.4	-214.2
Carrying amount on January 1	183.1	50.0	3.5	5.9	59.4
Carrying amount on December 31	186.0	36.1	2.7	11.9	50.7

2014, restated

EUR million	Goodwill	Intangible rights	Develop-ment costs	Advances paid and work in progress	Total other intangible assets
Cost January 1	238.3	238.1	26.1	9.1	273.3
Translation differences and other adjustments	3.7	-16.8			-16.8

Acquired businesses	4.2	1.1			1.1
Additions		4.2		8.3	12.4
Disposals		-12.7			-12.7
Transfers between items		5.1	3.0	-8.1	0.0
Cost December 31	246.2	218.9	29.1	9.2	257.3
Accumulated amortization and impairment losses January 1	-58.3	-174.7	-25.1	-3.4	-203.2
Translation differences and other adjustments	-4.8	10.6			10.6
Amortization for the financial period		-16.0	-0.5		-16.6
Impairments		-1.4			-1.4
Accumulated amortization on disposals and transfers		12.7			12.7
Accumulated amortization and impairment losses December 31	-63.1	-168.9	-25.6	-3.4	-197.9
Carrying amount on January 1	180.0	63.4	1.0	5.8	70.1
Carrying amount on December 31	183.1	50.0	3.5	5.9	59.4

Intangible rights include customer portfolios acquired in business combinations as well as licenses and applications.

Goodwill and impairment testing

Posti has made significant investments in goodwill and other intangible assets including IT systems, licences, acquired trademarks and customer portfolios as well as in property, plant and equipment comprising mainly vehicles and other production equipment. Most significant goodwill balance subject to the annual impairment testing is allocated to OpusCapita, one of Posti's cash-generating units that have goodwill on their balance sheets. Goodwill and intangible assets not yet in use are tested for impairment annually or more often if indicators of impairment exist, whereas other assets are tested for impairment when circumstances indicate there may be a potential impairment.

The determination of impairments of goodwill and other intangible assets involves the use of estimates and is one of the critical accounting policies where the management makes estimates and judgments. This has been described in the accounting principles under the section "Critical accounting estimates and judgments in applying accounting policies."

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

EUR million	2016	2015	2014 *)
Postal Services	44.1	44.1	44.1
OpusCapita	122.7	107.1	104.1
Parcel and Transportation Services	32.7	21.8	22.0
Supply Chain Solutions	12.9	12.9	12.9
MaxiPost	1.2	0.0	0.0
Total	213.7	186.0	183.1

*) Restated to correspond the revised CGU-structure

The result of the goodwill impairment testing in 2016

Posti has performed the annual impairment tests for each cash-generating units containing goodwill. The Group does not have other intangible assets with indefinite useful life. The impairment tests did not result in recognition of impairment.

Impairment testing and sensitivity analysis

The recoverable amount of the CGU's is based on the value-in-use method. The value-in-use is based on forecasted discounted cash flows. Cash flow forecasts are prepared for a five-year period and they are based on strategic plans. The forecasts and the assumptions about the development of the business environment are in line with the current business structure and approved by the management. The key assumptions influencing the cash flow forecasts are the long-term market growth, market positions and the profitability level. Investments are expected to be ordinary replacement investments. The tests were performed applying the euro-exchange rates of the foreign currencies on the testing date.

The terminal value beyond five years of cash-generating units is based on a moderate growth rate expectation of 1.0% (2015: 1.0%, 2014: 1.0%) with the exception of Postal Services where the estimated terminal growth rate is -5% (2015: -5%, 2014: -5%) due to expected decline in paper delivery volumes and MaxiPost where the rate is 3% (2015 and 2014: n/a) to reflect the higher inflation in Russia.

Weighted average cost of capital (WACC) before taxes determined for each CGU has been used as discount rate. Pre-tax discount rates reflect specific risks relating to the relevant CGUs. The discount rates increased slightly in comparison with previous year which is mainly attributable to higher market risk premium for Finland.

The key outcomes and the parameters used in testing

2016

	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	299	8.3	-5.0	7.1	7.0
OpusCapita	64	5.4	1.0	9.3	7.6
Parcel and Transportation Services	127	2.0	1.0	7.0	2.6
Supply Chain Solutions	13	3.0	1.0	7.0	5.2
MaxiPost	3	1.8	3.0	14.5	11.7

2015

	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	460	8.6	-5.0	6.8	7.0
OpusCapita	172	6.4	1.0	8.2	8.2
Parcel and Transportation Services	296	1.1	1.0	7.2	2.6
Supply Chain Solutions	92	10.3	1.0	6.9	11.9

2014

	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	229	8.3	-5.0	6.9	5.0
OpusCapita	359	9.8	2.0	7.6	10.5
Parcel and Transportation Services	109	-2.2	2.0	6.8	3.0
Supply Chain Solutions	29	7.7	2.0	7.0	7.8

Comparative data for 2014 restated to correspond the revised CGU-structure in 2015.

A sensitivity analysis was performed for those cash-generating units where the Group estimates that a reasonably possible change in the key assumptions could cause recognition of an impairment loss. The analysis was done by determining which key parameter values would produce a carrying amount that would equal the value-in-use. The parameters used in the analysis were the discount rate and the terminal year EBIT margin. The analysis was carried out by changing the values of a single parameter while leaving the others constant. The table below indicates the limits within which the carrying amount and value-in-use are equal.

	Discount rate, %	Terminal year EBIT margin, %
Supply Chain Solutions	8.4	4.3
OpusCapita	12.5	4.5

The sensitivity analysis has not been prepared for Postal Services, Parcel and Transportation Services and MaxiPost as the management has considered and assessed reasonably possible changes for key assumption and has not identified any instances that could cause the carrying amounts of the CGUs to exceed their recoverable amounts.

11. Investment property

EUR million	2016	2015	2014
Cost January 1	16.1	16.1	17.3
Disposals	-	-	-1.2
Cost December 31	16.1	16.1	16.1
Accumulated depreciation and impairment losses January 1	-5.7	-5.1	-4.9
Depreciation for the period	-0.6	-0.6	-0.7
Accumulated depreciation on disposals	-	-	0.5
Accumulated depreciation and impairment losses December 31	-6.3	-5.7	-5.1
Carrying amount on January 1	10.3	11.0	12.4
Carrying amount on December 31	9.7	10.3	11.0

On December 31, 2016, the fair value of investment property totaled EUR 15.1 (2015:17.9, 2014: 17.9) million. Fair values are based on an external real estate agents' appraisals. In 2016 rental income from investment property totaled EUR 1.9 (2015: 1.7, 2014: 1.8) million and maintenance charges amounted to EUR 0.6 (2015: 0.5, 2014: 0.4) million.

12. Property, plant and equipment

2016

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on January 1	55.8	423.4	427.5	13.6	20.1	940.4
Translation differences and other adjustments	4.3	25.3	10.7		0.5	40.7
Acquired businesses			8.1			8.1
Additions	7.5		9.1	0.5	26.9	44.0
Disposals	-3.7	-71.5	-17.5	-1.3		-94.1
Transfers between items		13.3	25.0		-38.3	0.0
Cost on December 31	63.9	390.5	462.8	12.8	9.2	939.2
Accumulated depreciation and impairment losses January 1	-0.4	-231.7	-292.9	-9.2	0.0	-534.3
Translation differences and other adjustments	-0.1	-8.7	-9.0			-17.8
Depreciation for the period		-14.0	-45.6	-0.7		-60.3
Impairment		-1.5	-0.3			-1.8
Accumulated depreciation on disposals and transfers		19.7	15.5	0.3		35.5
Accumulated depreciation and impairment losses December 31	-0.5	-236.3	-332.2	-9.6	0.0	-578.7
Carrying amount on January 1	55.4	191.6	134.6	4.4	20.1	406.0
Carrying amount on December 31	63.4	154.2	130.6	3.1	9.2	360.5

2015

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on January 1	66.8	547.1	419.9	12.5	10.5	1,056.9
Translation differences and other adjustments	-2.4	-9.4	-4.5		-0.2	-16.5
Additions		0.7	16.0	2.1	24.3	43.2
Disposals	-10.4	-115.1	-16.2	-1.5		-143.2
Transfers between items	1.8		12.3	0.5	-14.6	0.0
Cost on December 31	55.8	423.4	427.5	13.6	20.1	940.4
Accumulated depreciation and impairment losses January 1	-0.2	-264.5	-266.4	-9.4		-540.5
Translation differences and other adjustments	0.1	4.4	4.3			8.7
Depreciation for the period		-17.3	-46.0	-0.8		-64.2
Impairment	-0.3	-2.9				-3.2
Accumulated depreciation on disposals and transfers		48.6	15.2	1.0		64.8
Accumulated depreciation and impairment losses December 31	-0.4	-231.7	-292.9	-9.2		-534.3
Carrying amount on January 1	66.6	282.6	153.6	3.2	10.5	516.4
Carrying amount on December 31	55.4	191.6	134.6	4.4	20.1	406.0

2014

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on January 1	83.0	617.7	455.2	11.9	10.1	1,177.9
Translation differences and other adjustments	-12.1	-66.9	-26.7	-0.1	-1.4	-107.3
Acquired businesses			0.2			0.2
Additions		8.8	10.1	0.7	27.2	46.9
Disposals	-4.2	-12.5	-44.1	-0.0		-60.8
Transfers between items			25.4		-25.4	0.0
Cost on December 31	66.8	547.1	419.9	12.5	10.5	1,056.9
Accumulated depreciation and impairment losses January 1	-0.2	-256.6	-287.2	-8.5		-552.4
Translation differences and other adjustments		17.0	21.5	0.1		38.5
Depreciation for the period		-20.8	-42.9	-1.0		-64.7
Impairment		-2.3				-2.3
Accumulated depreciation on disposals and transfers		-1.9	42.3			40.4
Accumulated depreciation and impairment losses December 31	-0.2	-264.5	-266.4	-9.4		-540.5
Carrying amount on January 1	82.8	361.1	168.0	3.4	10.1	625.5
Carrying amount on December 31	66.6	282.6	153.6	3.2	10.5	516.4

Property, plant and equipment include the following assets leased under finance lease:

2016

EUR million	Machinery and equipment
Cost on 31 Dec	87.0
Accumulated depreciation 31 Dec	-56.7
Carrying amount on 31 Dec	30.4

2015

EUR million	Machinery and equipment
Cost on 31 Dec	83.9
Accumulated depreciation 31 Dec	-45.7
Carrying amount on 31 Dec	38.2

2014

EUR million	Machinery and equipment
Cost on 31 Dec	74.4
Accumulated depreciation 31 Dec	-31.6
Carrying amount on 31 Dec	42.7

In 2016, additions to assets leased under finance leases totaled EUR 5.9 million (2015: 10.0, 2014: 14.4).

13. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2016

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	Recorded through other comprehensive income	31 Dec
Pension obligations	2.4				0.0	2.4
Unused tax losses	9.1	0.0		-4.2		4.8
Impairment on real estate shares	2.6			-0.6		2.0
Restructuring provision	3.3			-0.7		2.6
Change in revenue recognition for prepaid services	5.3			-5.3		0.0
Other temporary differences	0.7	0.2		0.8		1.8
Total	23.3	0.2	-	-10.0	0.0	13.6

Deferred tax liabilities 2016

EUR million	1 Jan	Translation difference	Acquired/ Divested subsidiaries	Recorded through profit or loss	Other changes	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	10.1	2.2	5.5	-1.7		16.2
Intangible and tangible assets	4.4			1.2		5.6
Accumulated depreciation in excess of plan	7.5			-2.8		4.7
Other temporary differences	1.0	0.1		-1.0		0.1
Total	23.1	2.4	5.5	-4.3	-	26.6

Deferred tax assets 2015, restated

EUR million	1 Jan	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Recorded through profit or loss	Recorded through other comprehensive income	Other changes	31 Dec
Pension obligations	3.2	0.0		0.0	-0.9		2.4
Unused tax losses	5.9	0.2	-0.4	3.5			9.1
Impairment on real estate shares	2.6						2.6
Restructuring provision	2.6	0.0		0.2		0.5	3.3
Change in revenue recognition for prepaid services	5.1			0.2			5.3
Other temporary differences	1.7	-0.1		-0.4		-0.5	0.7
Total	21.1	0.1	-0.4	3.5	-0.9	0.0	23.3

Deferred tax liabilities 2015, restated

EUR million	1 Jan	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Recorded through profit or loss	Other changes	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	15.4	-0.9	0.2	-4.7		10.1
Accumulated depreciation in excess of plan	10.9			-3.4		7.5
Other temporary differences	5.2	0.0	-0.1	0.5	-0.2	5.4
Total	31.6	-0.9	0.1	-7.5	-0.2	23.1

Deferred tax assets 2014, restated

EUR million	1 Jan	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Recorded through profit or loss	Recorded through other comprehensive income	Other changes	31 Dec
Pension obligations	2.3	0.0	0.0	-0.1	1.1		3.2
Unused tax losses	11.2	-3.5		-1.8			5.9
Impairment on real estate shares	2.6						2.6
Restructuring provision	2.9	-0.2		-0.1			2.6
Change in revenue recognition for prepaid services	6.6			-1.6			5.1
Other temporary differences	1.6	-0.1		-0.1		0.3	1.7
Total	27.2	-3.8	0.0	-3.7	1.1	0.3	21.1

Deferred tax liabilities 2014, restated

EUR million	1 Jan	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Recorded through profit or loss	Other changes	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	24.3	-7.4	0.4	-1.8		15.4
Accumulated depreciation in excess of plan	14.2			-3.3		10.9
Other temporary differences	5.2	-0.6	0.0	0.2	0.4	5.2
Total	43.7	-8.0	0.4	-5.0	0.4	31.6

Deferred tax assets are recognized to the extent that it is probable that future taxable amounts will be available to utilize the underlying temporary differences and losses. Significant judgment is required to determine the amount that can be recognized. This judgment is described in the accounting principles under the section "Critical accounting estimates and judgments in applying accounting policies."

Deferred tax assets for unused tax losses decreased in 2016 when the Finnish tax authorities accepted utilization of certain foreign tax losses in the Group's parent company. Simultaneously, the Group recognized deferred tax assets for unused tax losses in Scandinavia totaling EUR 3.2 million as profitability in the Scandinavian business improved in 2016.

On December 31, 2016, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 153.0 (2015: 139.9 2014: 135.1) million, mainly arising from businesses outside Finland. The majority of these losses do not expire.

This amount includes EUR 58.7 million of losses which the Finnish tax authorities have rejected. The disputes relate to rejected foreign tax losses and capital losses from real estate entity sales. Posti has appealed the decisions. Posti has recognized only a minor amount of deferred tax assets for these losses. A positive outcome of the disputes would decrease the Group's taxes by EUR 11.2 million. However the probability of positive outcome is uncertain.

14. Inventories

EUR million	2016	2015	2014
Materials and supplies	0.1	0.6	0.7
Goods	3.2	3.1	3.8
Advance payments for inventories	0.7	1.0	0.6
Total	4.0	4.7	5.1

15. Trade and other receivables

EUR million	2016	2015 restated	2014 restated
Finance lease receivables	0.0	0.1	0.1
Loan receivables	0.0	0.1	0.1
Trade receivables	225.5	190.8	195.3
Trade receivables from associated companies	0.3	0.6	0.6
Accrued income and prepayments	63.4	70.2	71.7
Other receivables	6.4	2.5	2.5
Total	295.6	264.3	270.2

More information on trade receivables is provided in [note 21 Financial instruments and financial risk management](#).

Other receivables mainly include credit card receivables from banks and financing companies.

The largest item under accrued income and prepayments includes EUR 29.6 million (2015: 29.3, 2014: 28.4) accrued terminal rate receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

16. Assets classified as held for sale and associated liabilities

Assets classified as held for sale

EUR million	2016	2015	2014
Property, plant and equipment	-	0.2	14.7
Other non-current assets	-	0.1	-
Trade and other receivables	-	1.5	-
Cash and cash equivalents	-	1.8	-
Total	-	3.6	14.7
Liabilities associated with assets classified as held for sale			
Trade payables and other liabilities	-	1.0	-
Total	-	1.0	-

OpusCapita operating companies serving the local markets in the Baltic states were sold in January 2016. The companies were classified as held for sale in 2015.

Real estates used in warehouse business in Scandinavia classified as held for sale 2014 were sold during 2015.

17. Equity

Shares and shareholders

EUR million	2016	2015 restated	2014 restated
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	0.1	0.1	0.2
Translation differences	-83.5	-103.6	-94.6
Retained earnings	479.2	474.0	435.2
Total equity	608.4	583.2	553.5

Share capital

Posti Group Corporation has one class of ordinary shares. The total number of shares is 40,000,000 as of December 31, 2016, 2015 and 2014 which are all held by the Finnish State. The shares do not have a nominal value. Posti Group Corporation's share capital amounts to EUR 70,000,000 for all periods presented. All issued shares have been paid in full.

General purpose reserve

The general purpose reserve amounts to EUR 142.7 million and includes reserves transferred from the share premium to the reserve. The reserve is included in the distributable funds of the Group's parent company.

Fair value reserve

Changes in the fair value of available-for-sale financial assets and valuation of derivatives hedging foreign currency risk (cash flow hedge) are recognized in the fair value reserve.

Translation difference

Translation differences include the differences resulting from the translation of foreign units' financial statements and net investments in foreign currencies.

Consolidated statement of changes in equity contains additional information on changes in equity items.

Distributable funds

The distributable funds of the Group's parent company Posti Group Corporation:

EUR million	2016	2015	2014
General purpose reserve	142.7	142.7	142.7
Retained earnings	406.3	567.4	566.1
Total distributable funds	549.0	710.1	708.8

18. Pension liabilities

Main characteristics of the defined benefit pension plans

The Group applies several pension plans in different countries, managed according to the local regulations and practice effective in each country. The Group's defined benefit pension schemes are mainly related to Finnish insured voluntary pension plans. The plans are voluntary plans supplementing statutory pensions. Funded plans are insurance policies and the assets of the plan are part of the investment assets of the insurance company. The insurance covers the old-age pension, and the level of benefits provided depends usually on the employee's salary level and the length of service.

The Group is exposed to the various risks of the defined benefit plans. As the discount rates applied in measuring the defined benefit obligation are determined based on yields of corporate bonds, the Group is exposed to the related interest-rate risk. Since the majority of plans entail life time benefits to the members, the increase in the life expectancy for pensioners increases the Group's liability. Certain plans are also adjusted to inflation and higher inflation increases the present value of the plan. The majority of the plan assets are not affected by the inflation; consequently higher inflation increases the deficit of the plan.

Defined benefit pension liabilities in the balance sheet

EUR million	2016	2015	2014
Present value of funded obligation	80.2	77.0	92.3
Fair value of plan assets	-68.3	-65.4	-76.1
Deficit	11.9	11.6	16.3

Defined benefit pension expenses in the income statement

Income statement			
EUR million	2016	2015	2014
Current service cost	0.0	0.1	0.3
Interest expense	0.3	0.3	0.3
Total	0.3	0.4	0.6

Statement of comprehensive income

EUR million	2016	2015	2014
Actuarial gains (-) and losses (+)	0.0	-4.6	5.4

Changes in the present value of the pension obligation

EUR million	2016	2015	2014
Obligation at the beginning of the period	77.0	92.3	80.6
Current service cost	0.0	0.1	0.3
Interest expense	1.7	1.6	0.5
Paid benefits	-5.3	-5.7	-5.8
Acquired in business combinations	0.0	-	0.3
Actuarial gains (-) and losses (+) on changes in financial assumptions	8.4	-7.4	13.3
Actuarial gains (-) and losses (+) on changes in demographic assumptions	0.0	-2.7	-
Experience-based gains (-) and losses (+)	-1.5	-1.0	3.2
Obligation at the end of the period	80.2	77.0	92.3

Changes in the fair value of the plan assets

EUR million	2016	2015	2014
Fair value of the plan assets at the beginning of the period	65.4	76.1	69.4
Interest income	1.4	1.3	0.1
Paid benefits	-5.3	-5.7	-5.8
Employer contributions	0.1	0.3	1.3
Actual return on plan assets less interest income	6.8	-6.6	11.0
Fair value of the plan assets at the end of the period	68.3	65.4	76.1

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.1 million.

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years.

Key actuarial assumptions and sensitivity analysis

	2016	2015	2014
Discount rate	1.01–1.51	2.25	1.75
Future pension increase expectation	1.7–1.9	1.7	2.1

EUR million	Change in assumption	Change in defined benefit liability			
		Increase in assumption		Decrease in assumption	
Discount rate	0.25%	-0.5	-3.9%	0.5	4.2%
Pension increase rate	0.25%	1.8	15.5%	-1.8	-14.8%

EUR million	Increase by one year		Decrease by one year	
Life expectancy at birth	1.0	8.3%	-0.9	-7.9%

The above analysis is based on a change in an assumption while holding all other assumptions constant.

19. Provisions

2016

EUR million	Restructuring provision	Provision for damage	Onerous contracts	Other	Total
Carrying amount on 1 Jan	14.8	0.0	9.8	2.6	27.3
Translation difference			2.5		2.5
Increase in provisions	4.5		5.2		9.7
Used provisions	-5.4		-7.7	-1.8	-14.9
Unused amounts reversed	-0.9		-5.4	-0.6	-6.9
Carrying amount on 31 Dec	13.1	0.0	4.4	0.3	17.8

2015

EUR million	Restructuring provision	Provision for damage	Onerous contracts	Other	Total
Carrying amount on 1 Jan	13.7	1.6	0.0	3.3	18.6
Translation difference					0.0
Increase in provisions	7.3		9.8	0.6	17.7
Used provisions	-1.1	-1.6		-1.3	-4.0
Unused amounts reversed	-5.1				-5.1
Carrying amount on 31 Dec	14.8	0.0	9.8	2.6	27.3

2014

EUR million	Restructuring provision	Provision for damage	Onerous contracts	Other	Total
Carrying amount on 1 Jan	12.6	14.4	0.0	0.7	27.8
Translation difference		-5.4			-5.4
Increase in provisions	6.4			2.7	9.0
Used provisions	-2.7	-7.5		-0.1	-10.3
Unused amounts reversed	-2.6				-2.6
Carrying amount on 31 Dec	13.7	1.6	0.0	3.3	18.6

EUR million	2016	2015	2014
Long-term provisions	14.3	17.0	12.6
Short-term provisions	3.5	10.2	6.0
Total	17.8	27.3	18.6

Restructuring provisions

Restructuring provisions are primarily related to the statutory labor negotiations conducted in recent years. A significant portion of the long-term personnel expense provisions in the Group's Finnish companies is the employer's liability component within the unemployment insurance contribution towards the Unemployment Insurance Fund.

Onerous contracts

Provisions for onerous contracts relate to Russian real-estate leases and customer agreements as well as OpusCapita's customer agreements. Provisions have been recognized to the amount of expected obligations exceeding the income arising from the contracts. The provisions are regularly reviewed as the amount of expected obligations are dependent on the anticipated costs for fulfilling the contracts which vary over time. Part of the provisions recognized for Russian leases are also dependent on the exchange rate of the Russian ruble against the US dollar.

20. Trade and other payables

Other non-current payables

EUR million	2016	2015 restated	2014 restated
Advances received (deferred revenue)	16.8	16.6	16.7
Other liabilities	7.7	6.2	6.5
Other accrued expenses	6.1	4.1	4.9
Total	30.6	26.9	28.0

Current trade and other payables

EUR million	2016	2015 restated	2014 restated
Financial liabilities measured at fair value:			
Derivative contracts, non-hedge accounting		0.9	0.9
Derivative contracts, hedge accounting	0.0	-	-
Financial liabilities at amortized cost:			
Trade payables	70.9	59.5	51.0
Advances received and deferred revenue	60.0	51.7	50.6
Accrued personnel expenses	119.2	125.0	148.0
Other accrued expenses and deferred income	53.0	47.9	47.7
Other liabilities	54.9	48.7	56.3
Current trade and other payables	358.1	333.7	354.4

Advances received includes deferred revenue for stamps, franking machines and prepaid envelopes held by the customer to be used in future periods. The amount has been determined using statistical models and surveys. The method has been described in more detail in the accounting policies in section "Revenue recognition." The total amount of non-current and current liability is EUR 27.0 (2015: 28.3, 2014: 27.1) million.

The most significant item within other accrued expenses and deferred income is estimated payables for terminal payments to other Postal administrations, totaling EUR 19.1 (2015: 23.9, 2014: 10.0) million. The remaining items comprise ordinary accruals of expenses.

21. Financial instruments and Financial risk management

Financial assets and liabilities

2016

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Carrying value	Fair value	Level
Financial assets – non-current								
Other non-current investments				6.1		6.1	6.1	3
Non-current receivables		2.6				2.6	2.6	
Non-current financial assets	0.0	2.6	0.0	6.1	0.0	8.7	8.7	
Financial assets – current								
Trade and other receivables		295.6				295.6	295.6	
Equity fund investments				0.2		0.2	0.2	3
Currency derivatives, non-hedge accounting	0.0					0.0	0.0	2
Money market investments	43.5					43.5	43.5	2
Investments in quoted bonds	25.5					25.5	25.5	1
Investments in unquoted bonds	8.8					8.8	8.8	2
Debt certificates			54.7			54.7	54.7	
Current financial assets	77.9	295.6	54.7	0.2	0.0	428.4	428.4	
Money market investments	11.5					11.5	11.5	2
Cash and bank		70.5				70.5	70.5	
Cash and cash equivalents	11.5	70.5				82.0	82.0	

Total financial assets	89.3	368.8	54.7	6.3	0.0	519.1	519.1
Financial liabilities – non-current							
Bonds						0.0	0.0
Finance lease liabilities						19.4	19.4
Other						0.4	0.4
Non-current borrowings						19.8	19.8
Financial liabilities – current							
Bonds						99.9	99.9
Finance lease liabilities						12.3	12.3
Other						0.2	0.2
Current borrowings						112.3	112.3
Foreign currency derivatives, non-hedge accounting	0.0					0.0	0.0
Foreign currency derivatives, hedge accounting	0.0					0.0	0.0
Electricity derivatives, non-hedge accounting						0.0	0.0
Trade payables and other liabilities						125.9	125.9
Other current financial liabilities	0.0					125.9	125.9
Total financial liabilities	0.0					257.9	257.9

2015

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Carrying value	Fair value	Level
Financial assets – non-current								
Other non-current investments				6.2		6.2	6.2	3
Non-current receivables		1.5				1.5	1.5	
Non-current financial assets	0.0	1.5	0.0	6.2	0.0	7.7	7.7	
Financial assets – current								
Trade and other receivables		194.1				194.1	194.1	
Equity fund investments				0.2		0.2	0.2	3
Interest-rate derivatives, non-hedge accounting	1.9					1.9	1.9	2
Currency derivatives, non-hedge accounting	0.1					0.1	0.1	2
Money market investments	81.4					81.4	81.4	2
Investments in quoted bonds	35.8					35.8	35.8	1
Investments in unquoted bonds	9.7					9.7	9.7	2
Debt certificates			95.0			95.0	95.0	
Current financial assets	128.9		95.0	0.2		224.1	224.1	
Money market investments	42.0					42.0	42.0	2
Cash and bank		88.1				88.1	88.1	
Cash and cash equivalents	42.0	88.1				130.1	130.1	
Total financial assets	170.9	283.7	95.0	6.4	0.0	556.0	556.0	

Financial liabilities – non-current								
Bonds					99.8	99.8	104.1	
Finance lease liabilities					26.4	26.4	26.4	
Other					0.5	0.5	0.5	
Non-current borrowings					126.7	126.7	131.0	
Financial liabilities – current								
Bonds					150.4	150.4	154.0	
Finance lease liabilities					13.2	13.2	13.2	
Other					0.0	0.0	0.0	
Current borrowings					163.6	163.6	167.2	
Foreign currency derivatives, non-hedge accounting	0.0					0.0	0.0	2
Electricity derivatives, non-hedge accounting	0.9					0.9	0.9	1
Trade payables and other liabilities					108.2	108.2	108.2	
Other current financial liabilities					0.9	0.0	0.0	0.0
Total financial liabilities					0.9	398.5	399.4	407.3

As at December 31, 2015 assets classified as held for sale contained cash and banks EUR 1.8 (2014: 0.0) million.

2014

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Carrying value	Fair value	Level
Financial assets – non-current								
Other non-current investments				5.9		5.9	5.9	3
Non-current receivables	3.9					3.9	3.9	2
Non-current financial assets		6.6				6.6	6.6	
Financial assets – current								
Trade and other receivables		198.4				198.4	198.4	
Equity fund investments				0.3		0.3	0.3	3
Currency derivatives, non-hedge accounting	2.2					2.2	2.2	2
Money market investments	44.1					44.1	44.1	2
Investments in quoted bonds	32.0					32.0	32.0	1
Investments in unquoted bonds	9.7					9.7	9.7	2
Debt certificates			12.0			12.0	12.0	
Current financial assets	88.0		12.0	0.3		100.3	100.3	
Money market investments	60.2					60.2	60.2	2
Cash and bank		38.6				38.6	38.6	
Cash and cash equivalents	60.2	38.6				98.7	98.7	
Total financial assets	152.0	243.6	12.0	6.2	0.0	413.7	413.7	

Financial liabilities – non-current				
Bonds		251.3	251.3	263.6
Finance lease liabilities		32.1	32.1	32.1
Other		0.1	0.1	0.1
Non-current borrowings		283.5	283.5	295.9
Financial liabilities – current				
Bonds		0.0	0.0	0.0
Finance lease liabilities		11.8	11.8	11.8
Other		0.2	0.2	0.2
Current borrowings		12.0	12.0	12.0
Foreign currency derivatives, non-hedge accounting	0.2		0.2	0.2
Electricity derivatives, non-hedge accounting	0.6		0.6	0.6
Trade payables		107.5	107.5	107.5
Other current financial liabilities		0.9	107.5	108.3
Total financial liabilities		0.9	403.0	403.8
			416.2	

Hierarchy levels

Level 1: Fair values are based on the quoted prices of identical asset groups or liabilities in active markets.

Level 2: Fair values are, to significant degree, based on data other than quoted prices included in level 1, but on data that can be either directly or indirectly verified for the asset group or liability in question. To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on verifiable market data.

Level 3: Fair values are based on other data than verifiable market data regarding the asset group or liability.

Investments in money markets instruments are measured at fair value by employing the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 1) or a price based on observable market information such as interest yield and issuer's credit spread (Level 2). The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers. Posti is not able to provide a description of the valuation techniques and the inputs used in the fair value measurement of investments in equity funds due to the fact that inputs are not developed by Posti but a third party when measuring fair value. The fair value of currency forward contracts is calculated by valuing forward contracts at the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of electricity derivatives are based on the quoted market prices on the reporting date.

No transfers between fair value hierarchy levels 1 and 2 were made during 2016, 2015 or 2014. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

Reconciliation of Level 3 financial assets

2016

EUR million	Shares and investments in equity funds
Carrying amount 1 Jan	6.4
Profits and losses:	
In income statement	
In other comprehensive income	0.0
Additions	
Exercises	-0.1
Carrying amount 31 Jan	6.3
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

2015

EUR million	Shares and investments in equity funds
Carrying amount 1 Jan	6.2
Profits and losses:	
In income statement	0.0
In other comprehensive income	-0.1
Additions	0.4
Exercises	0.0
Carrying amount 31 Jan	6.4
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

2014

EUR million	Shares and investments in equity funds
Carrying amount 1 Jan	6.6
Profits and losses:	
In income statement	-0.2
In other comprehensive income	0.3
Exercises	-0.5
Carrying amount 31 Jan	6.2
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

Financial risk management

Principles of risk management

The target of financial risk management is to secure adequate and competitive financing for executing the Group's operative businesses and strategy and to minimize the effects of market risks in Group's financial results, financial position and cash flows. The Group aims to identify risk concentrations and hedge against them to necessary extent. The Group's business involves financial risks, such as market, liquidity, credit and counterparty risks. Of Group's commodity risks, the price risk related to electricity is monitored actively, and managed with price secured electricity products. The Group discontinued using electricity derivatives in 2016.

Risk management organization

Group Treasury is responsible for the centralized management of finances and financial risks in line with the financing guidelines approved by the Board of Directors. Group Treasury is responsible for the entire Group's currency, interest rate, liquidity and refinancing risk management in close co-operation with the business areas. The business areas are responsible for the identification, management and reporting of the financial risks associated with their operations to Group Treasury. Credit risk related to customer receivables is managed by the sales organizations of the business areas. Posti's real-estate function is responsible for managing the price risk of electricity.

Market risks

Foreign Currency risk

The goal of currency risk management is to reduce the Group's currency risk to an optimal level as well as improve the transparency of profitability and predictability of financial results. The Group's transaction risk primarily consists of currency-denominated receivables, payables and commitments. The key principle is to achieve full hedging against the transaction risks related to the balance sheet. Unhedged exposure is permitted within the limits specified in the Group's financing policy. Loans granted by the parent company to subsidiaries are primarily in the subsidiary's domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. On the balance sheet date, Posti Group had external currency derivatives with a nominal value of EUR 8.0 million used to hedge against the currency risk associated with loans, receivables and commitments. The Group is exposed also to translation risk in connection with net investments in subsidiaries outside the euro zone. The objective of translation risk management is to ensure exchange rate fluctuations do not cause any material changes in the Group's gearing. On the balance sheet date, the Group did not hedge against translation risk in any of the foreign net investments.

Due to high volatility of the ruble, the Group has taken the development of the Russian ruble and ruble markets under particular observation. As defined in the Group's treasury policy, equity investments in Russian subsidiaries are not hedged. Due to high hedging costs the Group has for the time being ceased hedging of the ruble-denominated receivables of the parent company and the local operative transaction risks has been hedged according to prevailing market conditions. In 2016 Itella Russia's USD denominated lease payments have been hedged from time to time with 3–6 months time horizon. The average size of individual hedges have been 2.2 MUSD.

Major transaction risk positions of financial instruments on the balance sheet date

2016 EUR million	EUR-companies					RUB-companies
	RUB	SEK	NOK	PLN	USD	USD
Trade receivables and payables	0.5	-1.8	-0.1	-	5.3	-0.1
Loans and bank accounts *)	29.0	-0.9	-1.9	1.2	0.2	0.0
Derivatives **)	-	0.9	1.9	-1.1	-	3.4
Open position	29.5	-1.8	-0.1	0.0	5.5	3.3

2015 EUR million	EUR-companies					RUB-companies
	RUB	SEK	NOK	PLN	USD	USD
Trade receivables and payables	0.1	-2.7	-0.3	0.0	3.0	0.2
Loans and bank accounts *)	14.8	-2.6	0.8	1.6	0.4	0.0
Derivatives **)		2.6	-1.2	-1.5		
Open position	14.8	-2.7	-0.7	0.1	3.4	0.2

2014 EUR million	EUR-companies					RUB-companies
	RUB	SEK	NOK	PLN	USD	USD
Trade receivables and payables	-0.2	0.2	-0.2	0.0	0.4	0.5
Loans and bank accounts *)	11.8	3.1	0.3	1.6	0.4	0.0
Derivatives **)	-11.8	-3.0	-0.3	-1.5		
Open position	-0.2	0.2	-0.2	0.1	0.8	0.5

*) Includes cash and cash equivalents, interest-bearing receivables and liabilities

**) Including derivatives for hedging purposes

The sensitivity analysis on currency risk is based on balance sheet items denominated in other than functional currencies of the Group companies on the balance sheet date. The analysis includes solely the currency risks related to the financial instruments. Based on the analysis, strengthening of the euro by 10 per cent against all other currencies would have an impact of EUR -3.9 (2015: -1.7, 2014: -0.7) million on the Group's profit before tax. Correspondingly, the strengthening of the USD against RUB by 10 per cent would have an impact of EUR +0.3 (2015: 0.0, 2014: 0.1) million on the Group's profit before tax.

Major translation risk positions on the balance sheet date

Net investment

EUR million	RUB	SEK	NOK	PLN
2016	99.7	25.1	7.2	7.1
2015	83.0	18.4	5.6	6.9
2014	120.4	23.8	16.2	6.8

The net investment positions have been unhedged on each balance sheet date presented.

Interest rate risk

The Group is exposed to interest rate risks through its investments and interest-bearing liabilities. The goal of interest rate risk management is to minimize financing costs and decrease the uncertainty that interest rate movements cause for the Group's financial result. The average interest-rate fixing period for the debt portfolio is determined in the financing policy. The objective of interest rate risk management related to liquid funds is to minimize the effect of interest rate movements on the fair value of the funds. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged through interest rate swaps, interest rate options and forward rate agreements.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 132.1 (2015: 290.3, 2014: 295.5) million and interest-bearing receivables to EUR 215.1 (2015: 353.8, 2014: 196.5) million. On the balance sheet date, all of the Group's interest-bearing loans were subject to fixed interest rates. The loans were partly hedged by an interest-rate swap. The Group has applied fair value hedge accounting to the interest-rate swap hedging the loan until 30 June, 2015, after which hedge accounting ceased to meet effectiveness criteria. Consequently, group discontinued hedge accounting as of July 1, 2015.

Interest-bearing receivables and debt according to interest rate fixing

2016

EUR million	Less than 1 year	1-5 years	More than 5 years	Total
Interest-bearing receivables	-192.2	-20.8	-1.6	-214.6
Bonds	99.9			99.9
Finance lease liabilities	12.3	19.2	0.2	31.6
Other liabilities	0.2	0.4		0.6
Net debt	-79.9	-1.3	-1.4	-82.5
Impact of interest-rate swaps				
Total	-79.9	-1.3	-1.4	-82.5

2015

EUR million	Less than 1 year	1-5 years	More than 5 years	Total
Interest-bearing receivables	-319.3	-33.0	-1.5	-353.8
Bonds	150.4	99.8		250.2
Finance lease liabilities	13.2	26.3		39.5
Other liabilities	0.0	0.5		0.6
Net debt	-155.7	93.6	-1.5	-63.6
Impact of interest-rate swaps	0.0			0.0
Total	-155.7	93.6	-1.5	-63.6

2014

EUR million	Less than 1 year	1-5 years	More than 5 years	Total
Interest-bearing receivables	-162.7	-33.8		-196.5
Bonds		251.3		251.3
Finance lease liabilities	11.8	32.1		43.9
Other liabilities	0.2	0.1		0.3
Net debt	-150.8	249.7		98.9
Impact of interest-rate swaps	70.0	-70.0		0.0
Total	-80.8	179.7		98.9

A change of 1 percentage point in the interest rate at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR +0.1 (2015: -0.1, 2014: -0.3) million.

Electricity price risk

The electricity price risk management aims to reduce the volatility in Group's profit and cash flows caused by electricity price fluctuations. The Group employs price-secured electricity products to reduce the price risk related to electricity procurement. Until July 2016 the Group utilized standardized listed electricity derivatives as hedging instruments to reduce this risk. The derivatives were used for hedging purposes only, but hedge accounting as defined in the IFRS was not applied.

Derivative contracts

2016

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Foreign currency forward contracts, non-hedge accounting	4.6	0.0	0.0	0.0
Foreign currency forward contracts, hedge accounting	3.4	0.0	-	0.0

2015

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	8.6	0.0	0.1	0.0
Interest rate swaps, non-hedge accounting	70.0	1.9	1.9	
Electricity forwards, non-hedge accounting	2.5	-0.9		-0.9

2014

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	47.9	1.9	2.2	-0.2
Interest rate swaps, hedge accounting	70.0	3.9	3.9	-
Electricity derivatives, non-hedge accounting	4.1	-0.6	0.0	-0.6

Offsetting of financial instruments

Derivative assets	2016	2015	2014
Derivative assets, reported as gross amount	0.0	2.0	6.0
Related derivative liabilities subject to master netting agreements	0.0	0.0	0.2
Net amount	0.0	1.9	5.8

Derivative liabilities	2016	2015	2014
Derivative liabilities, reported as gross amount	0.1	0.9	0.9
Related derivative liabilities subject to master netting agreements	0.0	0.0	0.2
Net amount	0.0	0.9	0.6

Derivative agreements are subject to offsetting in the case of default, insolvency or bankruptcy of the counterparty. Derivative agreements have not been offset in the balance sheet.

Liquidity risk

The liquidity and refinancing risk means that the Group's liquidity reserve is insufficient to cover the Group's commitments and investment possibilities or that the cost of the refinancing or additional financing need is exceptionally high. The Group places a considerable emphasis on accurate cash management and liquidity planning in order to minimize liquidity risks generated by large daily fluctuations in the Group's cash flows. In addition to cash and cash equivalents, the Group aims to secure sufficient financing in all circumstances, and has as financial reserves, a syndicated credit facility (committed) of EUR 150.0 million, maturing in 2019, and a non-binding commercial paper program of EUR 200.0 million.

On the balance sheet date, the Group had liquid funds and an unused committed credit facility of EUR 309.9 (2015: 408.8, 2014: 334.5) million. Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 200.0 (2015: 200.0, 2014: 200.0) million.

Contractual cash flows from financial liabilities and derivatives. Payments include interest payments

2016						
EUR million	2017	2018	2019	2020	2021–	Total
Bonds	104.6					104.6
Finance lease liabilities	13.0	18.8	0.6	0.2	0.2	32.8
Other liabilities	0.2	0.4				0.5

Trade payables	70.9					70.9
Derivatives:						
Currency derivatives, cash flows payable	-0.1					-0.1
Currency derivatives, cash flows receivable	0.0					0.0
Total	188.5	19.2	0.6	0.2	0.2	208.8

2015

EUR million	2016	2017	2018	2019	2020–	Total
Bonds	161.2	104.6				265.8
Finance lease liabilities	14.2	27.1	0.1	0.0	0.2	41.6
Other liabilities	0.0	0.5				0.6
Trade payables	54.8					54.8
Derivatives:						
Interest rate derivatives (net settled)	-2.2					-2.2
Currency derivatives, cash flows payable	0.0					0.0
Currency derivatives, cash flows receivable	-0.1					-0.1
Electricity derivatives	0.7	0.2				0.9
Total	228.7	132.4	0.1	0.0	0.2	361.4

2014

EUR million	2015	2016	2017	2018	2019–	Total
Bonds	11.2	161.2	104.6			277.0
Finance lease liabilities	13.1	33.3	0.0	0.0	0.7	47.1
Other liabilities	0.0	0.1				0.2
Trade payables	51.0					51.0
Derivatives:						
Interest rate derivatives (net settled)	-2.1	-2.1				-4.2
Currency derivatives, cash flows payable	0.1					0.1
Currency derivatives, cash flows receivable	-2.5					-2.5
Electricity derivatives	0.4	0.2	0.0			0.6
Total	71.3	192.7	104.7	0.0	0.7	369.3

Finance lease liabilities are in fact secured liabilities since, in default of payment, rights to the leased property transfer back to the lessor. Other loans have no security.

Credit and counterparty risk

Pursuant to authorizations given by the Board of Directors, the Group invests its liquid funds in debt instruments and bonds issued by companies, banks and states with good creditworthiness, as well as bank deposits. Posti Group makes derivative contracts only with solvent banks and credit institutions. The book value of investments and derivative contracts corresponds to the maximum amount of the associated credit risk. Financing operations did not incur any credit losses during the financial year.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The book value of trade receivables corresponds to the maximum amount of the credit risk associated with them. Credit losses recognized were EUR 1.0 (2015: 0.7, 2014: 1.5) million.

Aging of trade receivables:

EUR million	2016	2015	2014
Not yet due	199.3	164.8	174.8
1-30 days overdue	19.0	21.4	15.9
31-60 days overdue	2.0	3.0	3.0
61-90 days overdue	1.0	1.6	0.8
91-180 days overdue	1.9	0.0	0.6
181-365 days overdue	3.6	0.0	0.1
Total	226.8	190.8	195.3

Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group's ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on a regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2016, 2015 and 2014. The Group's loan agreements do not contain financial covenants.

The Group monitors its capital structure by assessing equity ratio, net debt and gearing.

Net debt	2016	2015, restated	2014, restated
Interest-bearing liabilities	132.1	290.3	295.5
Cash and cash equivalents	82.0	130.1	98.7
Investments in maturities over 3 months	77.9	128.8	85.8
Term deposits	54.7	95.0	12.0
Total	-82.5	-63.6	98.9
Equity ratio, %	54.9	46.9	45.0
Gearing, %	-13.6	-10.9	17.9

22. Lease agreements

Finance leases

Finance lease liabilities: minimum lease payments

EUR million	2016	2015	2014
Less than 1 year	13.0	14.2	13.1
1–5 years	19.6	27.1	33.3
More than 5 years	0.2	0.2	0.7
Minimum lease payments total	32.8	41.6	47.1
Future interest expenses	-1.1	-2.1	-3.2
Total	31.6	39.5	43.9

Present value of minimum lease payments

EUR million	2016	2015	2014
Less than 1 year	12.3	13.2	11.8
1–5 years	19.2	26.4	32.1
More than 5 years	0.2	-	0.0
Total	31.6	39.6	43.9

Finance leases consist mainly of leased transport, production and IT-equipment. Duration of leasing contracts is typically 3–10 years.

Finance lease receivables: minimum lease income

EUR million	2016	2015	2014
Less than 1 year	0.0	0.1	0.1
1–5 years	0.0	0.1	0.2
Minimum lease income	0.0	0.2	0.3
Future interest income	0.0	-0.0	-0.0
Total	0.0	0.2	0.2

Maturity of finance lease receivables

EUR million	2016	2015	2014
Less than 1 year	0.0	0.1	0.1
1–5 years	0.0	0.1	0.2
Total	0.0	0.2	0.2

The group sold the building which was leased out under a financial lease in 2016.

Operating leases

Maturity of minimum lease payments

EUR million	2016	2015	2014
Less than 1 year	76.3	71.5	78.5
1–5 years	155.4	154.7	145.5
More than 5 years	95.0	79.5	39.9
Total	326.8	305.7	263.8

The income statement includes EUR 104.6 (2015: 128.4, 2014: 119.3) million expenses for operating lease agreements. The Group has leased e.g. premises, office equipment and vehicles. The lease period for office equipment and vehicles varies between 2 and 5 years and that for premises until 12 years.

Maturity of minimum lease payment receivables

EUR million	2016	2015	2014
Less than 1 year	1.6	2.0	1.4
1–5 years	0.2	0.6	0.3
More than 5 years	0.0	0.0	2.0
Total	1.8	2.6	3.7

The Group leases out premises in its possession. The notice period of leases generally varies between 1 and 12 months, few leases have a notice period from 1 to 4 years. The lease of Kirjekyyhky's site will expire in 2050.

23. Pledges, commitments and other contingent liabilities

EUR million	2016	2015	2014
Pledges given for own behalf:			
Bank guarantees	3.9	6.0	7.5
Guarantees	4.2	3.9	4.0
Pledges	0.2	0.9	0.8
Total	8.3	10.9	12.2

Litigation

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti and secondarily against Posti and the State of Finland in order to receive compensation for the value-added tax charged by Posti on its postal services in 1999-2014. The claim is based on an allegation that the Finnish Value Added Tax Act had and would still be contrary to the EU's Value Added Tax Directive.

Posti has submitted a recourse claim against the State of Finland, demanding it to refund Posti for any sums that Posti may be ordered to pay in the legal proceedings initiated by the financial institutions. The recourse claim is pending until the claims by the financial institutions have been processed and a final ruling issued.

On September 18, 2015, the District Court of Helsinki issued a ruling in favor of Posti in the matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeals. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99.2 million, and the interests claimed amount to approximately EUR 54.1 million on December 31, 2016.

It is expected to take several years until all of the final court orders are rendered in the matter. According to Posti, the allegations made by the plaintiffs are without merit and it has not recorded any receivables or provisions in its financials based on the claims made.

Other contingent liabilities

In accordance with the environmental permit, the Group is subject to environmental liability regarding the cleanup of land of Pohjois-Pasila building lots. The liability amounts to approximately EUR 19.9 million and it will be realized if the construction in the building lots begins.

24. Related party transactions

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. Posti's related parties include the Company's subsidiaries, associates and joint operations as well as the Company's sole shareholder, the State of Finland. Related parties also include the members of the Board of Directors of the Company, the President & CEO, the Executive Board of Posti and the management team members of the business groups, the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party.

The key management consists of the members of the Board of Directors, President & CEO and members of the Executive Board. No financial loans have been granted to the key management. Business transactions with entities identified as a related party, such as associates and other state-owned companies, are carried out on market terms and conditions. Posti did not have significant business transactions with the key management or their related parties. Posti has business relations with the government-related entities. During the periods presented, Posti did not carry out any business transactions with these entities that were individually or collectively significant quantitatively or qualitatively.

Transactions with related parties

The following transactions with related parties consist of transactions with the associated companies:

EUR million	2016	2015	2014
Net sales	2.5	2.5	2.8
Trade receivables and other receivables	0.3	0.6	0.6

Salaries and fees of the management

EUR million	2016	2015	2014
President & CEO	0.7	0.6	0.6
Executive Board (excl. CEO)	2.2	2.1	1.5
Board of Directors	0.4	0.3	0.3
Supervisory Board	0.0	0.0	0.0
Total	3.3	3.0	2.4

The management's pension commitments

Persons appointed to the Executive Board after 2012 are not within any supplementary pension plans. Persons who have been appointed earlier than this are within a defined contribution pension scheme, and their retirement age is in accordance with the Employees Pensions Act (TyEL).

EUR million	2016	2015	2014
Pensions – Defined contribution plans	0.2	0.2	0.1
Pensions – Defined benefit plans	0.0	0.0	0.3

The Board of Directors' salaries and fees

EUR thousand	2016	2015	2014
Arto Hiltunen (chairman)	63.6	52.8	55.8
Petri Järvinen *)	45.0	33.6	28.4
Petri Kokko *)	44.4	33.0	29.0
Jussi Kuutsa	46.8	33.6	36.6
Timo Löyttyniemi **)	-	-	7.7
Kirsi Nuotto ***)	45.0	26.4	-
Ilpo Nuutinen **)	-	-	8.3
Päivi Pesola *****)	14.2	36.6	39.6
Marja Pokela **)	46.8	33.6	29.0
Arja Talma *****)	33.3		
Maarit Toivanen-Koivisto **)	-	-	8.3
Riitta Savonlahti *****)	-	7.8	36.0
Suvi-Anne Siimes	45.0	33.6	36.0
Total	384.1	291.0	314.6

*) Board member from 25 March 2014

**) Board member until 25 March 2014

***) Board member from 18 March 2015

*****) Board member until 18 March 2015

*****) Board member from 23 March 2016

*****) Board member until 23 March 2016

25. Group companies

The Group's parent company is Posti Group Corporation.

Subsidiaries December 31 2016	Group's holding %	Country
Global Mail FP Oy	100	Finland
GSB Logistics Ltd	100	Cyprus
Itella Estonia OÜ	100	Estonia
Itella Logistics AB	100	Sweden
Itella Logistics SIA	100	Latvia
Itella Logistics UAB	100	Lithuania
jCatalog inc.	100	United States
Kuljetus Kovalainen Oy	100	Finland
NLC International Corporation Ltd	100	Cyprus
OOO Itella	100	Russia
OOO Itella Connexions	100	Russia
OOO Itella Express	100	Russia
OOO Kapstroyontazh	100	Russia
OOO MaxiPost	100	Russia
OOO NLC-Bataisk	100	Russia
OOO NLC-Ekaterinburg	100	Russia
OOO NLC-Samara	100	Russia
OOO RED-Krekshino	100	Russia
OOO Rent-Center	100	Russia
OOO Terminal Lesnoy	100	Russia
OOO Terminal Sibir	100	Russia
OpusCapita AB	100	Sweden
OpusCapita Accounting UAB	100	Lithuania
OpusCapita Competence Center OÜ	100	Estonia
OpusCapita Competence Center SIA	100	Latvia
OpusCapita GmbH	100	Germany
OpusCapita Group Oy	100	Finland
OpusCapita Inkasso AS	100	Norway

OpusCapita IT Solution AS	100	Norway
OpusCapita Kredithanterarna AB	100	Sweden
OpusCapita Regnskap AS	100	Norway
OpusCapita s.r.o.	100	Slovakia
OpusCapita Services GmbH	100	Germany
OpusCapita Software GmbH	100	Germany
OpusCapita Sp. z o.o.	100	Poland
Posti Global Oy	100	Finland
Posti Kiinteistöt Oy	100	Finland
Posti Kuljetus Oy	100	Finland
Posti Oy	100	Finland
Svenska Fakturaköp AB	100	Sweden
Veine Jyväskylä Oy	100	Finland
Veine Oy	100	Finland
Veine Seinäjoki Oy	100	Finland
Veine Tampere Oy	100	Finland

Associated companies 31 Dec 2016	Group's holding %	Country
BPO4U AB	50	Sweden

26. Correction of an error

As described in the accounting policies, Posti has noted that its revenue recognition principle formerly applied for stamps and certain other prepaid services has been incorrect. Posti has changed the revenue recognition principle for stamps, franking machines and prepaid envelopes in 2016. The correction was done retrospectively as of January 1, 2014.

The impact of the correction on previously reported figures for years 2015 and 2014 is as follows:

Consolidated Income Statement Jan 1–Dec 31 2014

EUR million	Reported	Restatement	Restated
Net sales	1,858.7	8.4	1,867.1
Materials and services	526.7	0.7	527.4
Operating profit (EBIT)	5.8	7.8	13.5
Income tax	0.2	-1.6	-1.4
Result for the period	-4.4	6.2	1.8

Consolidated statement of comprehensive income Jan 1–Dec 31 2014

Result for the period	-4.4	6.2	1.8
Comprehensive income for the period	-81.9	6.2	-75.7

Consolidated Income Statement Jan 1–Dec 31 2015

EUR million	Reported	Restatement	Restated
Net sales	1,650.3	-1.1	1,649.1
Materials and services	437.6	-0.1	437.5
Operating profit (EBIT)	55.9	-1.0	54.8
Income tax	-7.4	0.2	-7.2
Result for the period	36.0	-0.8	35.1

Consolidated statement of comprehensive income Jan 1–Dec 31 2015

Result for the period	36.0	-0.8	35.1
Comprehensive income for the period	30.5	-0.8	29.7

Consolidated Balance Sheet Jan 1 2014

EUR million	Reported	Restatement	Restated
Deferred tax assets	20.6	6.6	27.2
Total non-current assets	927.4	6.6	934.0
Trade and other receivables	311.0	2.3	313.3
Total current assets	488.2	2.4	490.5
Total assets	1,415.6	9.0	1,424.6
Retained earnings	464.4	-26.6	437.8
Total equity	655.8	-26.6	629.2
Advances received, non current	0.0	16.8	16.8
Total non-current liabilities	362.8	16.8	379.6
Advances received, current	33.7	18.8	52.4
Total current liabilities	324.2	18.8	342.9
Total equity and liabilities	1,415.6	9.0	1,424.6

Consolidated Balance Sheet Dec 31 2014

EUR million	Reported	Restatement	Restated
Deferred tax assets	16.0	5.1	21.1
Total non-current assets	802.2	5.1	807.3
Trade and other receivables	268.5	1.7	270.2
Total current assets	474.3	1.7	476.0
Total assets	1,291.3	6.8	1,298.1
Retained earnings	455.6	-20.4	435.2
Total equity	573.8	-20.4	553.5
Advances received, non current	0.0	16.7	16.7
Total non-current liabilities	355.4	16.7	372.0
Advances received, current	40.1	10.5	50.5
Total current liabilities	303.8	10.5	314.3
Total equity and liabilities	1,291.3	6.8	1,298.1

Consolidated Balance Sheet Dec 31 2015

EUR million	Reported	Restatement	Restated
Deferred tax assets	18.0	5.3	23.3
Total non-current assets	678.9	5.3	684.2
Trade and other receivables	262.5	1.8	264.3
Total current assets	622.4	1.8	624.2
Total assets	1,304.8	7.1	1,311.9
Retained earnings	495.2	-21.2	474.0
Total equity	604.4	-21.2	583.2
Advances received, non current	0.0	16.6	16.6
Total non-current liabilities	188.6	16.6	205.3
Advances received, current	40.1	11.6	51.7
Total current liabilities	282.0	11.6	293.6
Total equity and liabilities	1,304.8	7.1	1,311.9

Consolidated Statement of Cash Flows Jan 1–Dec 31 2014

EUR million	Reported	Restatement	Restated
Result for the period	-4.4	6.2	1.8
Cash flow before change in net working capital	87.3	7.8	95.1
Change in net working capital	21.3	-7.9	13.5
Cash flow from operating activities	93.2	0.0	93.2

Consolidated Statement of Cash Flows Jan 1–Dec 31 2015

EUR million	Reported	Restatement	Restated
Result for the period	36.0	-0.8	35.1
Cash flow before change in net working capital	110.7	-1.0	109.8
Change in net working capital	-18.2	0.8	-17.5
Cash flow from operating activities	81.9	0.0	81.9

27. Events after the reporting period

On January 10, 2017, Posti acquired HR Hoiva, which produces home care and personal assistance services for municipalities, joint municipal authorities and private customers.

On January 25, 2017, Posti announced it will start cooperation negotiations concerning administrative positions. The target group of the negotiations comprises 308 employees and the reduction need at the start of the negotiations is at most 43 people.

The Government submitted its draft bill for the Postal Act to the Parliament on January 26, 2017. The legislative reform concerns Posti's universal service products. If the proposed legislative amendments were to be implemented, five-day delivery would continue in areas that do not have a delivery network maintained by newspapers, i.e. early-morning delivery of newspapers. The proposal states that, in sparsely populated areas, delivery would be implemented by means of a sourcing procedure arranged by the universal service provider. The delivery speed requirements for letters covered by the universal service obligation would be made more flexible throughout the country, and a reasonable margin would be allowed in the pricing of universal service products. The right to deviate from the requirements pertaining to delivery frequency in areas that are difficult to reach would be made more flexible. Information in the postal code system and the address register system would be opened for better utilization. Apartment buildings could shift to mail delivery to pigeonholes, subject to the housing company's decision. A further proposal is that sending items in braille to people with visual impairments would be made free of charge. The new Postal Act is scheduled to enter into force on June 1, 2017.

On February 14, 2017, Posti announced it will build a terminal of approximately 22,000 m² on Suokalliontie in Vantaa. The construction of the terminal is a response to the growth of the freight business and it updates the Group's current business premises to better correspond to operational needs. The new terminal is intended to replace several smaller terminals in the capital region.

M.Sc. (Tech.), MBA, MA and the Managing Director of OpusCapita Patrik Sallner was elected as member of the Executive Board of Posti Group as of 1 March, 2017.

Parent Company's Financial Statements, FAS

Income Statement of the Parent Company

EUR	Note	2016	2015
Net sales	<u>1</u>	11,322,161.77	14,183,630.38
Other operating income	<u>2</u>	799,578.38	1,078,437.18
Materials and services	<u>3</u>	-4,689.38	-9,643.17
Personnel expenses	<u>4</u>	-10,371,681.37	-8,496,775.34
Depreciation, amortization and impairment losses	<u>5</u>	-1,085,094.86	-2,793,007.63
Other operating expenses	<u>6</u>	-15,558,220.01	-39,681,163.03
Operating profit/loss		-14,897,945.47	-35,718,521.61
Financial income and expenses	<u>8</u>	-149,514,688.78	-68,001,943.10
Profit/loss before appropriations		-164,412,634.25	-103,720,464.71
Group contributions	<u>9</u>	28,500,000.00	111,700,000.00
Profit/loss before income tax		-135,912,634.25	7,979,535.29
Income tax	<u>10</u>	-7,269,848.95	-6,613,937.79
Profit/loss for the financial period		-143,182,483.20	1,365,597.50

Balance Sheet of the Parent Company

EUR	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	11	2,498,200.72	2,416,664.45
Tangible assets	12	2,016,633.56	2,019,640.42
Investments	13	594,115,671.14	756,634,325.94
Total non-current assets		598,630,505.42	761,070,630.81
Current assets			
Non-current receivables	14	97,263,571.33	72,520,046.60
Current receivables	15	55,127,618.37	168,557,335.76
Current investments	16	144,227,058.16	264,085,421.32
Cash and bank		13,816.36	528,684.91
Total current assets		296,632,064.22	505,691,488.59
Total assets		895,262,569.64	1,266,762,119.40

EQUITY AND LIABILITIES

Equity	<u>17</u>		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		88,688.32	68,325.12
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		549,442,573.42	566,076,975.92
Profit/loss for the financial period		-143,182,483.20	1,365,597.50
Total equity		619,052,540.47	780,214,660.47
Provisions	<u>18</u>	675,856.90	1,451,920.13
Liabilities			
Non-current	<u>20</u>	6,148,486.04	103,885,279.00
Current	<u>21</u>	269,385,686.23	381,210,259.80
Total liabilities		275,534,172.27	485,095,538.80
Total equity and liabilities		895,262,569.64	1,266,762,119.40

Cash Flow Statement of the Parent Company

EUR	2016	2015
Cash flow from operations		
Profit/loss before appropriations	-164,412,634.25	-103,720,464.71
Adjustments:		
Depreciation and amortization	1,085,094.86	2,793,007.63
Gains or losses on disposal of fixed assets	1,363,391.44	-775,543.66
Financial income (-) and expense (+)	-9,317,845.84	-28,093,805.06
Impairment losses on non-current investments	158,832,534.62	96,095,748.16
Loss on merger	0.00	23,275,219.49
Other adjustments	-574,500.77	-335,207.50
Cash flow before change in working capital	-13,023,959.94	-10,761,045.65
Interest-free current receivables, increase (-), decrease (+)	-6,258,705.31	-2,722,692.20
Interest-free non-current receivables, increase (-), decrease (+)	106,507.61	310,980.08
Inventories, increase (-), decrease (+)	4,386.96	-1,536.76
Interest-free current liabilities, increase (+), decrease (-)	1,252,486.20	-25,468,153.15
Interest-free non-current liabilities, increase (+), decrease (-)	2,029,882.61	-493,491.12
Change in working capital	-2,865,441.93	-28,374,893.15
Cash flow from operating activities before financial items and taxes	-15,889,401.87	-39,135,938.80
Interests paid	-12,529,507.63	-12,854,661.42
Interests received	9,566,978.65	8,461,182.39
Other financial items	630,990.33	2,294,733.43
Income tax paid	-15,621,385.37	-46,130.33
Cash flow from financial items and taxes	-17,952,924.02	-2,144,875.93

Cash flow from operating activities (A)	-33,842,325.89	-41,280,814.73
Investments in tangible and intangible assets	-1,163,624.27	-585,914.63
Proceeds from sale of tangible and intangible assets	0.00	6,268,723.62
Other investments	-2,500.00	-28,999,783.81
Proceeds from sale of other investments	4,958,977.54	10,829,350.99
Loans granted	-48,982,813.77	-23,072,780.93
Repayments of loan receivables	22,501,839.66	47,592,248.12
Dividends received	192,416.00	25,788,047.50
Cash flow from investing activities (B)	-22,495,704.84	37,819,890.86
Increases in current loans	0.00	90,630,776.38
Repayment of current loans	-64,641,007.62	0.00
Repayment of non-current loans	-149,698,500.00	0.00
Dividends paid	-18,000,000.00	0.00
Group contributions received and paid	111,700,000.00	53,900,000.00
Cash flow from financing activities (C)	-120,639,507.62	144,530,776.38
Change in cash and cash equivalents (A+B+C)	-176,977,538.35	141,069,852.51
Change in group cash pool	56,604,306.64	-31,896,200.73
Cash and cash equivalents received in merger	0.00	-2,854,856.94
Change in cash and cash equivalents	-120,373,231.71	106,318,794.84
Cash and cash equivalents at the beginning of the financial period	264,614,106.23	158,295,311.39
Cash and cash equivalents at the end of the financial period	144,240,874.52	264,614,106.23

Accounting Policies

Posti Group Corporation has prepared its financial statements in accordance with Finnish Accounting legislation.

Revenue recognition and net sales

Offering services of short duration generates a major part of Posti Group Corporation's revenues. Revenue is recognized when the service is rendered as agreed. Net sales derive from revenue based on the sale services net of indirect taxes, discounts and exchange rate differences.

Other operating income

Other operating income includes capital gains on sale of assets and income other than generated by the sale of services, such as income from administration services. Government grants mainly refer to product and business development grants, which are recognized as other operating income.

Valuation of fixed assets

Tangible and intangible assets are carried at historical acquisition cost less accumulated depreciation.

Fixed assets are depreciated on a straight-line basis according to plan. The depreciations are based on expected useful lives, starting from the time items are in use. The common expected useful lives in Posti Group Corporation are as follows:

Immaterial rights and other long-term expenses	3–5 years
Machinery and equipment	3–5 years

Land and water are not subject to depreciation.

Non-current investments are valued at their original acquisition cost. If it is probable that the future revenue on the investment is permanently smaller than the acquisition cost, the difference is recognized as an impairment loss.

Maintenance and renovation expenditure

Normal repair, maintenance and servicing costs are expensed as incurred with the exception of large renovation expenditures which have been capitalized as part of the acquisition cost.

Leasing

Lease payments are expensed in the income statement and leased assets are not included in the fixed assets.

Cash in hand and at banks

Cash in hand and at banks include bank accounts and other cash equivalents.

Pension schemes

Posti Group Corporation's statutory pension coverage is provided by Ilmarinen Mutual Pension Insurance Company. Supplementary pension coverage (for those in the long-time service for Post and Telecommunications) is provided by OP Life Assurance Company Ltd.

Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made. Provisions for restructuring are recognized when the related, detailed and official plan has been approved and disclosed.

Income taxes

Income tax includes tax calculated on the profit for the current financial year as well as tax adjustments for previous financial years.

Deferred taxes are calculated using the tax rate effective on the balance sheet date. A deferred tax asset is recognized to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilized.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into euros at the exchange rate quoted on the transaction date.

Receivables and liabilities in foreign currencies are translated into euros using the average exchange rate quoted on the balance sheet date by the European Central Bank. The exchange rate gains or losses arising from the business operations are recognized as adjustments of net sales and purchases. The exchange rate gains and losses arising from financial instruments are included in the financial income and expenses.

Financial assets and liabilities

Financial assets are initially recognized at fair value. Their subsequent measurement depends on their classification. The Company's financial assets are classified into the following categories: financial assets recognized at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets available-for-sale. Classification of a financial asset depends on the purpose for which it was acquired. Transaction costs are included in the financial asset's original carrying amount, in the case of the financial asset is not carried at fair value through profit of loss. Purchases and sales of financial assets are recognized or derecognized at settlement date.

The Company derecognizes a financial asset when its contractual right to the cash flows from the asset has expired or is forfeited, or it has transferred substantially all risks and rewards outside the Company.

Financial assets recognized through profit or loss include financial assets held-for-trading. Also derivative instruments which are not hedge accounted for are classified as held-for-trading. Investments in bonds and money-market instruments are measured at fair value on the balance sheet date, based on price quotes on the market on the balance sheet date, or valuation models based on observable market information. Financial assets held-for-trading are included in current assets. Any unrealized and realized gains or losses resulting from fair value changes are recognized through profit or loss during the period in which they occur.

Investments held-to-maturity are financial assets with fixed payments and fixed maturity, which the Group intends to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest-rate method.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and not held for trading. Loans and receivables are included in current and non-current assets and measured at amortized cost applying the effective interest-rate method. Trade and other receivables are recognized at cost, corresponding to their fair value and recorded under current assets.

Available-for-sale assets are measured at fair value at each balance sheet date. Changes in fair value are recognized in other items of the comprehensive income, taking the related tax effect into account, and presented in the fair value reserve in equity. Changes in fair value are recorded through profit or loss if the investment is sold or if there is objective evidence of an impairment. Available-for-sale assets include equity fund investments for which the fair value is determined by the fund manager.

Non-derivative financial liabilities are initially recognized based on the consideration received and subsequently measured at amortized cost applying the effective interest-rate method. Transaction costs are included in the initial carrying amount of financial liabilities. The carrying amount of trade and other current liabilities equal their fair value, since the effect of discounting is not substantial considering their short maturities. Financial liabilities are included in both non-current and current liabilities.

Derivative contracts and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at each balance sheet date. Profit or loss arising from valuation at fair value is recognized in accordance with the derivative contract's purpose of use. The income effect of the value changes of derivative contracts, which constitute effective hedging instruments and which are subject to hedge accounting, is shown consistently with the hedged item. The Company recognizes derivative contracts as hedges (fair value hedge) of either assets or fixed liabilities recorded on the balance sheet or as economic hedges, which do not meet the conditions for applying hedge accounting.

When hedge accounting is applied, the Company documents at the inception of the hedging transaction the relationship between the hedged item and the hedge instruments as well as the objectives of the Company's risk management and the strategy for carrying out the hedging transaction. The Company also documents and assesses the effectiveness of the hedging relationship by inspecting the hedge instrument's ability to offset the changes in fair value of the hedged item.

Changes in the fair value of derivatives that qualify for fair-value hedges as well as changes in the fair value of the hedged asset or liability attributable to the hedged risk are recognized in the income statement under financial items. If hedge accounting criteria are no longer met, the amount related to the hedged risk and recognized against the hedged asset or liability is recognized to the income statement during maturity of the derivative. Fair-value hedge accounting has been applied in accordance with Posti Group's risk management policy to hedge the Company's fixed-rate loans.

Certain derivative instruments while entered into for risk management purposes do not qualify hedge accounting. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities. In addition, hedge accounting for interest rate swaps was discontinued as of as of 1 July, 2015. These contracts have been classified as held for trading and changes in their fair value are recognized through profit or loss, and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

The fair values of derivatives are determined on the basis of the market values of similar derivatives or standard valuation models. The fair value of currency forward contracts is the market quotation on the balance sheet date and the fair value of interest-rate swaps is the present value of future interest cash flows.

1. Net sales by geographical location

	2016	2015
Finland	10,550,621.80	13,542,859.46
Russia	771,539.97	651,897.92
Other countries	0.00	-11,127.00
Total	11,322,161.77	14,183,630.38

2. Other operating income

	2016	2015
Gains on sale of intangible and tangible assets	629,442.43	833,701.33
Rental income	64,211.47	67,043.64
Other operating income	105,924.48	177,692.21
Total	799,578.38	1,078,437.18

3. Materials and services

	2016	2015
Purchases during the financial period	3,301.34	1,329.53
External services	1,388.04	8,313.64
Total	4,689.38	9,643.17

4. Personnel expenses

	2016	2015
Wages and salaries	9,929,167.40	7,944,462.31
Pension expenses	88,870.56	-110,433.70
Other social expenses	353,643.41	662,746.73
Total	10,371,681.37	8,496,775.34
Management remuneration		
President and CEO	668,902.00	579,875.74
Executive Board (excl. CEO)	913,524.05	601,688.79
Board of Directors	384,153.23	291,067.74
Supervisory Board	25,193.65	27,700.00
Total	1,991,772.93	1,500,332.27
Average number of personnel during the financial period		
Administrative employees	55	61
Total	55	61

5. Depreciation, amortization and impairment losses

	2016	2015
Intangible rights	1,082,088.00	2,788,070.30
Machinery and equipment	3,006.86	4,937.33
Total	1,085,094.86	2,793,007.63

6. Other operating expenses

	2016	2015
Rents and leases	575,095.32	657,595.85
Losses on sale of fixed assets	1,992,833.87	58,157.67
Personnel related costs	236,861.53	174,889.47
Travelling expenses	123,351.89	120,105.09
Marketing expenses	740,539.65	1,710,796.06
Entertainment expenses	25,498.15	74,773.44
Facility maintenance expenses	13,126.37	32,484.02
Office and administrative expenses	3,686,552.08	3,302,100.89
IT operating costs	6,951,260.28	9,142,107.23
Loss on merger	0.00	23,275,219.49
Other operating expenses	1,213,100.87	1,132,933.82
Total	15,558,220.01	39,681,163.03

7. Auditors' remuneration

	2016	2015
Audit	157,167.31	218,354.84
Tax advisory	13,406.11	0.00
Other services	269,289.63	73,971.47
Total	439,863.05	292,326.31

8. Financial income and expenses

Financial income	2016	2015
Dividend income	192,416.00	25,788,047.50
Interest income		
Financial assets at fair value through profit or loss	4,845,837.34	5,769,795.22
Loans and receivables	5,762,352.44	3,359,271.68
Assets held to maturity	735,916.86	628,205.26
Financial assets available-for-sale	-	7,033.00
Other financial income from Group companies	1,286,775.83	590,331.88
Gains on disposal of financial assets at fair value through profit or loss	33,285.84	23,078.42
Changes in fair value of financial assets at fair value through profit or loss		
Investments	-	3,104.78
Exchange rate gains		
Interest-bearing receivables and liabilities	7,343,792.52	534,580.94
Currency derivatives, non-hedge accounting	292,102.90	3,583,620.42
Change in fair value of loans	539,259.54	1,275,505.98
Total	21,031,739.27	25,788,047.50

Financial expense		
Interest expense		
Financial liabilities at amortized cost	10,547,512.47	11,770,492.19
Financial liabilities at fair value through profit or loss	740,366.27	1,304,842.82
Other financial expenses on financial liabilities at amortized cost	687,239.86	674,487.41
Losses on disposal of financial assets at fair value through profit or loss	333,720.00	-
Changes in fair value of financial assets at fair value through profit or loss		
Investments	515,136.36	855,054.61
Interest rate derivatives, non-hedge accounting	1,897,236.73	1,018,607.36
Interest rate derivatives, hedge accounting	-	945,611.93
Exchange rate losses		
Interest-bearing receivables and liabilities	407,210.37	3,475,641.50
Currency derivatives, non-hedge accounting	283,320.66	2,834,289.51
Impairment on loans and receivables	155,134,685.33	86,685,490.85
Total	170,546,428.05	109,564,518.18

	2016	2015
Change in fair value recognized in the fair value reserve	25,454.00	-122,678.58
of which deferred tax	-5,090.80	24,535.72

9. Group contributions

	2016	2015
Group contributions received	28,500,000.00	111,700,000.00
Group contributions distributed	0.00	0.00
Total	28,500,000.00	111,700,000.00

10. Income tax

	2016	2015
Income tax on group contributions	5,700,000.00	22,340,000.00
Income tax on business activities	-1,858,840.27	-8,284,600.39
Income tax from previous years	-3,821,614.59	-15,602.83
Change in deferred tax assets	7,250,303.81	-7,425,858.99
Total	7,269,848.95	6,613,937.79

11. Intangible assets

Intangible rights	2016	2015
Cost 1 Jan	25,763,723.84	28,656,231.10
Additions	70,719.39	356,711.45
Disposals	-249,958.08	-3,580,918.71
Transfers between items	0.00	331,700.00
Cost 31 Dec	25,584,485.15	25,763,723.84
Accumulated amortization 1 Jan	23,347,059.39	23,548,655.05
Accumulated amortization on disposals	-249,958.08	-1,899,665.96
Amortization for the financial period	1,082,088.00	1,698,070.30
Accumulated amortization 31 Dec	24,179,189.31	23,347,059.39
Book value 31 Dec	1,405,295.84	2,416,664.45
Prepayments		
Cost 1 Jan	2,478,953.26	3,728,556.57
Additions	1,092,904.88	226,754.84
Disposals	0.00	-1,144,658.15
Transfers between items	0.00	-331,700.00
Cost 31 Dec	3,571,858.14	2,478,953.26
Accumulated impairment 1 Jan	2,478,953.26	1,388,953.26
Impairment	0.00	1,090,000.00
Accumulated impairment 31 Dec	2,478,953.26	2,478,953.26
Book value 31 Dec	1,092,904.88	0.00
Total intangible assets	2,498,200.72	2,416,664.45

12. Tangible assets

Land and water	2016	2015
Cost 1 Jan	891,396.01	891,396.01
Cost 31 Dec	891,396.01	891,396.01
Book value 31 Dec	891,396.01	891,396.01
Machinery and equipment		
Cost 1 Jan	76,654.54	12,584,317.33
Additions	0.00	2,448.34
Disposals	0.00	-12,510,111.13
Transfers between items	0.00	0.00
Cost 31 Dec	76,654.54	76,654.54
Accumulated depreciation 1 Jan	72,013.26	9,134,374.35
Accumulated depreciation on disposals and transfers	0.00	-9,067,298.42
Depreciation for the financial period	3,006.86	4,937.33
Accumulated depreciation 31 Dec	75,020.12	72,013.26
Book value 31 Dec	1,634.42	4,641.28
Other tangible assets		
Cost 1 Jan	1,189,127.90	1,189,127.90
Disposals	0.00	0.00
Cost 31 Dec	1,189,127.90	1,189,127.90
Accumulated depreciation 1 Jan	65,524.77	65,524.77
Accumulated depreciation 31 Dec	65,524.77	65,524.77
Book value 31 Dec	1,123,603.13	1,123,603.13
Total tangible assets	2,016,633.56	2,019,640.42

13. Investments

Shares in Group companies	2016	2015
Cost 1 Jan	964,154,191.07	1,032,517,581.18
Additions	2,637,243.77	32,079,105.74
Disposals	-6,423,770.65	-100,442,495.85
Cost 31 Dec	960,367,664.19	964,154,191.07
Accumulated impairment losses 1 Jan	241,990,659.54	239,527,042.73
Impairment losses	158,793,529.59	92,736,279.13
Reversals of impairments	-411,401.67	-90,272,662.32
Book value 31 Dec	559,994,876.73	722,163,531.53
Shares in associated companies		
Cost 1 Jan	513,245.14	513,245.14
Disposals	-513,245.14	
Cost 31 Dec	0.00	513,245.14
Share of profits or losses 1 Jan	1,310,984.87	1,310,984.87
Accumulated impairment losses 1 Jan	-1,017,739.73	-1,097,739.73
Impairment losses	0.00	80,000.00
Reversal of impairment losses	-293,245.14	0.00
Book value 31 Dec	0.00	220,000.00
Other shares and holdings		
Cost 1 Jan	6,609,762.48	6,660,306.40
Additions	0.00	28,560.00
Disposals	-367,378.77	-79,103.92
Cost 31 Dec	6,242,383.71	6,609,762.48
Accumulated impairment losses 1 Jan	869,968.07	660,676.07
Impairment losses	40,000.00	209,292.00
Reversal of impairment losses	-277,378.77	0.00
Book value 31 Dec	5,609,794.41	5,739,794.41

Receivables from Group companies		
Capital loan receivables		
Cost 1 Jan	28,511,000.00	28,511,000.00
Repayments	0.00	0.00
Cost 31 Dec	28,511,000.00	28,511,000.00
Accumulated impairment losses 1 Jan	0.00	0.00
Reversals of impairment losses	0.00	0.00
Book value 31 Dec	28,511,000.00	28,511,000.00
Receivables from others		
Capital loan receivables		
Cost 1 Jan	0.00	3,070,177.03
Additions	0.00	0.00
Cost 31 Dec	0.00	3,070,177.03
Impairment losses	0.00	3,070,177.03
Book value 31 Dec	0.00	0.00
Total investments	594,115,671.14	756,634,325.94

14. Non-current receivables

Receivables from Group companies	2016	2015
Loan receivables	95,388,643.96	63,288,307.81
Total	95,388,643.96	63,288,307.81
Receivables from others		
Loan receivables	861,122.19	861,122.19
Other receivables	2,646.94	109,154.55
Deferred tax assets	1,011,158.24	8,261,462.05
Other accrued income and prepayments	0.00	0.00
Total	1,874,927.37	9,231,738.79
Total non-current receivables	97,263,571.33	72,520,046.60

15. Current receivables

Receivables from Group companies	2016	2015
Trade receivables	9,298,994.75	82,213.75
Loan receivables	407,402.82	351,790.61
Interest receivables	10,284,392.87	5,913,140.44
Other receivables	2,379.09	41,298,749.45
Prepayments and accrued income	28,561,389.17	111,700,000.00
Total	48,554,558.70	159,345,894.25
Receivables from others		
Trade receivables	53,222.89	-2,167.80
Other receivables	1,090,106.83	293,262.97
Prepayments and accrued income	5,429,729.95	8,920,346.34
Total	6,573,059.67	9,211,441.51

Total current receivables	55,127,618.37	168,557,335.76
Key items in prepayments and accrued income		
Interest receivables	1,032,493.89	2,339,842.50
Income tax receivable	1,592,303.06	0.00
Other prepayments and accrued income	2,804,933.00	6,580,503.84
Total	5,429,729.95	8,920,346.34

16. Financial instruments and Financial risk management

2016

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Carrying value	Fair value	Level
Financial assets – non-current								
Other non-current investments				5.6		5.6	5.6	3
Non-current receivables		96.3				96.3	96.3	
Non-current financial assets		96.3		5.6		101.9	101.9	
Financial assets – current								
Trade and other receivables		9.7				9.7	9.7	
Equity fund investments				0.2		0.2	0.2	3
Currency derivatives, non-hedge accounting	0.0					0.0	0.0	2
Money market investments	43.5					43.5	43.5	2
Investments in quoted bonds	25.5					25.5	25.5	1
Investments in unquoted bonds	8.8					8.8	8.8	2
Debt certificates			54.7			54.7	54.7	
Current financial assets	77.9	9.7	54.7	0.2		142.5	142.5	
Money market investments	11.5					11.5	11.5	2
Cash and bank		0.0				0.0	0.0	
Cash and cash equivalents	11.5	0.0				11.5	11.5	
Total financial assets	89.3	106.0	54.7	5.8	0.0	255.8	255.8	

Financial liabilities – non-current								
Bonds						0.0	0.0	
Non-current borrowings						0.0	0.0	
Financial liabilities – current								
Bonds						99.9	99.9	102.1
Liabilities to Group companies						50.3	50.3	50.3
Foreign currency derivatives, non-hedge accounting	0.0						0.0	0.0
Trade payables						1.3	1.3	1.3
Current borrowings	0.0					151.5	151.5	153.7
Total financial liabilities	0.0	0.0	0.0	0.0		151.5	151.5	153.7

2015

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Carrying value	Fair value	Level
Financial assets – non-current								
Other non-current investments				5.7		5.7	5.7	3
Non-current receivables		64.1				64.1	64.1	
Non-current financial assets		64.1		5.7		69.9	69.9	
Financial assets – current								
Trade and other receivables		0.4				0.4	0.4	
Equity fund investments				0.2		0.2	0.2	3
Interest-rate derivatives, non-hedge accounting	1.9					1.9	1.9	2
Currency derivatives, non-hedge accounting	0.1					0.1	0.1	2
Money market investments	81.4					81.4	81.4	2
Investments in quoted bonds	35.8					35.8	35.8	1

Investments in unquoted bonds	9.7				9.7	9.7	2
Debt certificates			95.0		95.0	95.0	
Current financial assets	128.9	0.4	95.0	0.2	224.5	224.5	
Money market investments	42.0				42.0	42.0	2
Cash and bank		0.5			0.5	0.5	
Cash and cash equivalents	42.0	0.5			42.5	42.5	
Total financial assets	170.9	65.1	95.0	5.9	0.0	336.9	336.9
Financial liabilities – non-current							
Bonds					99.8	99.8	104.1
Non-current borrowings					99.8	99.8	104.1
Financial liabilities – current							
Bonds					150.4	150.4	154.0
Liabilities to Group companies					114.9	114.9	114.9
Foreign currency derivatives, non-hedge accounting	0.0					0.0	0.0
Trade payables					0.5	0.5	0.5
Current borrowings	0.0				151.0	151.0	154.5
Total financial liabilities	0.0	0.0	0.0	0.0	250.7	250.7	258.7

[The financial risk management of the company has been described on the Note 21 of the consolidated financial statements. The Company follows the Group's treasury policy and risk management principles.](#)

17. Equity

	2016	2015
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	70,000,000.00	70,000,000.00
Fair value reserve and other reserves 1 Jan	68,325.12	166,467.98
Profit or loss at fair value, other current investments	20,363.20	-98,142.86
Fair value reserve 31 Dec	88,688.32	68,325.12
Restricted equity total	70,088,688.32	70,068,325.12
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	142,703,761.93	142,703,761.93
Retained earnings 1 Jan	567,442,573.42	566,076,975.92
Dividend distribution	-18,000,000.00	0.00
Retained earnings 31 Dec	549,442,573.42	566,076,975.92
Profit/loss for the financial year 31 Dec	-143,182,483.20	1,365,597.50
Total unrestricted equity	548,963,852.15	710,146,335.35
Total equity	619,052,540.47	780,214,660.47
Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	549,442,573.42	566,076,975.92
Profit/loss for the financial period	-143,182,483.20	1,365,597.50
Total	548,963,852.15	710,146,335.35

18. Provisions

	2016	2015
Pension provision	305,620.00	301,878.00
Restructuring provision	370,236.90	580,760.88
Other provisions	0.00	569,281.25
Total	675,856.90	1,451,920.13

19. Deferred tax assets and liabilities

Deferred tax assets	2016	2015
From provision	135,171.38	290,384.03
From impairments	118,517.86	0.00
From temporary differences	497,333.76	7,971,078.02
Other items	260,135.24	0.00
Total	1,011,158.24	8,261,462.05

Deferred tax liabilities	2016	2015
Valuation to fair value	22,172.08	17,081.28
Total	22,172.08	17,081.28

20. Non-current liabilities

	2016	2015
Bonds	0.00	99,771,766.37
Deferred tax liability	22,172.08	17,081.28
Other non-current liabilities	6,126,313.96	4,096,431.35
Total	6,148,486.04	103,885,279.00

Liabilities, maturity more than 5 years

Bonds	-	-
Total	0.00	0.00

21. Current liabilities

Amounts owed to Group companies	2016	2015
Trade payables	100,759.91	-92,802.66
Interest liabilities	80,707.88	309,852.77
Other liabilities	162,666,443.87	209,949,515.21
Accruals and deferred income	66,191.17	68,683.71
Total	162,914,102.83	210,235,249.03
Amounts owed to others		
Bonds	99,881,255.73	150,422,779.87
Trade payables	1,177,454.71	607,288.80
Other liabilities	1,585,872.46	2,340,730.92
Accruals and deferred income	3,827,000.50	17,604,211.18
Total	106,471,583.40	170,975,010.77
Total current liabilities	269,385,686.23	381,210,259.80
Key items in other liabilities		
Payroll and related social costs	209,369.41	225,124.68
VAT-liability	1,317,770.14	2,018,671.90
Other liabilities	58,732.91	96,934.34
Total	1,585,872.46	2,340,730.92
Key items in accruals and deferred income		
Payroll and related social costs	2,904,773.69	1,501,921.94
Accrued interests	291,438.36	1,303,922.36
Tax liabilities	0.00	14,009,537.17
Other accruals and deferred income	630,788.45	788,829.71
Total	3,827,000.50	17,604,211.18

Interest-bearing liabilities		
Non-current liabilities	0.00	99,771,766.37
Current liabilities	150,189,191.11	265,371,722.87
Total	150,189,191.11	365,143,489.24

22. Pledged assets, commitments and other liabilities

Pledges given for Group companies	2016	2015
Guarantees	257,896,481.00	225,930,060.00
Total	257,896,481.00	225,930,060.00
Pledges given for others		
Guarantees		
Others	0.00	100,000.00
Total	0.00	100,000.00
Lease contracts unpaid amounts		
Payable within one year	120,726.82	153,460.80
Payable in later years	85,156.05	170,133.32
Total	205,882.87	323,594.12
Rental liabilities	815.00	815.00
Other commitments	26,424.00	26,424.00
Derivative contracts		
Currency forward contracts		
Fair value	-22,766.52	28,182.99
Nominal value	4,569,869.96	8,561,928.25
Interest rate swaps		
Fair value	0.00	1,897,236.73
Nominal value	0.00	70,000,000.00

Derivative instruments are used for hedging the foreign exchange rate risk and currency risk and they are valued at the market rates available on the balance sheet date. Currency forward contracts are used to hedge against currency-denominated receivables and payables. Generally, transaction positions arising from subsidiary financing are hedged fully. A portion of the company's fixed-interest loan has been converted to variable-interest loan with an interest-rate swap.

Litigation

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti and secondarily against Posti and the State of Finland in order to receive compensation for the value-added tax charged by Posti on its postal services in 1999-2014. The claim is based on an allegation that the Finnish Value Added Tax Act had and would still be contrary to the EU's Value Added Tax Directive.

Posti has submitted a recourse claim against the State of Finland, demanding it to refund Posti for any sums that Posti may be ordered to pay in the legal proceedings initiated by the financial institutions. The recourse claim is pending until the claims by the financial institutions have been processed and a final ruling issued.

On September 18, 2015, the District Court of Helsinki issued a ruling in favor of Posti in the matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeals. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99.2 million, and the interests claimed amount to approximately EUR 54.1 million on December 31, 2016.

It is expected to take several years until all of the final court orders are rendered in the matter. According to Posti, the allegations made by the plaintiffs are without merit and it has not recorded any receivables or provisions in its financials based on the claims made.

23. Shares and holdings of Posti Group Corporation

Company name and domicile

Group companies	Number of shares	Ownership (%)	Book value
Global Mail FP Oy, Helsinki	4,200	99.92	122,838,632.95
OpusCapita Group Oy, Helsinki	1,868	100.00	110,975,397.77
Itella Logistics AB, Tukholma	4,000	100.00	1,781.31
Itella Logistics SIA, Riika	20	100.00	317,422.45
Itella Logistics UAB, Vilna	1,000	100.00	45,658.00
Posti Kiinteistöt Oy, Helsinki	103,488	100.00	192,730,895.55
NLC International Corporation, Limassol	3,844	100.00	1.00
Posti Oy, Helsinki	2,538,295	100.00	106,659,037.70
Posti Global Oy, Helsinki	999	99.90	26,423,550.00
Posti Kuljetus Oy	500	100.00	2,500.00
Total			559,994,876.73

Other companies

As. Oy Raison Keskuslähiö, Raisio	6,350	9.77	33,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
KOY Elimäen Matkakaari, Elimäki	2,700	11.09	30,000.00
Cooperative Vereniging IPC, Amsterdam	5	0.05	6,040.80
East Office of Finnish Industries Oy, Helsinki	1		10,000.00
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Kouvola Innorail Oy, Kouvola			5,080.00
Vierumäki Golf Oy, Helsinki	7	0.06	61,516.41
Oy Samlink Ab, Espoo	8,590	5.88	5,000,067.20
Golfsarfvik	1		28,560.00
Total			5,609,794.41

Board of Directors' proposal

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2015, the parent company's distributable funds total EUR 548,963,852.15 of which the loss for the financial year accounts for EUR 143,182,483.20.

No material changes in the company's financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 13(2) of the Finnish Limited Liability Companies Act, affect the proposed distributable profits.

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 60,000,000.00 to be distributed and EUR 488,693,852.15 retained in the shareholders' equity.

Signatures of the Board of Directors' Report and the Financial Statements

Helsinki, 7 March 2017

Arto Hiltunen
Chairman

Heikki Malinen
President & CEO

Petri Järvinen

Petri Kokko

Kirsi Nuotto

Marja Pokela

Suvi-Anne Siimes

Arja Talma

Our auditor's report has been issued today.

Helsinki, 7 March 2017

PricewaterhouseCoopers Oy
Authorized Public Accountants

Merja Lindh
Authorized Public Accountant

Auditor's report

Translation from the Finnish Original

To the Annual General Meeting of Posti Group Corporation

Report on the audit of the financial statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Posti Group Corporation (business identity code 1531864-4) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the Group	How our audit addressed the key audit matter
<p>Deferred revenue associated with advance customer payments arising from stamps and other prepaid services</p> <p>Refer to Accounting policies and to note 26 in the consolidated financial statements for the related disclosures.</p> <p>The Group recognizes the revenue for certain prepaid services, including stamps, franking machines and prepaid envelopes, based on their estimated usage. Estimated usage is based on a statistical model that incorporates historical sales and usage volumes and price changes. The unperformed services are accrued as a deferred revenue liability on the balance sheet.</p> <p>The amount of the liability is based on a statistical sampling that has been carried out to consumers, small businesses and associations.</p> <p>Deferred revenue is presented on the balance sheet as current and non-current. The portion of the prepaid services that are estimated to be performed within the next 12 months is presented as a current liability. The rest of the liability is presented as noncurrent.</p> <p>We determined this to be a key audit matter, because revenue recognition method involves material uncertainty due to several assumptions included in the model.</p>	<p>We assessed the methodology and assumptions used to determine the number of unused stamps and other prepaid services held at the balance sheet date. We used our own statistical specialists and held discussions with the company representatives to assist us in evaluating the methodologies used by the Group.</p> <p>We examined the statistical sampling as well as the third party confirmations requested. We tested independently price and revenue data used in the model.</p> <p>We tested the mathematical accuracy of the model.</p>

Goodwill valuation

Refer to Accounting policies and to [note 10](#) in the consolidated financial statements for the related disclosures.

At 31 December 2016 the Group's goodwill balance is valued at 214 million euro and is allocated to the Group's five cash-generating units.

The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying amount may be impaired by comparing the recoverable amount against the carrying value of the goodwill. The recoverable amounts are determined by using a value in use model. Value in use calculations are subject to significant management judgement in a form of estimates of future cash flows and discount rates.

We have determined this to be a key audit matter because goodwill has grown due to acquisitions especially in OpusCapita CGU. Our work is focused on the risk that goodwill may be overstated in this CGU. The goodwill allocated to OpusCapita CGU amounts to 123 million euro.

Our audit focused on assessing the appropriateness of management's judgement and estimates used in the goodwill impairment analysis through the following procedures:

- We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculation;
- We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to strategic plans approved by the Board of Directors;
- We tested the key underlying management assumptions, including sales and profitability forecasts, discount rates used and the implied growth rates beyond the forecasted period;
- We compared the current year actual results included in the prior year impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic;
- We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions; and
- The discount rates applied within the model were assessed by PwC business valuation specialists, including comparison external benchmarks as appropriate.
- We also considered the appropriateness of the related disclosures provided in [note 10](#) in the financial statements.

Impairment testing of Posti's cash generating unit Itella Russia

Refer to Accounting policies.

Itella Russia is a cash generating unit with most of its significant assets relating to real estate investments in several locations, following the impairment of all goodwill in prior years.

Due to the uncertainties in the Russian market, Posti has determined that it is not possible to determine the value in use for Itella Russia as a whole. Management has therefore determined that the appropriate method to test Itella Russia's long-lived assets for impairment is using the fair value less cost to sell method.

Posti has engaged external, independent and qualified valuers to determine the fair value of its real estate property in Russia each year. The valuation is performed at a minimum annually on an asset by asset basis and the valuation method takes into consideration the current market prices in each active market for the properties.

We have determined this to be a key audit matter because the volatility of the real estate market in Russia.

Management has requested broker's opinions of values for the real estate owned by Itella Russia. We evaluated the competency, qualifications and experience and objectivity of the property valuation experts used. In additions, we have evaluated the methods and assumptions used.

We compared the book values of real estate owned by Itella Russia to the market values provided by the property valuation expert.

Uncertainty regarding the utilization of deferred tax assets

Refer to Accounting policies and to [note 13](#) in the consolidated financial statements for the related disclosures.

At 31 December 2016 the Group has recognized deferred tax assets amounting to 14 million euro of which 5 million euro relate to losses carried forward.

At 31 December 2016 the Group has unused tax losses of 153 million euro for which it has not recognized deferred tax asset.

Posti assesses at each balance sheet date the expected utilization of deferred tax assets considering the likelihood of expected future taxable profits and positions taken in tax returns being sustained.

We determined this to be a key audit matter because of significant judgements that relate primarily to tax losses carried forward generated in some of Posti's foreign operations, and whether these tax loss carry-forwards will be utilized in these jurisdictions or in Finland.

We assessed the available tax losses carried forward with special focus on the most judgmental balances in this regard.

We considered the local expiry periods together with any applicable restrictions in recovery.

In addition, our audit procedures included evaluating and challenging management's:

- forecasts about the future taxable profits and the possibilities to use tax losses; and
- assessment of the outcome of positions taken in tax returns

Legal contingencies

Refer to [note 23](#) in the consolidated financial statements for the related disclosures.

The Group has disclosed that it is involved in a dispute concerning the refund of value-added taxes.

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti and secondarily against Posti and the State of Finland in order to receive compensation for the value-added tax charged by Posti on its postal services in 1999-2014. The claim is based on an allegation that the Finnish Value Added Tax Act had been, and would still be, contrary to the EU's Value Added Tax Directive.

The total amount of the compensations claimed in the Court of Appeals is approximately 99 million euro, and the interests claimed amount to approximately 54 million euro on December 31, 2016.

It is expected to take several years until all of the final court orders are rendered in the matter. According to Posti, the allegations made by the plaintiffs are without merit and it has not recorded any receivables or provisions in its financials based on the claims made.

We have determined this to be a key audit matter because the claims and interests are material and the outcome of this litigation is uncertain.

We examined how the Group has handled the claims and evaluated the Group's conclusions relating to the dispute concerning the refund of value-added taxes.

We considered the claims and tested the mathematical accuracy and underlying assumptions of the interest calculations.

In addition, we examined correspondence between the Group and its external legal counsel.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Administrative Board, the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 7 March 2017

PricewaterhouseCoopers Oy

Authorised Public Accountants

Merja Lindh

Authorised Public Accountant

Statement by the Supervisory Board

At its meeting today, the Supervisory Board of Posti Group Corporation has considered the Board of Directors' Report, Financial Statements and the Auditors' Report for 2016 of Posti Group Corporation.

The Supervisory Board proposes to the 2017 Annual General Meeting that the Income Statement and Balance Sheet for 2016 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 16 March 2017

Markku Rossi
Chairman of the Supervisory Board

Investor information

Posti's financial reports follow the International Financial Reporting Standards. As an issuer of a publicly listed bond, Posti is obligated to disclose periodic information to a limited extent. The bond (EUR 100 million) was issued in November 2011 and listed on Nasdaq Helsinki in January 2012.

This disclosure obligation is based on the Finnish Securities Market Act and the rules and regulations of Nasdaq Helsinki.

Posti fulfills its obligation to disclose periodic information by publishing financial statements and quarterly interim reports as stock exchange releases.

Posti's financial communications policy is available in full at www.posti.com/financials.

Financial calendar in 2017

Posti publishes its financial statement bulletin 2016 on Tuesday, February 28, 2017 at 12:00 EET and its financial statement on Wednesday, March 8, 2017 at 9:00 EET. The Annual Report 2016 is published on company's website on week 12.

Interim reports in 2017 are published as follows:

January–March: Friday, April 28, 2017 at 9:00 EET

January–June: Thursday, July 27, 2017 at 12:00 EET

January–September: Thursday, October 26, 2017 at 9:00 EET

Silent period

Posti has a silent period of 21 days before each quarterly financial report announcement. During the silent period, Posti refrains from making any contacts with or comments to investors, analysts and the media about the company's business prospects or financial results.

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 23, 2016. Posti deviates from the Finnish Corporate Governance Code in that notices concerning its Annual General Meeting and the related notes are not published on its website because Posti is a state-owned company and therefore has only one shareholder.

The tasks and resolutions of the Annual General Meeting are available www.posti.com/agm.

Contact information for financial communications

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