



posti

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BOARD OF DIRECTORS' REPORT 2015

Operating environment 2015

The economic climate was challenging in 2015. The trend appeared positive until June 2015, with growth in the national economy. However, the situation took a turn for the worse in June and deteriorated further toward the end of the year. Consumer demand remained weak.

Posti's parcel services volume grew by 2% (2%) year-on-year, and market share increased slightly. Posti delivered more than 33 million parcels during the year. The number of parcels going through Posti's parcel points grew by 42% year-on-year. Parcel volumes grew until June. In Posti's parcel volume, the turn for the worse occurred in the fall, trailing the negative turn in the overall market by one quarter.

In postal services, the decline in volume was steeper in the final quarter. The volume of addressed letters decreased by -10% in October–December, and the rate of decline for the full year was -8% (-10%). The volumes of unaddressed deliveries increased as a result of Postinen, which was launched in March. Newspaper delivery volumes declined by -27% (-13%), largely due to the expiration of early-morning delivery agreements in 2014. Magazine delivery volumes declined by -9% (-10%).

Industrial action late in the year had a negative impact particularly on parcel services, as customers sought alternative delivery channels in the busy Christmas season.

The situation in the Russian market deteriorated substantially toward the end of the year. The ruble exchange rate fluctuated significantly throughout the year, and the closing rate was down 12% year-on-year. The general economic climate is weak. Warehouse processing volumes fell and the demand for air and sea freight declined. The final quarter of 2015 was substantially weaker than the previous year. The warehouse fill rate remained at a good level, but processing volumes fell substantially.

The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was reflected in OpusCapita's operations, particularly in the volumes of iPost products. OpusCapita transmitted a total of 540 million transactions during the year. The total transaction volume includes printed letters, mailed paper letters, and electronic transactions. The electronic transaction volume was 205 million transactions, which represents 38% of OpusCapita's total transaction volume. Growth was the fastest in the volumes of electronic invoices with a cumulative growth rate of 6%.

Performance improvement program

The Group has a performance improvement program for 2015–2016 underway, aiming at EUR 75 million in cost savings. Some 90% of the savings target was achieved by the end of the year. Savings have been achieved by increasing the efficiency of production and Posti's retail network, as well as the purchasing operations of ICT and sourcing, among other things.

In addition to the performance improvement program, the Group implemented a 'Way of Working' program to achieve savings by reducing training, recreation and travel expenses.

Posti's warehousing services commenced cooperation negotiations on March 3, 2015, concerning 59 people in total. The negotiations led to the dismissal of 10 employees. Cooperation negotiations concerning the personnel of the Group's own retail outlets in relation to the renewal of the retail network commenced on April 28, 2015. The negotiations were completed on June 16, 2015, and the need for personnel reductions was determined to be 319 employees. Cooperation negotiations commenced in Posti's Operations on June 3, 2015, concerning the freight terminal network. The negotiations were completed on August 3, 2015, and the need for personnel reductions was 10 permanent employees.

Cooperation negotiations commenced on January 26, 2015, in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit led to the dismissal of nine employees in total. Cooperation negotiations commenced by OpusCapita on May 21, 2015, regarding the restructuring of the Finnish digitizing production unit of Customer Service & Operations were concluded on June 16, 2015. The outcome of the negotiations was that the need for personnel reductions is 15 permanent employees. Cooperation negotiations commenced on August 13, 2015 in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit and were completed on September 23, 2015. The outcome of the negotiations was that the need for personnel reductions on financial and production-related grounds was 11 permanent employees.

Net sales and operating result in 2015

The Group's net sales in 2015 were EUR 1,650.3 (1,858.7) million. Net sales decreased by 11.2%. The decline in net sales was due to the divestment of the Scandinavian freight business, the weak market situation and exchange rate development in Russia, as well as the decrease in domestic delivery and freight volumes in Finland. In local currencies, the decline in net sales was 8.8%. Comparable net sales, excluding the international freight business, decreased by 6.1%.

Net sales decreased in all business groups. Net sales declined by 5.2% in Finland and by 32.4% in other countries. The decrease in net sales was particularly attributable to the divestment of international freight operations and the substantial depreciation of the ruble. International operations accounted for 16.8% (22.0%) of net sales.

The operating result before non-recurring items was EUR 48.7 (50.8) million, or 2.9% (2.7%) of net sales.

Non-recurring items totaled EUR 7.2 (-45.0) million in 2015. Posti Group sold several properties during the financial year, recording a total sales gain of EUR 44.2 million. The most significant of these transactions took place on April 22, 2015, when Posti Group sold and leased back its postal centers in Tampere, Kuopio and Oulu, as well as its warehouse in Tuusula. The transaction price was EUR 120 million. The selling of warehouses in Scandinavia was related to the divestment of Scandinavian freight operations. The non-recurring items also include EUR 8.4 million in personnel restructuring costs and EUR 28.6 million in impairment, provisions, and other items. The non-recurring items of the business groups are described in more detail below, in connection with the results analysis specific to each business group.

The operating result was EUR 55.9 (5.8) million, or 3.4% (0.3%) of net sales.

The Group's net financing costs amounted to EUR 12.5 (10.4) million.

The Group's result for the period was EUR 36.0 (-4.4) million.

Return on equity stood at 6.1 percent (-0.7 per cent).

As of the beginning of 2015, services that fall under the universal service obligation exist both in Postal Services and Parcel and Logistics Services. Operations under the universal service obligation amounted to EUR 154.8 (147.1) million in 2015, which was 9.4% of the entire Group's net sales.

Key figures of Posti Group

| | 2015 | 2014 | 2013 |
|---|----------|---------|---------|
| Net sales, MEUR | 1,650.3 | 1,858.7 | 1,976.8 |
| Operating result (non-IFRS), MEUR *) | 48.7 | 50.8 | 50.5 |
| Operating result (non-IFRS), % *) | 2.9 | 2.7 | 2.6 |
| Operating result (EBIT), MEUR | 55.9 | 5.8 | 9.9 |
| Operating result (EBIT), % | 3.4 | 0.3 | 0.5 |
| Result before taxes, MEUR | 43.3 | -4.6 | -2.4 |
| Result for the period, MEUR | 36.0 | -4.4 | 7.7 |
| Return on equity, % (12 months) | 6.1 | -0.7 | 1.1 |
| Return on invested capital (12 months), % | 6.3 | 1.0 | 1.3 |
| Equity ratio, % | 47.8 | 45.9 | 47.5 |
| Gearing, % | -10.5 | 17.2 | 21.1 |
| Gross capital expenditure, MEUR | 60.6 | 57.5 | 61.1 |
| Employees on average | 22,219 | 24,617 | 27,253 |
| Dividends, MEUR | 18,0 **) | - | - |

*) Non-IFRS = excluding non-recurring items

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

Postal Services

The Postal Services business group's net sales decreased by 3.5% to EUR 742.3 (769.0) million. The decrease in net sales was attributable to a decline in domestic delivery product volumes. The volumes of addressed letters, newspapers and magazines decreased significantly compared to the previous year. The volumes of electronic letters and unaddressed deliveries grew. Posti has found new business by delivering items shipped to Russia by Chinese online stores.

The volumes of unaddressed deliveries increased as a result of Postinen, which was launched in March. Since the beginning of March 2015, households have received advertisements and other unaddressed items in a separate wrapped bundle twice a week. The aim of Postinen is to improve the competitiveness of paper communications and the profitability of delivery. Postinen makes the sorting more efficient and saves working hours when the bunching is done by machines. Postinen also acts as a new kind of marketing tool for the advertisers.

The business group's operating result before non-recurring items declined and amounted to EUR 56.4 (66.0) million. Non-recurring items recognized during the period totaled EUR 0.9 (0.1) million. The strong result early in the year was supported by improvements in operational efficiency and the increases in postage fees that took effect at the beginning of 2015. Cost adaptation measures implemented during the year did not fully compensate for the decline in the volume of domestic delivery products. The decline in the volume of addressed domestic letters accelerated in the fourth quarter.

The operating result was EUR 57.3 (66.1) million.

The year-on-year development of mail delivery volumes was as follows:

- Addressed letters, -8% (-10%)
- Unaddressed direct marketing, +5% (-33%)
- Newspapers, -27% (-13%)
- Magazines, -9% (-10%)
- Electronic letters, +4% (+7%)

The volume of addressed letters declined by -8% (-10%). The volume of unaddressed deliveries increased as a result of Postinen, which was launched in March. Newspaper delivery volumes declined by -27% (-13%), largely due to the expiration of early-morning delivery agreements in 2014. Magazine delivery volumes declined by -9% (-10%).

The number of Netposti users increased by 8% year-on-year and stood at 636,000 at the end of the year. Netposti is an electronic mailbox provided by Posti.

Parcel and Logistics Services

The Parcel and Logistics Services business group's operating result before non-recurring items turned to profit in spite of a decrease in net sales. Net sales decreased by 17.4% to EUR 596.7 (722.7) million. Comparable net sales, excluding the international freight business, decreased by 3.8%. Net sales declined in the freight and warehousing businesses.

Net sales grew in parcel services. Posti delivered more than 33 million parcels in Finland during the year. Posti's parcel services volume in Finland grew by 2.3% year-on-year (2.0%). The use of parcel points increased, with the number of parcels growing by 42% year-on-year.

The business group's operating result before non-recurring items improved to EUR 0.6 (-21.7) million. The improved operating result was particularly attributable to the divestment of international freight operations, higher demand for parcel services, and measures implemented by the Group to increase the efficiency of production operations.

The operating result was affected by non-recurring expenses of EUR -13.2 (-12.5) million, arising from the restructuring of Posti's retail network and the sale of international freight operations.

The business group's operating result improved to EUR -12.6 (-34.2) million.

On April 15, 2015, Posti Group Corporation signed an agreement to sell its road freight operations in Sweden, Norway and Denmark, as well as its international freight business in Finland, to the Danish company NTG Nordic Transport Group.

On April 23, 2015, Posti announced it will renew its service network. As part of the renewal, Posti will expand its network by approximately 100 new service points and transfer services at 77 of its own postal outlets to be managed by partners. Going forward, Posti will operate 21 postal outlets of its own.

Posti had 1,401 service points at the end of the year. After 21 new parcel points were taken into use during the year, their number totaled 480 at the end of December.

Itella Russia

Measured in local currency, Itella Russia's net sales decreased by 7.7%. The decrease in net sales was due to the weak economic climate, the significant decline in Russia's GDP, and weaker international trade. The current expectation is that volumes will remain low in 2016.

By December 31, 2015, the closing rate of the Russian ruble had declined by 12%. The ruble exchange rate was highly volatile during the year. Euro-denominated net sales decreased by 30.9% to EUR 118.9 (172.0) million.

The business group's operating result before non-recurring items was EUR -5.1 (2.5) million. The weaker operating result was attributable to lower volumes as well as the development of the ruble exchange rate and currency-linked lease expenses.

The average warehouse fill rate during the year was 84% in Moscow and 86% in other areas. The operating result also decreased, and totaled EUR -25.0 (2.4) million. The operating result includes EUR 7.6 million in impairment losses, the majority of which were allocated to customer relationships capitalized in conjunction with the acquisition of Itella Russia in 2008. The result includes a provision of EUR 11.7 million for loss-making agreements related to the loss of a customer and currency depreciation.

Itella Russia's investments amounted to EUR 2.9 (2.6) million.

OpusCapita

OpusCapita's net sales decreased by 1.2% to EUR 256.7 (259.6) million. Some 59% of the net sales are from Finland, while the remaining 41% is from other countries. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was reflected in OpusCapita's operations, particularly in the volumes of iPost products. The volumes of iPost products decreased by 12% from the previous year.

Continuous service business operations made up 94% of OpusCapita's net sales. This includes multi-channel invoicing and invoice management solutions for paper and electronic invoices, as well as software maintenance and SaaS fees, and regularly invoiced outsourcing services.

OpusCapita transmitted a total of 540 million transactions during the year. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 205 million transactions, which represents 38% of OpusCapita's total transaction volume. Growth was fastest in the volumes of electronic invoices with a cumulative growth rate of 6%.

The decline in paper-based volumes is expected to continue in OpusCapita's markets, which puts greater emphasis on electronic transactions, financing solutions and software-based solutions in business. This trend is expected to lead to a higher share of foreign revenue.

The Financial Accounting Outsourcing unit recorded a weak result. In response to this, a performance improvement program was initiated in the unit in the fall.

Non-recurring items recognized during the period totaled EUR -1.2 (-7.3) million. The operating result before non-recurring items declined to EUR 14.5 (20.0) million.

The operating result improved to EUR 13.3 (12.7) million.

On April 30, 2015, OpusCapita acquired the Swedish companies Kredithanterarna and Svenska Fakturaköp. The acquisitions see OpusCapita further strengthen its offering in Order-to-Cash management. The acquired companies bring strong industry expertise from the Swedish market to OpusCapita, and the Order-to-Cash solutions were also launched in Finland.

Patrik Sallner was appointed as OpusCapita's CEO effective from October 5, 2015.

OpusCapita ceased its operations in Slovakia on September 30, 2015.

On November 11, 2015, OpusCapita signed an agreement to sell all of its business operations serving the local markets in the Baltic states to BaltCap. The transaction included OpusCapita AS, which operates in Estonia and Latvia, as well as UAB OpusCapita, which operates in Lithuania. The transaction allows OpusCapita to focus on its strategic business areas in Europe.

OpusCapita's investments amounted to EUR 9.6 (5.8) million. The investments were related to development projects, both for customers and the company's own processes, as well as licenses.

Key Figures of Business Groups

Key Figures of Business Groups

| EUR million | 2015 | 2014 | Change |
|--|----------------|----------------|---------------|
| Net sales | | | |
| Postal Services | 742.3 | 769.0 | -3.5% |
| Parcel and Logistics Services | 596.7 | 722.7 | -17.4% |
| Itella Russia | 118.9 | 172.0 | -30.9% |
| OpusCapita | 256.7 | 259.6 | -1.2% |
| Other operations | 8.7 | 48.6 | -82.0% |
| Intra-Group sales | -73.0 | -113.3 | |
| Group total | 1,650.3 | 1,858.7 | -11.2% |
| Operating result (non-IFRS) *) | | | |
| Postal Services | 56.4 | 66.0 | -14.5% |
| Parcel and Logistics Services | 0.6 | -21.7 | - |
| Itella Russia | -5.1 | 2.5 | - |
| OpusCapita | 14.5 | 20.0 | -27.2% |
| Other operations | -17.7 | -16.0 | - |
| Group total | 48.7 | 50.8 | -4.2% |
| Operating result (EBIT) | | | |
| Postal Services | 57.3 | 66.1 | -13.3% |
| Parcel and Logistics Services | -12.6 | -34.2 | - |
| Itella Russia | -25.0 | 2.4 | - |
| OpusCapita | 13.3 | 12.7 | 5.1% |
| Other operations | 22.8 | -41.2 | - |
| Group total | 55.9 | 5.8 | 867.5% |
| Operating result (non-IFRS), % *) | | | |
| Postal Services | 7.6% | 8.6% | |
| Parcel and Logistics Services | 0.1% | -3.0% | |
| Itella Russia | -4.3% | 1.5% | |
| OpusCapita | 5.7% | 7.7% | |
| Group total | 2.9% | 2.7% | |
| Operating result (EBIT), % | | | |
| Postal Services | 7.7% | 8.6% | |
| Parcel and Logistics Services | -2.1% | -4.7% | |
| Itella Russia | -21.0% | 1.4% | |
| OpusCapita | 5.2% | 4.9% | |
| Group total | 3.4% | 0.3% | |

*) Non-IFRS = excluding non-recurring items

Cash flow and capital expenditure

The consolidated cash flow from operating activities before capital expenditure was EUR 81.9 (93.2) million.

Capital expenditure amounted to EUR 55.9 (46.6) million. The Group invested in vehicles, production projects, and parcel points during the year. Investments were also made in terminal improvement projects and the transport fleet.

Proceeds from divestments totaled EUR 136.4 (2.6) million. The most significant divestment was a real estate sale on April 22, 2015, where Posti Group sold and leased back its postal centers in Tampere, Kuopio, and Oulu, as well as its warehouse in Tuusula and the freight terminal in Pirkkala that is estimated to be completed in late 2016.

At the end of the year, liquid assets totaled EUR 257.0 (186.7) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 290.3 (295.5) million. The equity ratio was 47.8% (45.9%), and gearing was -10.5% (17.2%).

Research and Development

Research and development expenditure in 2015 was EUR 12.9 (11.2) million, or 0.8% (0.6%) of the Group's total operating expenses.

The development of new electronic services continued in Postal Services. Posti's new home services were also researched, developed and piloted during the year. A new product was launched for unaddressed advertising. Since the beginning of March 2015, households have been delivered advertisements and other unaddressed items in a separate wrapped bundle twice a week.

In Parcel and Logistics Services, the focus was on comprehensive supply chain solutions and logistics solutions for multi-channel commerce. A fast hybrid warehouse for e-commerce was commissioned in Voutila. The warehouse is directly integrated with parcel sorting, which enables services such as same-day deliveries. The new logistics center Posti Group opened in Lieto late in the year is a hub for e-commerce. The logistics center in Vantaa, the robot-assisted hybrid warehouse and the Lieto logistics center offer e-commerce operators as many as two or three additional days of sales during peak seasons.

The company successfully piloted its new warehouse management system. In freight operations, the focus was on improving profitability as well as services required by the common carrier segment. Posti Group's new cloud service GLUE (Generic Layer for Universal E-commerce) provides e-commerce with opportunities for growth. GLUE brings customers, online stores, and suppliers under the same network.

Posti Group has introduced new functions to its digital channels, including a delivery time forecast. These services are aimed at providing customers with even better opportunities for self-service, also via mobile. The product portfolio and contract structures have been clarified and simplified. The development efforts will continue in the new financial year.

Itella Russia developed warehouse management systems and carried out an extensive e-commerce project in partnership with a customer. The use of the voice-controlled goods picking system, introduced at warehouses in the previous year, was expanded, with more than 50% of the processing volume now based on this technology. The warehouses also worked on other developments, such as a goods scanning system.

OpusCapita launched a new bank-independent supply chain financing solution. Its other new products included automation services related to software robotics as well as the collection of sales receivables. OpusCapita also continued the development of the new global multi-channel invoice processing platform and invested in the development of SaaS-based end-to-end solutions that support Purchase-to-Pay and Order-to-Cash processes.

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 emission target concerns only Finland, but the reporting system supporting the target covers all business operations and countries of operation.

Posti's carbon neutral Posti Green concept was expanded early in the year to cover 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 2015 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 18, 2015. The meeting adopted the 2014 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

The Annual General Meeting also 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, Global Supply Chain Planning Director, Mölnlycke Health Care, Sweden
- Petri Kokko, Director, Google Deutschland GmbH
- Jussi Kuutsa, Country Director, SRV, Russia
- Päivi Pesola, CFO, Fortum Power and Heat Oy
- Marja Pokela, Senior Financial Specialist, Government Ownership Steering Department, Prime Minister's Office
- Suvi-Anne Siimes, Managing Director, The Finnish Pension Alliance (TELA)

Kirsi Nuotto, Senior Vice President, Human Resources, Outotec Oyj, was elected to join the Board as a new member.

Arto Hiltunen continues as the Chairman of the Board of Directors and Päivi Pesola as the Vice Chairman.

The Supervisory Board consists of twelve members.

The following continued as members of the Supervisory Board:

- Ritva Elomaa, MP, True Finns Party
- Lars-Erik Gästgivars, MP, Swedish People's Party of Finland
- Maria Guzenina, MP, Social Democratic Party
- Satu Haapanen, MP, The Greens of Finland
- Sari Moisanen, temporary Managing Director, Left Alliance
- Outi Mäkelä, MP, National Coalition Party
- Reijo Ojennus, entrepreneur, True Finns Party
- Mauri Pekkarinen, MP, Centre Party
- Raimo Piirainen, MP, Social Democratic Party
- Tuomo Puumala, MP, Centre Party
- Teuvo V. Riikonen, Chief Executive Officer, Christian Democrats
- Kimmo Sasi, MP, National Coalition Party

Mauri Pekkarinen continued as the Chairman of the Supervisory Board and Satu Haapanen as Vice Chairman.

The Annual General Meeting approved the Board of Directors' proposal to not distribute a dividend and to transfer the profit for the period to retained earnings.

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.

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

Posti Group Corporation's Extraordinary General Meeting was held in Helsinki on November 12, 2015. The Extraordinary General Meeting elected members of the Supervisory Board and appointed the Supervisory Board's Chairman and Vice Chairman for a term ending at the close of the next Annual General Meeting.

The following were elected as new members of the Supervisory Board:

- Rami Lehto, MP, True Finns Party
- Eeva-Maria Maijala, MP, Centre Party
- Marisanna Jarva, MP, Centre Party
- Mats Nylund, MP, Swedish People's Party of Finland
- Sari Raassina, MP, National Coalition Party
- Lulu Ranne, M.Sc. (Tech.), True Finns Party
- Markku Rossi, MP, Centre Party
- Satu Taavitsainen, MP, Social Democratic Party
- Jani Toivola, MP, The Greens of Finland
- Kari Tolvanen, MP, National Coalition Party

Maria Guzenina, MP, Social Democratic Party, and Sari Moisanen, temporary Managing Director, Left Alliance, continued as members.

Markku Rossi, MP, was elected Chairman of the Supervisory Board and Jani Toivola, MP, was elected Vice Chairman of the Supervisory Board.

Employees

At the end of the year, the Group employed 21,598 (23,289) people. The Group's average number of personnel was 22,219 (24,617). At the end of the year, a total of 4,724 (5,264) employees worked outside Finland. The number of employees working in Finland was 16,874 (18,025).

Personnel distribution was as follows:

| | |
|--|-----------------|
| Postal Services | 69 (106) |
| Parcel and Logistics Services | 1,478 (1,902) |
| Itella Russia | 2,646 (2,920) |
| OpusCapita | 2,178 (2,292) |
| Other functions (Operations and Group Functions) | 15,227 (16,069) |

Other functions includes both Group Functions and employees in Operations. Employees in Operations were transferred to other functions effective on January 1, 2015.

The Group's personnel expenses decreased by EUR 91.3 million, or by 10.8% year-on-year. Personnel expenses included EUR 8.4 (25.8) million in restructuring costs. Excluding restructuring costs, personnel expenses declined by 9% year-on-year.

Salaries and wages paid by the Group decreased by EUR 77.8 million from the previous year.

Based on the result for the financial year, no bonus will be paid to the personnel fund.

| Group personnel | 2015 | 2014 | 2013 |
|---------------------------------|--------|--------|--------|
| Salaries and wages, EUR million | 606.9 | 684.7 | 713.4 |
| Employees on December 31 | 21,598 | 23,289 | 25,877 |
| Average number of employees | 22,219 | 24,617 | 27,253 |

The company entered into 338 new permanent employment contracts in Finland in 2015. Personnel reductions amounted to 423 person-years. Out of this total, 328 person-years were related to production and finance and 42 person-years were reduced through voluntary resignation and pension plans. In addition, 53 person-years were related to acquisitions.

In January 2014, Posti launched the Uusi polku (New path) program, which offers not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of 2015, a total of 1,327 employees had applied for the program and 925 had been approved.

Changes in corporate structure

On April 30, 2015, Posti Group Corporation sold KH Fur Oy as part of selling its international freight business to the Danish company NTG Nordic Transport Group.

On April 30, 2015, OpusCapita Group Ltd acquired Kredithanterarna i Stockholm AB and Svenska Fakturaköp AB.

The holdings of the Group's Russian business companies were transferred from Cyprus to Finland in May. Following this transaction, the Group's Cyprus-based companies no longer own any shares in operative companies.

Posti Group sold the Norwegian real estate company Snipetjernveien 2 AS on July 1, 2015, and the Swedish real estate company Fastighets AB Vindtunneln on September 1, 2015.

OpusCapita Regnskap AS sold the Swedish company Redovia Group AB on September 1, 2015.

Itella Logistics A/S (Denmark), OpusCapita s.r.o. (Czech Republic) and Itella Information S.R.L. (Romania) were merged into the parent company Posti Group Corporation in November 2015, while Itella Information Kft (Hungary) was merged into the parent company in December 2015.

Events after the financial period

On January 11, 2016, OpusCapita Group Ltd 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 January 26, 2016, Posti Group announced it will commence cooperation negotiations, the sphere of which covers a total of 7,600 employees. The negotiations concern Operations' administration and basic delivery, the entire Sales and Customer Services unit, and certain Group Functions. The preliminary estimated reduction need is 860 people.

OpusCapita announced on February 8, 2016 a new planned organization and operating model in order to implement its new strategy and to improve profitability. As part of the change, OpusCapita will start cooperation negotiations to reduce approximately 80 positions, of which a maximum of 50 in Finland and in total some 30 in other countries. The aim is to gain annual savings of at least 10 million euros.

Business risks

The risk management process in 2015 took into consideration the changes to the organizational structure implemented at the start of the year. As a result of the Operations organization being established to assume responsibility for production operations to a large extent, the business groups and units now have a stronger focus on the management of strategic risks, while Operations focuses on operational risks and damage risks related to postal operations and freight.

The Group's insurance cover was developed systematically, and tenders were invited for the Group's statutory accident insurance in Finland.

Key strategic risks were related to the decline in postal delivery volumes, which progressed more rapidly than expected, as well as the economic recession and other changes related to markets or the business environment that were 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, Posti's ability to implement its strategy and develop new business models and its corporate culture, as well as regulation by the authorities. Operational risks are primarily related to profitability, the renewal of ICT operations, and business interruptions and other disruptions.

The Finnish Government is preparing a Postal Act reform, which will remove the requirement of licences from Postal operators, currently granted by the Government. In Posti's view, the new reform will provide to Posti's competitors a distinct competitive advantage. If the reforms will not apply to regulation of universal service, respectively, Posti's ability to produce universal service profitably will weaken. It will increase the efficiency measures as well.

Strategic risks

Continued economic recession 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.

Rigid cost structures slow the improvement of profitability, particularly in production operations in Finland, where the universal service obligation also limits 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.

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. Our goal is to ensure successful integration through careful planning and monitoring.

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.

In accordance with the Group's financial policy, equity investments in subsidiaries are not hedged. Ruble hedging costs remain high, and the Group has discontinued the hedging of both the parent company's ruble-denominated receivables and local transaction risk in Russia for the time being.

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 our own companies, employees, and effective networking. We seek 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 and the related processes during a period of rapid growth involves a strategic risk for OpusCapita. At the same time, it is essential to ensure profitability in outsourcing business operations.

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 materialized, in a fire, for example, 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.

Other risks

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

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 aim of the project is to halve the number of accidents by 2018.

The postal industry is undergoing the most dramatic transformation in its history. This requires Posti 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. We seek to minimize these risks through active cooperation with employees, good change implementation planning, the Uusi polku program launched at the beginning of 2014 and professional communication.

We seek 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.

Legal proceedings

On September 18, 2015, the District Court of Helsinki issued another positive ruling in favor of Posti regarding a dispute concerning the refund of value added taxes. Posti is not deemed liable to compensate value added taxes paid by its customers. Posti's contract customers filed a claim with the Helsinki District Court for the damage of value added taxes of postal services totaling slightly over EUR 100 million. According to the District Court, including the VAT in the postal services referred to in the case was not contrary to EU law. The plaintiffs consisted of seven large-scale financing and insurance institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeal.

Outlook for 2016

The Group's business is characterized by seasonality. Net sales and operating profit in the business groups 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.

Comparable net sales in euros for 2016 are expected to decrease compared to 2015. The Group's operating result before non-recurring items is expected to improve from 2015. There is significant uncertainty related to the development prospects of the result achieved in Russia. The operating result for 2016 will continue to include significant non-recurring items. Changes in the exchange rates, particularly ruble, can affect the Group's net sales, operating result and balance sheet.

Capital expenditure is expected to increase remarkably from 2015.

Board of Directors' proposal for the distribution of profits

In the financial statements, the parent company's distributable funds total EUR 710,146,335.35, of which the profit for the 2015 financial year is EUR 1,365,597.50.

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 EUR 18.0 million be distributed.

Helsinki, February 11, 2016

Posti Group Corporation
Board of Directors

Calculation of key figures (IFRS)

$$\text{Return on equity, \%} = 100 \times \frac{\text{result for the period - income taxes}}{\text{total equity (average)}}$$

$$\text{Return on invested capital, \%} = 100 \times \frac{\text{result before income tax + interest and other financial expenses}}{\text{total equity + interest-bearing liabilities (average)}}$$

$$\text{Equity ratio, \%} = 100 \times \frac{\text{total equity}}{\text{total assets - advances received}}$$

$$\text{Gearing, \%} = 100 \times \frac{\text{interest-bearing liabilities - cash and cash equivalents - current interest-bearing receivables}}{\text{total equity}}$$

Liquid funds consist of cash and cash equivalents and liquid investments with original maturity of over three months.

Consolidated Financial Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

| EUR million | Note | 2015 | 2014 |
|--|-------------------|----------------|----------------|
| Net sales | <u>1</u> <u>3</u> | 1,650.3 | 1,858.7 |
| Other operating income | <u>4</u> | 57.4 | 12.6 |
| Share of associated companies' results | <u>16</u> | 0.1 | 0.0 |
| Materials and services | <u>5</u> | 437.6 | 526.7 |
| Employee benefits | <u>7</u> | 756.5 | 847.8 |
| Depreciation and amortization | <u>9</u> | 80.5 | 86.0 |
| Impairment losses | <u>9</u> | 11.9 | 4.4 |
| Other operating expenses | <u>10</u> | 365.4 | 400.5 |
| Operating profit (EBIT) | | 55.9 | 5.8 |
| Financial income | <u>11</u> | 13.9 | 26.6 |
| Financial expenses | <u>11</u> | -26.4 | -36.9 |
| Result before income tax | | 43.3 | -4.6 |
| Income tax | <u>12</u> | -7.4 | 0.2 |
| Result for the financial period | | 36.0 | -4.4 |

Consolidated statement of comprehensive income

| | | |
|---|-------------|--------------|
| Result for the financial period | 36.0 | -4.4 |
| Other comprehensive income | | |
| Items that may be reclassified to profit or loss in subsequent periods: | | |
| Available-for-sale financial assets | -0.1 | 0.3 |
| Translation differences | -9.0 | -73.3 |
| Tax effect | 0.0 | -0.1 |
| Items that will not be reclassified to profit or loss in subsequent periods: | | |
| Actuarial gains and losses | 4.6 | -5.4 |
| Tax effect | -0.9 | 1.1 |
| Comprehensive income for the financial period | 30.5 | -81.9 |

Consolidated Statement of Financial Position

| EUR million | Note | 31 Dec 2015 | 31 Dec 2014 |
|---|-----------|----------------|----------------|
| Non-current assets | | | |
| Goodwill | <u>13</u> | 186.0 | 183.1 |
| Other intangible assets | <u>13</u> | 50.7 | 59.4 |
| Investment property | <u>14</u> | 10.3 | 11.0 |
| Property, plant and equipment | <u>15</u> | 406.0 | 516.4 |
| Investments in associated companies | <u>16</u> | 0.1 | 0.0 |
| Other non-current investments | <u>17</u> | 6.2 | 5.9 |
| Non-current receivables | <u>19</u> | 1.5 | 10.5 |
| Deferred tax assets | <u>20</u> | 18.0 | 16.0 |
| Total non-current assets | | 678.9 | 802.2 |
| Current assets | | | |
| Inventories | <u>21</u> | 4.7 | 5.1 |
| Trade and other receivables | <u>22</u> | 262.5 | 268.5 |
| Income tax receivables | | 1.0 | 1.7 |
| Financial assets available-for-sale | <u>23</u> | 0.2 | 0.3 |
| Financial assets held to maturity | <u>23</u> | 95.0 | 12.0 |
| Financial assets at fair value through profit or loss | <u>24</u> | 128.9 | 88.0 |
| Cash and cash equivalents | <u>25</u> | 130.1 | 98.7 |
| Total current assets | | 622.4 | 474.3 |
| Non-current assets classified as held for sale | <u>26</u> | 3.6 | 14.7 |
| Total assets | | 1,304.8 | 1,291.3 |

| EUR million | Note | 31 Dec 2015 | 31 Dec 2014 |
|---|-----------|----------------|----------------|
| Equity | | | |
| Share capital | <u>27</u> | 70.0 | 70.0 |
| Contingency reserve | <u>27</u> | 142.7 | 142.7 |
| Fair value reserve | <u>27</u> | 0.1 | 0.2 |
| Translation differences | <u>27</u> | -103.6 | -94.6 |
| Retained earnings | | 495.2 | 455.6 |
| Total equity | | 604.4 | 573.8 |
| Non-current liabilities | | | |
| Deferred tax liabilities | <u>20</u> | 23.1 | 31.6 |
| Non-current interest-bearing loans | <u>30</u> | 126.7 | 283.5 |
| Other non-current liabilities | <u>31</u> | 10.3 | 11.4 |
| Non-current provisions | <u>29</u> | 17.0 | 12.6 |
| Defined benefit pension plan obligations | <u>28</u> | 11.6 | 16.3 |
| Total non-current liabilities | | 188.6 | 355.4 |
| Current liabilities | | | |
| Current interest-bearing loans | <u>30</u> | 163.6 | 12.0 |
| Trade payables and other liabilities | <u>31</u> | 322.1 | 343.9 |
| Income tax payables | | 14.9 | 0.3 |
| Current provisions | <u>29</u> | 10.2 | 6.0 |
| Total current liabilities | | 510.8 | 362.1 |
| Liabilities associated with non-current assets classified as held for sale | <u>26</u> | 1.0 | - |
| Total liabilities | | 700.4 | 717.5 |
| Total equity and liabilities | | 1,304.8 | 1,291.3 |

Consolidated Statement of Cash Flows

| EUR million | Note | 2015 | 2014 |
|--|-----------|--------------|--------------|
| Result for the financial period | | 36.0 | -4.4 |
| Adjustments: | | | |
| Depreciation and amortization | <u>9</u> | 80.5 | 86.0 |
| Impairment losses | <u>9</u> | 11.9 | 4.4 |
| Gains on sale of intangible and tangible assets | <u>4</u> | -46.4 | -1.9 |
| Losses on sale of intangible and tangible assets | <u>10</u> | 1.5 | 1.0 |
| Financial income | <u>11</u> | -13.9 | -26.6 |
| Financial expense | <u>11</u> | 25.7 | 33.1 |
| Income tax | <u>12</u> | 7.4 | -0.2 |
| Other adjustments | | 8.1 | -4.1 |
| Cash flow before change in net working capital | | 110.7 | 87.3 |
| Change in trade and other receivables | | 2.5 | 24.5 |
| Change in inventories | | 0.2 | 2.3 |
| Change in trade payables and other liabilities | | -21.0 | -5.4 |
| Change in net working capital | | -18.2 | 21.3 |
| Cash flow before financial items and income tax | | 92.4 | 108.6 |
| Interests paid | | -15.6 | -21.2 |
| Interests received | | 7.0 | 7.6 |
| Other financial items | | 1.0 | 3.1 |
| Income tax paid | | -3.0 | -4.9 |
| Cash flow from financial items and income tax | | -10.6 | -15.4 |

| | | | |
|--|-----------|--------------|--------------|
| Cash flow from operating activities | | 81.9 | 93.2 |
| Purchase of intangible assets | | -17.7 | -11.4 |
| Purchase of property, plant and equipment | | -34.7 | -31.5 |
| Proceeds from sale of intangible and tangible assets | | 122.2 | 1.9 |
| Business acquisitions | <u>2</u> | -3.5 | -3.6 |
| Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents | <u>2</u> | 14.2 | 0.7 |
| Financial assets at fair value through profit or loss | | -42.0 | 0.2 |
| Financial assets held to maturity | | -83.0 | -12.0 |
| Cash flow from other investments | | 4.0 | 9.5 |
| Cash flow from investing activities | | -40.4 | -46.3 |
| Increases in current loans | <u>30</u> | 4.3 | - |
| Repayment of current loans | <u>30</u> | - | -12.5 |
| Increases in non-current loans | <u>30</u> | - | 0.2 |
| Repayment of finance lease liabilities | <u>30</u> | -12.2 | -10.9 |
| Cash flow from financing activities | | -8.0 | -23.2 |
| Change in cash and cash equivalents | | 33.4 | 23.7 |
| Cash and cash equivalents at the beginning of the period | <u>25</u> | 98.7 | 81.0 |
| Effect of changes in exchange rates | | -0.3 | -5.9 |
| Cash and cash equivalents included in assets held for sale | | -1.8 | - |
| Cash and cash equivalents at the end of the period | <u>25</u> | 130.1 | 98.7 |

Consolidated Statement of Changes in Equity

| EUR million | Share capital | Contingency reserve | Fair value reserve | Translation differences | Retained earnings | Total equity |
|--|---------------|---------------------|--------------------|-------------------------|-------------------|--------------|
| Equity 1 Jan 2014 | 70.0 | 142.7 | 0.0 | -21.3 | 464.4 | 655.8 |
| Result for the financial period | | | | | -4.4 | -4.4 |
| Other items of comprehensive income: | | | | | | |
| Change in fair value reserve | | | 0.2 | | | 0.2 |
| Change in translation differences | | | | -73.3 | | -73.3 |
| Actuarial gains and losses | | | | | -4.3 | -4.3 |
| Comprehensive income for the financial period | | | 0.2 | -73.3 | -8.8 | -81.9 |
| Equity 31 Dec 2014 | 70.0 | 142.7 | 0.2 | -94.6 | 455.6 | 573.8 |

| EUR million | Share capital | Contingency reserve | Fair value reserve | Translation differences | Retained earnings | Total equity |
|--|---------------|---------------------|--------------------|-------------------------|-------------------|--------------|
| Equity 1 Jan 2015 | 70.0 | 142.7 | 0.2 | -94.6 | 455.6 | 573.8 |
| Result for the financial period | | | | | 36.0 | 36.0 |
| Other items of comprehensive income: | | | | | | |
| Change in fair value reserve | | | -0.1 | | | -0.1 |
| Change in translation differences | | | | -9.0 | | -9.0 |
| Actuarial gains and losses | | | | | 3.7 | 3.7 |
| Comprehensive income for the financial period | | | -0.1 | -9.0 | 39.6 | 30.5 |
| Equity 31 Dec 2015 | 70.0 | 142.7 | 0.1 | -103.6 | 495.2 | 604.4 |

Notes to the Consolidated Financial Statements

Company information

Posti Group provides postal and logistics services, e-commerce services and financial management outsourcing services and operates in 9 countries. The Group's parent company, Posti Group Corporation, is domiciled in Helsinki, and its registered address is Postintaival 7 A, FI-00230 Helsinki.

Accounting policies

Posti Group Corporation has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, while adhering to the related IFRS/IAS standards, effective on December 31, 2015, and their SIC and IFRIC interpretations. The notes to the consolidated financial statements are also in compliance with Finnish accounting and company legislation.

The consolidated financial statements are prepared at historical cost, 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. The consolidated financial statements are presented in millions of euros. The figures are rounded and thus the sum total of individual figures may be different than the total presented.

Consolidation Principles

Subsidiaries

The consolidated financial statements include the accounts of the parent company, Posti Group Corporation, and those of all of its subsidiaries. Subsidiaries refer to companies over which the Parent company exercises control, directly or indirectly, arising from the Group being exposed to or having right to variable returns from the subsidiary and having the ability to affect those returns through its power over the subsidiary.

Subsidiaries are consolidated from the date on which control is obtained until the control ceases. Intra-group shareholdings are eliminated using the purchase method and the resulting residual is allocated to the acquiree's assets and liabilities measured at fair value. Any excess of the cost of acquisition over the Group's interest in the fair values of the acquiree's identifiable net assets, liabilities and contingent liabilities are recognized as goodwill.

Intra-group transactions, receivables, liabilities and distribution of profits are eliminated in the consolidated financial statements.

Associated companies

An associated company refers to an entity in which the Group holds more than 20 per cent of its shares and votes or, in other respects, over which the Group exercises significant influence, but not control. Holdings in associated companies are consolidated using the equity method. Investments in associated companies are recognized at cost as adjusted by post-acquisition changes in the Group's share of the associated company's net assets. The Group's share of associates company's results, based on the Group's interest in the associated company, is shown as a separate item before operating profit in the consolidated income statement.

Mutual property companies

Posti Group has holdings in property companies which are measured at the lower of cost or fair value. The holdings are presented in accordance with the assets and liabilities of the property companies, mainly in buildings and land areas in the statement of financial position. This presentation best reflects the nature of these assets and liabilities.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currencies are translated into euros at the exchange rate quoted on the transaction date. While monetary items in the balance sheet are translated into euros using the exchange rate quoted on the balance sheet date, non-monetary items are translated using the exchange rate quoted on the transaction date, excluding items carried at fair value translated using the exchange rate quoted on the date when the fair value was determined. Any exchange gains or losses arising from business operations are recorded in the statement of comprehensive income under the respective items above operating profit and those arising from financial instruments are included in financial income and expenses.

If the subsidiaries' functional currency differs from the Group's presentation currency, their income statements and cash flows are converted into euros using the average exchange rate quoted for the financial year, and their statements of financial position into the exchange rate on the balance sheet date. The translation difference arising from this is recognized in other items of comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognized in other comprehensive income. When the subsidiary is disposed of, any accumulated translation differences are recognized through profit or loss as part of gain or loss on disposal.

Goodwill resulting from the acquisition of foreign entities and the fair value adjustments of the carrying amounts of these entities' assets and liabilities made at the acquisition have been treated as the entity's assets and liabilities and translated into euros quoted on the balance sheet date. The goodwill resulting from acquisitions carried out before January 1, 2006, and fair value adjustments are recognized in euros.

Translation differences from net investments in foreign units are recorded under other items of comprehensive income. Net investments include also long-term loans granted by the Group to foreign units with unscheduled repayment and with unlikely repayment in the foreseeable future. As of October 1, 2009, intra-Group loan receivables from the Russian companies have been classified as net investments.

Revenue recognition

A significant portion of the Group's revenue is generated by the production of short-term services. Various delivery solutions form a significant portion of the Group's range of services. Revenue from services is recognized when the service in question has been performed in accordance with the agreement. Revenue from the sale of goods is recognized when the goods have been delivered to the customer, and the significant risks and benefits associated with the ownership of the goods have transferred to the buyer.

Net sales comprise the revenue generated by the sale of goods and services minus indirect taxes related to sales, discounts and foreign exchange differences.

Postal Services

Postal Services provides delivery services for letters, advertisements and publications and marketing services.

Revenue on stamps (includes transport and delivery service) is recognized when they are sold. Net sales derived from the delivery of letters, publications, and direct marketing are recognized monthly on accrual basis. Services charged on an annual basis, such as post office boxes, net sales are recognized monthly in accordance with use. Revenue on sale of goods is recognized when goods are transferred to the customer.

Parcel and Logistics Services

Parcel and Logistics Services offers comprehensive supply chain solutions, parcel and e-commerce services, freight and transportation services and warehousing services.

The net sales of online shopping and parcel services are recognized per calendar month, 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 service has been performed. Revenue on warehousing services includes two components: processing and the rent for premises. Processing means collection done on behalf of a customer that is recognized on the basis of the number of occurrences. The rent for premises is recognized as income according to the space a customer's goods require (pallet meters per day) on accrual basis.

OpusCapita

The business group's net sales consist primarily of the volume-based invoicing of outbound services, electronic solutions, and financial management services. Sales are recognized on accrual basis during the month of production. Annual licenses related to electronic services are recognized during the period of license validity.

Government grants

Government grants mainly refer to product and business development grants and low-wage support, which are recognized in other operating income.

Other operating income

Other operating income includes capital gains on sale of assets and income other than that based on the sale of goods and services, such as rental income.

Employee benefits

Pensions

The majority of the Group's pension plans are classified as defined contribution plans. Contributions under defined contribution pension plans are recognized through profit or loss in the period to which they relate. After the contributions have been paid, no pension obligations remain for the Group.

For defined benefit plans, the pension liability recognized in the balance sheet equals the present value of the defined benefit obligation reduced by the fair value of plan assets on the balance sheet date.

Expenses under both the defined contribution and defined benefit plans are included in employee benefit expenses in the statement of comprehensive income. Actuarial gains and losses on defined benefit pension plans are included in other items of comprehensive income.

Other operating expenses

Other operating expenses include lease expenses, voluntary personnel expenses, maintenance expenses related to premises and vehicles, expenses related to fuels and lubricants, as well as other production expenses. In addition, sales commissions paid to non-employees and other sales costs and marketing, entertainment, administration and IT expenses are included in other operating expenses.

Operating profit

The Group applies the following definition for operating profit: an operating profit is a net amount derived from net sales plus other operating income, less purchase expenses from which change in finished goods inventory and work in progress is subtracted, adjusted for expenses from production for own use, less employee benefit expenses, depreciation, amortization and any impairment losses, other operating expenses and the share of associated companies' results. All other items in the income statement are shown below the operating profit. Exchange rate differences are included in the operating profit if they arise from items related to operations. Otherwise they are recognized in financial items.

Non-recurring items

Extraordinary events outside regular operations are regarded as non-recurring items which are allocated to segments. The Group's non-recurring items include reorganization costs, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, properties or business operations, and changes in purchase consideration for business combinations after the date of acquisition recognized in income statement are defined as non-recurring items. Non-recurring items related to personnel restructuring are included in employee benefits expense.

Borrowing costs

Borrowing costs are expensed as incurred. Direct borrowing costs incurred by the acquisition, construction or manufacture of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the asset's acquisition cost. Loan-related transaction expenses clearly associated with a specific loan are included in the loan's original amortized cost and recognized as interest expenses using the effective interest method.

Income taxes

Income tax expense shown in the consolidated income statement includes Group companies' current income tax calculated on their profit for the financial year using the tax rate effective on the balance sheet date based on local tax regulations, as well as any tax adjustments for previous financial years and changes in deferred tax.

Deferred taxes are calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases. 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.

The tax rate enacted by the balance sheet date or, in practice, confirmed by the closing date of the reporting period, is used to determine deferred tax. 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.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree on the date of acquisition.

Instead of amortization, goodwill is annually tested for impairment. For this purpose, goodwill is allocated to cash generating units (CGUs). After initial recognition, goodwill is measured at cost less accumulated impairment losses.

Research and development expenditure

Research and development costs are primarily expensed as incurred. Only development costs arising from new significant or substantially improved products and enterprise resource planning systems are capitalized as intangible assets. Asset is capitalized only if it is technically and commercially feasible and the Group has intention and resources to complete the intangible asset and it is probable that the created asset will generate future economic benefits. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives.

Other intangible assets

A purchased intangible asset is initially recognized at cost. Intangible assets acquired through business combinations, such as intangible assets related to customers, marketing and technology, are carried at fair value on the date of acquisition. Intangible rights mainly comprise software licenses and customer portfolios, trademarks and leases acquired through business combinations. The Group's other intangible assets have definite economic 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 |
| Leases | 4 years |

Property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less any accumulated depreciation and impairment losses. PPE are depreciated on a straight-line basis over their expected useful lives. Land and water are not subject to depreciation.

The expected useful lives of PPE are as follows:

| | |
|----------------------|-------------|
| Production buildings | 8–25 years |
| Office buildings | 25–40 years |
| Structures | 15 years |

| | |
|-------------------------|------------|
| Machinery and equipment | 3–13 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' useful lives are reassessed on the balance sheet date and, if necessary, adjusted to meet the requirements of changed circumstances.

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 not subject to depreciation.

Investment property

Investment property refers to land or buildings, or part thereof, held for rental income or capital appreciation. It is measured at cost less accumulated depreciation and impairment losses. Buildings under investment property are depreciated on a straight-line basis over their expected useful lives, 30–40 years. Land included in investment property is not depreciated.

Leases

Leases on 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

Assets under finance leases are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Lease obligations are included in interest-bearing liabilities. Leased assets are depreciated over their useful lives or shorter lease term. Finance lease payments are apportioned between interest expenses and reduction of the lease liability.

Operating lease payments are expensed in the statement of comprehensive income on a straight-line basis over the lease term.

The Group as lessor

Finance leases, for which the Group acts as a lessor are recognized as receivables at the present value of investment. Finance lease income is recognized in such a way that the residual net investment generates the same return over the lease term.

Assets leased under operating leases are included in property, plant and equipment and depreciated over their useful lives in the same way as for similar assets in own use. Lease income is recorded on a straight-line basis through profit or loss over the lease term.

Inventories

After initial recognition, inventories are measured at the lower of cost or net realizable value. The cost is measured applying the average price method. 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 as 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 is determined by the purpose for which the asset is purchased at the time of its original purchase. 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 or loss. Purchases and sales of financial assets are recognized or derecognized at transaction 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 classified as hedging instruments qualified for hedge accounting 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 non-derivative 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.

Financial assets available-for-sale are non-derivatives designated in this asset category or not classified in any of the other asset categories. They are measured at fair value on the balance sheet date. Changes in fair value of the available-for-sale financial assets 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 the fair value are recorded through profit or loss if the investment is sold or its value has decreased in such a way that an impairment loss must be recognized. Financial assets available-for-sale assets include equity fund investments measured at fair value on the balance sheet date as notified by the fund manager or at the latest available fair value.

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

the maturity of liabilities. Financial liabilities are included in both non-current and current liabilities.

Derivative contracts and hedge accounting

Derivative contracts are initially recognized at the fair value of the date the derivative contract was concluded. Subsequently, their value is measured at their fair value on the 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 derivative contracts, which do not meet the conditions for applying hedge accounting.

When commencing hedge accounting, the Group documents 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 hedging measures. When commencing hedging, and at least in connection with each closing of the books, the Group documents and assesses the effectiveness of the hedging relationship by inspecting the hedge instrument's ability to offset the fair value of the hedged item.

Changes in the fair value of derivatives that meet the conditions for and determined as 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. If the conditions for hedge accounting are no longer met, the amount related to the hedged risk and recognized against the hedged asset or liability is recognized to income statement during maturity of the derivative. The Group has applied fair-value hedge accounting for hedging against fixed-rate loans. Changes in the fair value of a derivatives contract hedging against a fixed-rate loan and changes in fair value attributable to the interest rate risk of a hedged fixed-rate loan until hedge accounting is ceased are presented in financial items. Hedge accounting for interest rate swaps ceased to meet hedge effectiveness criteria and hedge accounting was discontinued as of 1 July, 2015. Since that date the amount recognized against the hedged liability is accrued to financial items.

Changes in the fair value of derivatives that meet the conditions for and determined as cash-flow hedges are recognized in other items of comprehensive income. The fair value changes of the hedging instruments 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.

The Group has for hedging purposes entered into certain derivative contracts for which hedge accounting is not applied. The Group does not apply hedge accounting as defined in IAS 39 for currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities, or for electricity derivatives which are used for hedging against electricity price risk of future electricity purchases. 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.

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. The fair values of electricity derivatives are based on the quoted market price on the reporting date.

Cash and cash equivalents

Cash and cash equivalents consist of cash, callable bank deposits and other short-term, highly liquid investments that can be easily exchanged for a pre-determined amount of cash and that involve a very small 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.

A contingent liability is a potential liability based on previous events. It depends on the realization of an uncertain future event beyond the Group's control. 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.

Impairment testing

An impairment test is performed on non-current asset which is depreciated during its economic lifetime if there is any indication that its carrying value exceeds the recoverable amount. However, goodwill is subject at a minimum to an annual impairment test and factors having an impact on testing are reviewed during the financial period. For this purpose, goodwill is allocated to cash generating units, i.e. to the lowest level for which there are cash flows that are largely independent of the cash flows from other assets or groups of assets. Group's cash generating units are presented in the Notes.

The recoverable amount is the fair value of the asset less costs to be incurred in selling or a higher cash flow-based 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. If the asset's carrying amount exceeds its estimated recoverable amount, an impairment loss is recognized through profit or loss. The impairment loss on a cash generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the unit's other assets on a pro rata basis.

Impairment losses of tangible assets previously charged to expenses are reversed only if circumstances have changed and the asset's recoverable amount has changed from the date of impairment loss recognition. An impairment loss is reversed only to the extent that the reversal does not increase the asset's carrying amount above the asset's carrying amount if no impairment loss had been recognized. Impairment losses on goodwill are not reversed.

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 most significant matter, in which the management uses estimates described above, is impairment testing of goodwill.

Goodwill is annually tested for any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units (CGUs) are based on calculations of value in use, whose preparation requires estimates and assumptions regarding aspects such as discount rate, long-term market growth and business profitability. Sensitivity analysis is prepared in order to assess the changing component's impact to the results. During the year, the management also assesses whether there is an indication of an impaired asset.

In connection with business combinations, the acquired entity's assets are measured at fair value. In significant business combinations, the Group has consulted external specialists in evaluating the fair values of the tangible and intangible assets. Allocating the total purchase consideration to intangible assets and goodwill is partly based on an estimate. Determining assets' depreciation/amortization periods is based on the estimated useful lives of the assets. Any contingent purchase consideration for a business combination is recognized as part of acquisition cost based on management's estimate.

The carrying amounts of property, plant and equipment are based on the cost of acquisition and the related asset depreciation according to the asset's useful life. The assets' useful lives and their adjustment to meet the requirements of changed circumstances are based on estimates and assumptions. The carrying amounts of the tangible and intangible assets will be annually evaluated in the connection of fixed assets physical inventory.

Group's revenue recognition is not considered to involve material discretionary items.

Application of new or amended IFRS standards

The amendments to IFRS standards effective as of 1 January 2015 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 defines how and when revenue from contracts with customers is recognized. The standard also entails increased disclosures on revenue from customer contracts. The Group estimates that the new standard may change the revenue recognition principles of certain services. The new standard will be applicable to financial periods beginning on or after 1 January 2018. The standard has not yet been endorsed to be applied within the EU.

IFRS 9 Financial Instruments. The new standard will change the classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets. The Group estimates that the new standard will have an impact of classification and measurement of financial instruments and hedge accounting. The new standard will be applicable to financial periods beginning on or after 1 January 2018. The standard has not yet been endorsed to be applied within the EU.

IFRS 11 Joint arrangements (amendment). The amendment specifies the treatment of acquisitions of an interest in a joint operation in which the activity constitutes a business. The amendment will be applicable to financial periods beginning on or after 1 January 2016 and it is not applied prospectively.

IAS 1 Presentation of financial statements (amendment). The amendment clarify a number of issues on disclosures. The amendment will be applicable to financial periods beginning on or after 1 January 2016.

Annual Improvements 2012-2014. Amendments to two standards are applicable to Group. Amendments on **IFRS 7 Financial Instruments: Disclosures** specify guidance on derecognition of financial assets and related disclosures. Amendment on **IAS 34 Interim financial reporting** adds a requirement to cross-reference information located outside the interim report. The amendments will be applicable to financial periods beginning on or after 1 January 2016.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1. Operating segments

Group reporting 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, which is why they are managed as separate entities. The President and CEO is the chief operating decision maker, responsible for allocating resources to operating segments and the evaluation of the segments' results. The operating segments are also reporting segments.

Other operations and unallocated items consist of operations, centralized Group functions supporting the business, and of investment properties. Unallocated items include tax and financial items, as well as corporate items.

In internal management reporting, the segments' performance assessment is based on the operating result and return on invested capital. Items allocated to the segments include non-current and current operating assets and liabilities, including non-interest bearing liabilities and provisions. Operating items 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.

The valuation and accrual principles used in the internal management reporting are IFRS-compliant. Inter-segment sales are conducted at market prices.

Postal Services

Postal Services is in charge of 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. Press Services provides newspaper, magazine and free distribution paper delivery services to 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

The Parcel and Logistics Services business group is in charge of comprehensive supply chain solutions, parcel and e-commerce services, transport services for companies, as well as warehousing and supplementary services.

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.

OpusCapita

OpusCapita offers the full range of financial processes, from single processes to comprehensive outsourcing. The company develops Purchase-to-Pay and Order-to-Cash processes, in which software, subcontracting and services are combined in the market-leading delivery model. OpusCapita helps customers improve the efficiency and quality of their business operations so that they can focus on their core operations.

OpusCapita has more than 11,000 corporate customers and software users in approximately 50 countries.

2015

| EUR million | Postal Services | Parcel and Logistics Services | Itella Russia | OpusCapita | Segments total | Other operations and unallocated | Eliminations | Group total |
|--|------------------------|--------------------------------------|----------------------|-------------------|-----------------------|---|---------------------|--------------------|
| External sales | 689.9 | 596.4 | 118.8 | 245.2 | 1,650.3 | 0.0 | | 1,650.3 |
| Inter-segment sales | 52.4 | 0.3 | 0.0 | 11.5 | 64.2 | 8.8 | -73.0 | |
| Net sales | 742.3 | 596.7 | 118.9 | 256.7 | 1,714.5 | 8.7 | -73.0 | 1,650.3 |
| Operating result | 57.3 | -12.6 | -25.0 | 13.3 | 33.1 | 22.8 | | 55.9 |
| Financial income and expense | | | | | | -12.5 | | -12.5 |
| Profit/loss for the period before taxes | | | | | | | | 43.3 |
| Assets | 262.1 | 288.5 | 126.1 | 172.7 | 849.4 | 456.9 | -5.1 | 1,301.2 |
| Non-current assets classified as held for sale | | | | | | 3.6 | | 3.6 |
| Liabilities | 163.5 | 119.2 | 27.0 | 36.1 | 345.8 | 358.8 | -5.1 | 699.5 |
| Liabilities associated with non-current assets classified as held for sale | | | | | | 1.0 | | 1.0 |
| Capital expenditure | 0.4 | 6.9 | 2.5 | 9.6 | 19.3 | 41.3 | | 60.6 |
| Depreciation and amortization | 0.0 | 8.2 | 9.2 | 7.1 | 24.5 | 56.0 | | 80.5 |
| Impairment losses | - | 1.1 | 7.5 | 1.1 | 9.6 | 2.3 | | 11.9 |
| Personnel at period-end | 69 | 1,478 | 2,646 | 2,178 | 6,371 | 15,227 *) | | 21,598 |

*) Other operations include both group functions and employees in operations.

2014

| EUR million | Parcel and Postal Logistics Services | | Itella Russia | Opus- Capita | Seg- ments total | Other opera- tions and un- allocated | Elimi- nations | Group total |
|--|---|-------|------------------|-----------------|------------------------|--|-------------------|----------------|
| External sales | 717.7 | 721.8 | 171.7 | 246.8 | 1,858.0 | 0.7 | | 1,858.7 |
| Inter-segment sales | 51.3 | 0.9 | 0.4 | 12.8 | 65.4 | 47.9 | -113.3 | |
| Net sales | 769.0 | 722.7 | 172.0 | 259.6 | 1,923.4 | 48.6 | -113.3 | 1,858.7 |
| Operating result | 66.1 | -34.2 | 2.4 | 12.7 | 47.0 | -41.2 | | 5.8 |
| Financial income and expense | | | | | | -10.4 | | -10.4 |
| Profit/loss for the period before taxes | | | | | | | | -4.6 |
| Assets | 390.8 | 321.4 | 149.4 | 171.5 | 1,033.1 | 248.2 | -4.7 | 1,276.6 |
| Non-current assets classified as held for sale | | | | | | 14.7 | | 14.7 |
| Liabilities | 165.4 | 143.7 | 22.2 | 42.1 | 373.4 | 348.7 | -4.7 | 717.5 |
| Capital expenditure | 0.2 | 10.9 | 2.6 | 5.8 | 19.5 | 38.0 | | 57.5 |
| Depreciation and amortization | 0.0 | 9.1 | 13.8 | 6.6 | 29.5 | 56.5 | | 86.0 |
| Impairment losses | | 3.7 | | 0.7 | 4.4 | | | 4.4 |
| Personnel at period-end | 106 | 1,902 | 2,920 | 2,292 | 7,220 | 16,069 | | 23,289 |

Geographical areas

Group operates in four geographical areas: Finland, Scandinavia, Russia and Other countries. Geographical area's net sales 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. Group's customer base consists of a large number of customers over several market areas, therefore sales to any single customer does not make up a significant part of the Group's net sales.

2015

| EUR million | Finland | Scan- dinavia | Russia | Other count- ries | Total |
|--------------------|---------|------------------|--------|-------------------------|---------|
| Net sales | 1,265.3 | 140.4 | 118.5 | 126.1 | 1,650.3 |
| 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 | 1,358.8 | 211.5 | 171.8 | 116.5 | 1,858.7 |
| Non-current assets | 456.8 | 19.3 | 114.9 | 16.4 | 607.4 |

2. Acquired businesses and business divestments

Acquired businesses 2015

Posti Group's subsidiary, OpusCapita Group Oy, 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.

Analysis of net assets acquired

Effect on assets

| EUR million | Fair value |
|-------------------------------|------------|
| Intangible assets | 2.5 |
| Property, plant and equipment | 0.0 |
| Receivables | 1.0 |
| Cash and cash equivalents | 0.4 |
| Effect on assets | 4.0 |

Effect on liabilities

| EUR million | |
|--------------------------------------|------------|
| Deferred tax liability | 0.5 |
| Non-current liabilities | 0.4 |
| Trade payables and other liabilities | 0.8 |
| Effect on liabilities | 1.7 |
| Net assets acquired | 2.2 |

Components of acquisition cost**EUR million**

| | |
|------------------------------------|------------|
| Purchase price | 4.4 |
| Earn-out consideration (estimated) | 1.4 |
| Total cost of acquisition | 5.8 |
| Fair value of net assets acquired | 2.2 |
| Goodwill | 3.6 |

Cash flow effect of the acquisition**EUR million**

| | |
|--|-------------|
| Purchase price paid in cash | 4.4 |
| Cash and cash equivalents of the acquired subsidiary | 0.4 |
| Cash flow | -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 Oy, 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.

Analysis of net assets acquired**Effect on assets****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 |
| Effect on assets | 3.3 |

Effect on liabilities**EUR million**

| | |
|--------------------------------------|------------|
| Deferred tax liability | 0.4 |
| Non-current liabilities | 0.4 |
| Trade payables and other liabilities | 1.9 |
| Effect on liabilities | 2.6 |
| Net assets acquired | 0.7 |

Components of acquisition cost**EUR million**

| | |
|------------------------------------|------------|
| Purchase price | 3.1 |
| Earn-out consideration (estimated) | 1.9 |
| Total cost of acquisition | 5.0 |
| Fair value of net assets acquired | 0.7 |
| Goodwill | 4.2 |

Cash flow effect of the acquisition**EUR million**

| | |
|--|-------------|
| Purchase price paid in cash | 3.7 |
| Cash and cash equivalents of the acquired subsidiary | 0.0 |
| Cash flow | -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. Net sales

| EUR million | 2015 | 2014 |
|--------------------|----------------|----------------|
| Sales of services | 1,626.6 | 1,831.9 |
| Sales of goods | 13.5 | 16.4 |
| Sales of licenses | 10.2 | 10.5 |
| Total | 1,650.3 | 1,858.7 |

4. Other operating income

| EUR million | 2015 | 2014 |
|--|-------------|-------------|
| Gains on sale of property, plant and equipment | 42.8 | 1.1 |
| Rental income | 5.7 | 6.4 |
| Rents from investment property | 1.7 | 1.8 |
| Gains on sale of subsidiaries and businesses | 3.6 | 1.3 |
| Other operating income | 3.6 | 2.0 |
| Total | 57.4 | 12.6 |

Gains on disposal of property, plant and equipment consists mainly of sales gains on buildings and land. It also includes the sales of real estate shares and other items of property, plant and equipment. Rental income consists mainly of rents for the Group's buildings and apartments.

5. Materials and services

| EUR million | 2015 | 2014 |
|--------------------|--------------|--------------|
| Purchases | 21.1 | 20.8 |
| External services | 416.5 | 505.9 |
| Total | 437.6 | 526.7 |

External services consists mainly of purchased subcontracting services for production such as freight, forward and transport services.

6. Non-recurring items

| EUR million | 2015 | 2014 |
|---|-------------|-------------|
| Personnel restructuring | 8.4 | 25.8 |
| Impairment of purchase price allocations | 7.6 | 0.0 |
| Restructuring and asset impairments | 3.9 | 13.4 |
| Change in purchase consideration for an acquisition | -1.3 | - |
| Gains on disposals of subsidiaries and businesses | -37.3 | -1.3 |
| Provision for onerous contracts | 11.7 | 0.0 |
| Other | -0.2 | 7.0 |
| Total | -7.2 | 45.0 |

Extraordinary events outside regular operations are regarded as non-recurring items which are allocated to segments. The Group's non-recurring items include reorganization costs, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, properties or business operations, and changes in purchase consideration for business combinations after the date of acquisition recognized in income statement are defined as non-recurring items. Non-recurring items related to personnel restructuring are included in employee benefits expense.

7. Employee benefits

| EUR million | 2015 | 2014 |
|---------------------------------------|--------------|--------------|
| Wages and salaries | 606.9 | 684.7 |
| Pensions (defined contribution plans) | 98.4 | 103.3 |
| Pensions (defined benefit plans) | 0.4 | 0.6 |
| Other social expenses | 50.9 | 59.3 |
| Total | 756.5 | 847.8 |

Employee benefits

More detailed information on defined benefit pension plans can be found in [Note 28](#).

Employee benefit expense includes EUR 8.4 (25.8) million of personnel restructuring costs.

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 2015 is EUR 0.0 (1.0) million.

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.

8. Research and development costs

| EUR million | 2015 | 2014 |
|--|-------------|-------------|
| R&D costs charged to expenses | 8.3 | 7.6 |
| Amortization on development costs and internally generated intangible rights | 4.6 | 3.6 |
| Total | 12.9 | 11.2 |

9. Depreciation, amortization and impairment losses

| EUR million | 2015 | 2014 |
|---|-------------|-------------|
| Amortization on intangible assets | | |
| Development costs | 0.9 | 0.5 |
| Intangible rights | 15.2 | 17.1 |
| Total | 16.1 | 17.7 |
| Impairment losses on intangible assets | | |
| Impairment losses on intangible rights | 8.6 | 2.1 |
| Total | 8.6 | 2.1 |
| Depreciation on tangible assets | | |
| Buildings and structures | 17.3 | 22.4 |
| Investment properties | 0.2 | 0.7 |
| Machinery and equipment | 33.6 | 33.7 |
| Assets leased under finance lease | 12.4 | 10.6 |
| Other tangible assets | 0.8 | 1.0 |
| Total | 64.4 | 68.4 |
| Impairment losses on tangible assets | | |
| Impairment losses on land and water | 0.3 | - |
| Impairment losses on buildings | 2.9 | 2.4 |
| Total | 3.2 | 2.4 |
| Total depreciation, amortization and impairment losses | 92.4 | 90.4 |

Impairment losses include a EUR 7.6 million impairment loss on assets included in Itella Russia segment. The most substantial impaired assets were the customer relationships, which were booked to zero. The forecasted cash flows from these customer relationships decreased below their book value. The fair value was determined based on data that is not based on verifiable market data (level 3).

Goodwill is not amortized on regular basis. Instead, goodwill is tested for impairment annually and whenever there are indications for impairment.

More information about impairment testing of goodwill is presented in [Note 13](#).

10. Other operating expenses

| EUR million | 2015 | 2014 |
|---|--------------|--------------|
| Rental expenses | 128.4 | 119.3 |
| Voluntary employee expenses | 17.1 | 20.2 |
| Losses on disposal of property, plant and equipment | 1.5 | 1.0 |
| IT operating costs | 64.2 | 85.4 |
| Facility maintenance expenses | 42.4 | 45.4 |
| Other operating expenses | 111.8 | 129.3 |
| Total | 365.4 | 400.5 |

Other operating expenses contain costs of administration, traveling, fuel, marketing as well as other production costs.

Auditors' remuneration

| | | |
|----------------|------------|------------|
| Audit | 0.6 | 0.5 |
| Tax advisory | 0.0 | 0.0 |
| Other services | 0.1 | 0.1 |
| Total | 0.7 | 0.6 |

11. Financial income and expenses

Financial income

| EUR million | 2015 | 2014 |
|--|-------------|-------------|
| Dividend income | 0.1 | 0.1 |
| Interest income | | |
| Financial assets at fair value through profit or loss | 5.8 | 5.7 |
| Loans and receivables | 1.3 | 1.7 |
| Assets held to maturity | 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 |
| 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 | 1.2 | 2.0 |
| Currency derivatives, non-hedge accounting | 3.6 | 15.5 |
| Change in fair value of the hedged loan | 1.3 | 1.0 |
| Total | 13.9 | 26.6 |

Financial expense

| EUR million | 2015 | 2014 |
|--|-------------|-------------|
| Interest expense | | |
| Financial liabilities at amortized cost | 12.8 | 12.9 |
| Financial liabilities at fair value through profit or loss | 1.3 | 3.4 |
| Other financial expenses on financial liabilities at amortized cost | 0.8 | 0.8 |
| Losses on disposal of financial assets at fair value through profit or loss | - | 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 | 0.9 | - |
| Interest rate derivatives, non-hedge accounting | 1.0 | - |
| Interest rate derivatives, hedge accounting | 0.9 | 0.9 |
| Exchange rate losses | | |
| Interest-bearing receivables and liabilities | 2.9 | 13.3 |
| Currency derivatives, non-hedge accounting | 2.8 | 5.2 |
| Impairment on loans and receivables | 3.0 | - |
| Total | 26.4 | 36.9 |

12. Income tax expense

| EUR million | 2015 | 2014 |
|--|------------|-------------|
| Current tax | 18.3 | 1.6 |
| Tax for previous years | -0.1 | 1.0 |
| Deferred tax | -10.8 | -2.8 |
| Total | 7.4 | -0.2 |
| Reconciliation of tax charge at Finnish tax rate (20%) | | |
| Profit or loss before tax and associates' results | 43.3 | -4.6 |
| Income tax at parent company's tax rate | 8.7 | -0.9 |
| Effect of foreign subsidiaries' tax rates | 0.1 | -1.8 |
| Non-deductible expenses and other differences | 1.0 | 0.9 |
| Tax-exempt income | -4.7 | -2.4 |
| Tax from previous years | 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 financial period | 4.4 | 5.6 |
| Changes in deferred tax assets for previous years' losses | -3.1 | - |
| Tax charge in the consolidated income statement | 7.4 | -0.2 |
| Effective tax rate | 17.1% | 3.4% |

13. Intangible assets

2015

| EUR million | Goodwill | Intangible rights | Develop- ment costs | Advances paid and work in progress | Total |
|--|--------------|----------------------|---------------------------|---|---------------|
| Cost on 1 Jan | 246.2 | 218.9 | 29.1 | 9.2 | 503.5 |
| Translation differences and other adjustments | -0.2 | -4.9 | | | -5.1 |
| Acquired businesses | 3.1 | 2.6 | | | 5.6 |
| 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 on 31 Dec | 249.1 | 219.4 | 30.3 | 15.2 | 513.9 |
| Accumulated amortization and impairment losses 1 Jan | -63.1 | -168.9 | -25.6 | -3.4 | -261.0 |
| 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 31 Dec | -63.1 | -183.3 | -27.5 | -3.4 | -277.3 |
| Carrying amount on 1 Jan | 183.1 | 50.0 | 3.5 | 5.9 | 242.4 |
| Carrying amount on 31 Dec | 186.0 | 36.1 | 2.7 | 11.9 | 236.7 |

2014

| EUR million | Goodwill | Intangible rights | Development costs | Advances paid and work in progress | Total |
|--|-----------------|--------------------------|--------------------------|---|---------------|
| Cost on 1 Jan | 238.3 | 238.1 | 26.1 | 9.1 | 511.6 |
| Translation differences and other adjustments | 3.7 | -16.8 | | | -13.1 |
| Acquired businesses | 4.2 | 1.1 | | | 5.3 |
| Additions | | 4.2 | | 8.3 | 12.4 |
| Disposals | | -12.7 | | | -12.7 |
| Transfers between items | | 5.1 | 3.0 | -8.1 | 0.0 |
| Cost on 31 Dec | 246.2 | 218.9 | 29.1 | 9.2 | 503.5 |
| Accumulated amortization and impairment losses 1 Jan | -58.3 | -174.7 | -25.1 | -3.4 | -261.5 |
| Translation differences and other adjustments | -4.8 | 10.6 | | | 5.8 |
| 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 31 Dec | -63.1 | -168.9 | -25.6 | -3.4 | -261.0 |
| Carrying amount on 1 Jan | 180.0 | 63.4 | 1.0 | 5.8 | 250.1 |
| Carrying amount on 31 Dec | 183.1 | 50.0 | 3.5 | 5.9 | 242.4 |

Intangible rights include customer relationships acquired in business combinations as well as brands, licenses, and applications.

Goodwill allocation

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

| EUR million | 2015 | 2014 *) |
|------------------------------------|--------------|----------------|
| Postal Services | 44.1 | 44.1 |
| OpusCapita | 107.1 | 104.1 |
| Parcel and Transportation Services | 21.8 | 22.0 |
| Supply Chain Solutions | 12.9 | 12.9 |
| Total | 186.0 | 183.1 |

*) Restated to correspond the revised CGU-structure

The result of the goodwill impairment testing in 2015

In the third quarter of 2015, the Group performed an impairment test on each cash-generating unit containing goodwill. Posti Group does not have other intangible assets with unlimited useful life. The impairment test 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% (+0% – +2.0%) with the exception of Postal Services where the estimated terminal growth rate is -5% due to expected decline in paper delivery volumes.

Weighted average cost of capital (WACC) before taxes determined for each CGU has been used as discount rate. The calculation components are risk-free interest rate, market risk premium, beta for business area, target capital structure, the cost of debt and the country-specific risks. The basis for the risk-free discount rate was derived from the State bond rate. The discount rates decreased in comparison with previous year which is mainly attributable to decrease in risk-free interest rates.

The table below shows the key outcomes and the parameters used in testing. The corresponding figures for the previous period are given in parentheses.*)

| | Value-in-use exceeds carrying amount, MEUR | EBIT margin average, % | Terminal growth rate, % | Discount rate, % | Terminal year EBIT margin, % |
|------------------------------------|---|-------------------------------|--------------------------------|-------------------------|-------------------------------------|
| Postal Services | 460 (229) | 8,6 (8,3) | -5,0 (-5,0) | 6,8 (6,9) | 7,0 (5,0) |
| OpusCapita | 172 (359) | 6,4 (9,8) | 1,0 (2,0) | 8,2 (7,6) | 8,2 (10,5) |
| Parcel and Transportation Services | 296 (109) | 1,1 (-2,2) | 1,0 (2,0) | 7,2 (6,8) | 2,6 (3,0) |
| Supply Chain Solutions | 92 (29) | 10,3 (7,7) | 1,0 (2,0) | 6,9 (7,0) | 11,9 (7,8) |

*) Comparative data restated to correspond the revised CGU-structure

Preparation of a sensitivity analysis was not considered necessary with regard to Postal Services and Parcel and Transportation Services, since the recoverable amounts clearly exceeded the carrying amount of the tested assets.

A sensitivity analysis was performed for other cash-generating units 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 terminal year growth rate, discount rate and EBIT margin during the forecast period and terminal year. 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.

| | Terminal growth rate, % | Discount rate, % | EBIT margin, % |
|------------------------|--|-----------------------------|---------------------------|
| Supply Chain Solutions | -9.0 | 12.7 | 5.3 |
| OpusCapita | -13.5 | 15.6 | 3.3 |

14. Investment property

| EUR million | 2015 | 2014 |
|--|-------------|-------------|
| Cost 1 Jan | 16.1 | 17.3 |
| Disposals | - | -1.2 |
| Transfers between items | - | 0.0 |
| Cost on 31 Dec | 16.1 | 16.1 |
| Accumulated depreciation and impairment losses 1 Jan | -5.1 | -4.9 |
| Depreciation for the financial period | -0.6 | -0.7 |
| Accumulated depreciation on disposals | - | 0.5 |
| Accumulated depreciation and impairment losses 31 Dec | -5.7 | -5.1 |
| Carrying amount on 1 Jan | 11.0 | 12.4 |
| Carrying amount on 31 Dec | 10.3 | 11.0 |

On December 31, 2015, the fair value of investment property totaled EUR 17.9 (17.9) million. Fair values are based on an external real estate agent's appraisal. In 2015 rental income from investment property totaled EUR 1.7 (1.8) million and maintenance charges amounted to EUR 0.5 (0.4) million.

15. Property, plant and equipment

2015

| EUR million | Land and water | Buildings and structures | Machinery and equipment | Other tangible assets | Advances paid and work in progress | Total |
|--|----------------------|--------------------------------|-------------------------------|-----------------------------|---|---------------|
| Cost on 1 Jan | 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 31 Dec | 55.8 | 423.4 | 427.5 | 13.6 | 20.1 | 940.4 |
| Accumulated depreciation and impairment losses 1 Jan | -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 financial 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 31 Dec | -0.4 | -231.7 | -292.9 | -9.2 | | -534.3 |
| Carrying amount on 1 Jan | 66.6 | 282.6 | 153.6 | 3.2 | 10.5 | 516.4 |
| Carrying amount on 31 Dec | 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 1 Jan | 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 31 Dec | 66.8 | 547.1 | 419.9 | 12.5 | 10.5 | 1,056.9 |
| Accumulated amortization and impairment losses 1 Jan | -0.2 | -256.6 | -287.2 | -8.5 | | -552.4 |
| Translation differences and other adjustments | | 17.0 | 21.5 | 0.1 | | 38.5 |
| Amortization for the financial period | | -20.8 | -42.9 | -1.0 | | -64.7 |
| Impairment | | -2.3 | | | | -2.3 |
| Accumulated amortization on disposals and transfers | | -1.9 | 42.3 | | | 40.4 |
| Accumulated amortization and impairment losses 31 Dec | -0.2 | -264.5 | -266.4 | -9.4 | | -540.5 |
| Carrying amount on 1 Jan | 82.8 | 361.1 | 168.0 | 3.4 | 10.1 | 625.5 |
| Carrying amount on 31 Dec | 66.6 | 282.6 | 153.6 | 3.2 | 10.5 | 516.4 |

Property, plant and equipment include the following assets leased under finance lease:

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 2015, additions to assets leased under finance leases totaled EUR 10.0 (14.4) million.

16. Associated companies

| EUR million | 2015 | 2014 |
|--|------------|------------|
| Carrying amount on 1 Jan | 0.0 | 0.4 |
| Translation differences | 0.0 | 0.0 |
| Disposals | - | -0.3 |
| Share of associated companies' results | 0.1 | 0.0 |
| Investments in associated companies on 31 Dec | 0.1 | 0.0 |

The associated companies' carrying value does not include goodwill.

2015

| EUR million | Assets | Liabilities | Net sales | Profit | Group's Holding % |
|--------------|------------|-------------|------------|------------|-------------------|
| BPO4U AB | 0.7 | 0.6 | 2.3 | 0.1 | 50.0 |
| Total | 0.7 | 0.6 | 2.3 | 0.1 | |

2014

| EUR million | Assets | Liabilities | Net sales | Profit | Group's Holding % |
|--------------|------------|-------------|------------|-------------|-------------------|
| BPO4U AB | 0.7 | 0.6 | 3.6 | -0.0 | 50.0 |
| Total | 0.7 | 0.6 | 3.6 | -0.0 | |

17. Financial assets and liabilities

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 |
|---|---|-----------------------|-------------------------|-------------------------------------|---|----------------|--------------|
| Non-current financial assets | | | | | | | |
| Other non-current investments | | | | 6.2 | | 6.2 | 6.2 |
| Non-current receivables | | 0.9 | | | | 0.9 | 0.9 |
| Current financial assets | | | | | | | |
| Trade and other receivables | | 194.1 | | | | 194.1 | 194.1 |
| Financial assets available-for-sale | | | | 0.2 | | 0.2 | 0.2 |
| Financial assets at fair value through profit or loss | 128.9 | | | | | 128.9 | 128.9 |
| Financial assets held to maturity | | | 95.0 | | | 95.0 | 95.0 |
| Cash and cash equivalents | 42.0 | 88.1 | | | | 130.1 | 130.1 |
| Total | 170.9 | 283.0 | 95.0 | 6.4 | | 555.3 | 555.3 |
| Non-current financial liabilities | | | | | | | |
| Interest-bearing liabilities | | | | | 126.7 | 126.7 | 131.0 |
| Current financial liabilities | | | | | | | |
| Interest-bearing liabilities | | | | | 163.6 | 163.6 | 167.2 |
| Trade payables and other liabilities | 0.9 | | | | 54.8 | 55.7 | 55.7 |
| Total | 0.9 | | | | 345.1 | 346.0 | 353.9 |

2014

| EUR million | Financial assets and liabilities at fair value through profit or loss | Loans and recei- vables | Assets held to maturity | Financial assets available- for-sale | Financial liabi- lities at amortized cost | Carry- ing value | Fair value |
|--|--|----------------------------------|-------------------------------|---|---|------------------------|---------------|
| Non-current financial assets | | | | | | | |
| Other non-current investments | | | | 5.9 | | 5.9 | 5.9 |
| Non-current receivables | 3.9 | 4.1 | | | | 8.0 | 8.0 |
| Current financial assets | | | | | | | |
| Trade and other receivables | | 198.4 | | | | 198.4 | 198.4 |
| Financial assets available-for-sale | | | | 0.3 | | 0.3 | 0.3 |
| Financial assets at fair value through profit or loss | 88.0 | | | | | 88.0 | 88.0 |
| Financial assets held to maturity | | | 12.0 | | | 12.0 | 12.0 |
| Cash and cash equivalents | 60.2 | 38.6 | | | | 98.7 | 98.7 |
| Total | 152.0 | 241.1 | 12.0 | 6.2 | | 411.2 | 411.2 |
| Non-current financial liabilities | | | | | | | |
| Interest-bearing liabilities | | | | | 283.5 | 283.5 | 295.9 |
| Current financial liabilities | | | | | | | |
| Interest-bearing liabilities | | | | | 12.0 | 12.0 | 12.0 |
| Trade payables and other liabilities | 0.9 | | | | 51.2 | 52.0 | 52.0 |
| Total | 0.9 | | | | 346.7 | 347.5 | 359.9 |

18. Fair value hierarchy of financial assets and liabilities at fair value

2015

Financial assets at fair value

| EUR million | Fair values at the end of the period | | | |
|--|--------------------------------------|-------------|--------------|------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Non-current receivables | | | | |
| Other non-current investments | 6.2 | | | 6.2 |
| Financial assets at fair value through profit or loss | | | | |
| Money market investments | 123.4 | | 123.4 | |
| Bonds | 45.5 | 35.8 | 9.7 | |
| Derivative contracts | | | | |
| Interest derivatives, non-hedge accounting | 1.9 | | 1.9 | |
| Currency derivatives, non-hedge accounting | 0.1 | | 0.1 | |
| Financial assets available-for-sale | | | | |
| Equity fund investments | 0.2 | | | 0.2 |
| Total | 177.3 | 35.8 | 135.1 | 6.4 |

Financial liabilities at fair value

| EUR million | Fair values at the end of the period | | | |
|---|--------------------------------------|------------|------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Trade payables and other liabilities | | | | |
| Derivative contracts | | | | |
| Currency derivatives, non-hedge accounting | 0.0 | | 0.0 | |
| Electricity derivatives, non-hedge accounting | 0.9 | 0.9 | | |
| Total | 0.9 | 0.9 | 0.0 | |

No transfers between fair value hierarchy levels 1 and 2 were made during 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.

2014

| Financial assets at fair value EUR million | Fair values at the end of the period | | | |
|--|---|----------------|----------------|----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Non-current receivables | | | | |
| Other non-current investments | 5.9 | | | 5.9 |
| Derivative contracts | | | | |
| Interest rate derivatives, hedge accounting | 3.9 | | 3.9 | |
| Financial assets at fair value through profit or loss | | | | |
| Money market investments | 104.3 | | 104.3 | |
| Bonds | 41.7 | 32.0 | 9.7 | |
| Derivative contracts | | | | |
| Currency derivatives, non-hedge accounting | 2.2 | | 2.2 | |
| Electricity derivatives, non-hedge accounting | 0.0 | 0.0 | | |
| Financial assets available-for-sale | | | | |
| Equity fund investments | 0.3 | | | 0.3 |
| Total | 158.2 | 32.0 | 120.1 | 6.2 |

| Financial liabilities at fair value EUR million | Fair values at the end of the period | | | |
|--|---|----------------|----------------|----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Trade and other payables | | | | |
| Derivative contracts | | | | |
| Currency forwards, non-hedge accounting | 0.2 | | 0.2 | |
| Electricity forwards, non-hedge accounting | 0.6 | 0.6 | | |
| Total | 0.9 | 0.6 | 0.2 | |

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 (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. 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.

Reconciliation of Level 3 financial assets

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 |

19. Non-current receivables

| EUR million | 2015 | 2014 |
|-------------------------------|------------|-------------|
| Derivatives, hedge accounting | - | 3.9 |
| Loan receivables | 1.0 | 3.9 |
| Finance lease receivables | 0.1 | 0.2 |
| Other receivables | 0.5 | 2.5 |
| Total | 1.5 | 10.5 |

Other receivables consist mainly of regular sales accruals and prepayments.

Finance lease receivables: minimum lease income

| EUR million | 2015 | 2014 |
|------------------------|------------|------------|
| Less than 1 year | 0.1 | 0.1 |
| 1–5 years | 0.1 | 0.2 |
| Minimum lease income | 0.2 | 0.3 |
| Future interest income | -0.0 | -0.0 |
| Total | 0.2 | 0.2 |

Maturity of finance lease receivables

| EUR million | 2015 | 2014 |
|------------------|------------|------------|
| Less than 1 year | 0.1 | 0.1 |
| 1–5 years | 0.1 | 0.2 |
| Total | 0.2 | 0.2 |

The Group has leased out a property on a finance lease contract. The interest rate is 6 per cent.

20. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2015

| EUR million | 1.1. | Trans- lation differ- ence | Acquired/ Divested subsidi- aries | Recorded through profit or loss | Recorded through other comprehensive income | Other changes | 31.12. |
|----------------------------------|-------------|-------------------------------------|--|--|--|------------------|-------------|
| 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 |
| Other temporary differences | 1.7 | -0.1 | | -0.4 | | -0.5 | 0.7 |
| Total | 16.0 | 0.1 | -0.4 | 3.3 | -0.9 | 0.0 | 18.1 |

Deferred tax liabilities 2015

| EUR million | 1.1. | Trans- lation differ- ence | Acquired/ Divested subsidi- aries | Recorded through profit or loss | Other changes | 31.12. |
|---|-------------|-------------------------------------|--|--|------------------|-------------|
| 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

| EUR million | 1.1. | Trans- lation differ- ence | Acquired/ Divested subsidi- aries | Recorded through profit or loss | Recorded through other comprehensive income | Other changes | 31.12. |
|----------------------------------|-------------|---|--|--|--|--------------------------|---------------|
| 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 |
| Other temporary differences | 1.6 | -0.1 | | -0.1 | | 0.3 | 1.7 |
| Total | 20.5 | -3.8 | 0.0 | -2.2 | 1.1 | 0.3 | 16.0 |

Deferred tax liabilities 2014

| EUR million | 1.1. | Trans- lation differ- ence | Acquired/ Divested subsidi- aries | Recorded through profit or loss | Other changes | 31.12. |
|---|-------------|---|--|--|--------------------------|---------------|
| 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 |

On December 31, 2015, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 95.3 (93.7) million, mainly arising from businesses in Scandinavia. Previously unrecognized deferred tax assets on unused tax losses recognized in 2015 amounted to EUR 9.2 (0.0) million. Deferred tax assets of EUR 6.1 million recognized during previous years were recognized as tax expense for the financial year.

21. Inventories

| EUR million | 2015 | 2014 |
|----------------------------------|-------------|-------------|
| Materials and supplies | 0.6 | 0.7 |
| Goods | 3.1 | 3.8 |
| Advance payments for inventories | 1.0 | 0.6 |
| Total | 4.7 | 5.1 |

22. Trade receivables and other current receivables

| EUR million | 2015 | 2014 |
|---|--------------|--------------|
| Finance lease receivables | 0.1 | 0.1 |
| Loan receivables | 0.1 | 0.1 |
| Trade receivables | 190.8 | 195.3 |
| Trade receivables from associated companies | 0.6 | 0.6 |
| Accrued income and prepayments | 68.4 | 70.0 |
| Other receivables | 2.5 | 2.4 |
| Total | 262.5 | 268.5 |

More information on trade receivables is provided in [note 34 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 29.3 (28.4) million accrued terminal rate receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

23. Financial assets available-for-sale and financial assets held to maturity

Financial assets available-for-sale

| EUR million | 2015 | 2014 |
|-------------------------|------|------|
| Equity fund investments | 0.2 | 0.3 |

Financial assets held to maturity

| EUR million | 2015 | 2014 |
|-------------------|------|------|
| Debt certificates | 95.0 | 12.0 |

24. Financial assets at fair value through profit or loss

| EUR million | 2015 | 2014 |
|---|--------------|-------------|
| Interest rate derivatives, non-hedge accounting | 1.9 | - |
| Currency derivatives, non-hedge accounting | 0.1 | 2.2 |
| Money market investments | 81.4 | 44.1 |
| Bonds | 45.5 | 41.7 |
| Total | 128.9 | 88.0 |

25. Cash and cash equivalents

| EUR million | 2015 | 2014 |
|--------------------------|--------------|-------------|
| Money market investments | 42.0 | 60.2 |
| Cash and bank | 88.1 | 38.6 |
| Total | 130.1 | 98.7 |

Assets classified as held for sale contain cash and bank EUR 1.8 (0.0) million.

26. Non-current assets classified as held for sale and associated liabilities

Non-current assets classified as held for sale

| EUR million | 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 non-current assets classified as held for sale | | |
| Trade payables and other liabilities | 1.0 | - |
| Total | 1.0 | - |

On November 11, 2015, OpusCapita signed an agreement to sell all of its business operations serving the local markets in the Baltic states. The operating companies in question are classified as held for sale.

Real estates used in warehouse business in Scandinavia classified as held for sale 2014 were sold during 2015.

27. Equity

Shares and shareholders

| EUR million | 2015 | 2014 |
|---------------|------|------|
| Share capital | 70.0 | 70.0 |

The Finnish State holds all Posti Group Corporation's shares totaling 40,000,000. Other reserves include assets transferred from the share premium under restricted equity to the contingency reserve based on the AGM's decision in 1998, when Finland PT Group demerged. In accordance with the Articles of Association the contingency reserve is a distributable reserve. The change of fair value of available-for-sale financial assets and valuation of derivatives hedging foreign currency risk of rental expenses are recognized in the fair value reserve. 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 equity changes.

28. 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 | 2015 | 2014 |
|------------------------------------|-------------|-------------|
| Present value of funded obligation | 77.0 | 92.3 |
| Fair value of plan assets | -65.4 | -76.1 |
| Deficit/Surplus | 11.6 | 16.3 |

Defined benefit pension expenses in the income statement

| Income statement EUR million | 2015 | 2014 |
|---------------------------------|------------|------------|
| Current service cost | 0.1 | 0.3 |
| Interest expense | 0.3 | 0.3 |
| Total | 0.4 | 0.6 |

Statement of comprehensive income

| EUR million | 2015 | 2014 |
|------------------------------------|------|------|
| Actuarial gains (-) and losses (+) | -4.6 | 5.4 |

Changes in the present value of the pension obligation

| EUR million | 2015 | 2014 |
|--|-------------|-------------|
| Obligation at the beginning of the period | 92.3 | 80.6 |
| Current service cost | 0.1 | 0.3 |
| Interest expense | 1.6 | 0.5 |
| Paid benefits | -5.7 | -5.8 |
| Acquired in business combinations | - | 0.3 |
| Actuarial gains (-) and losses (+) on changes in actuarial assumptions | -7.4 | 13.3 |
| Actuarial gains (-) and losses (+) on changes in demographic assumptions | -2.7 | - |
| Experience-based gains (-) and losses (+) | -1.0 | 3.2 |
| Obligation at the end of the period | 77.0 | 92.3 |

Changes in the fair value of the plan assets

| EUR million | 2015 | 2014 |
|---|-------------|-------------|
| Fair value of the plan assets at the beginning of the period | 76.1 | 69.4 |
| Interest income | 1.3 | 0.1 |
| Paid benefits | -5.7 | -5.8 |
| Employer contributions | 0.3 | 1.3 |
| Actual return on plan assets less interest income | -6.6 | 11.0 |
| Fair value of the plan assets at the end of the period | 65.4 | 76.1 |

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.2 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

| | 2015 | 2014 |
|-------------------------------------|-------------|-------------|
| Discount rate | 2.25 | 1.75 |
| Future salary increase assumption | 0-2 | 0-2 |
| Future pension increase expectation | 1.7 | 2.1 |

| EUR million | Change in assumption | Change in defined benefit liability | | | |
|-----------------------|----------------------|-------------------------------------|--------|------------------------|---------|
| | | Increase in assumption | | Decrease in assumption | |
| Discount rate | 0.25% | -0.3 | -1.77% | 0.3 | 1.85% |
| Salary increase rate | 0.25% | 0.0 | 0.19% | 0.0 | -0.19% |
| Pension increase rate | 0.25% | 1.9 | 11.83% | -1.8 | -11.53% |

| EUR million | Increase by one year | | Decrease by one year | |
|-------------|--------------------------|-----|----------------------|------|
| | Life expectancy at birth | 0.5 | 4.48% | -0.5 |

The above analysis is based on a change in an assumption while holding all other assumptions constant.

29. Provisions

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 | 2015 | 2014 |
|-----------------------|-------------|-------------|
| Long-term provisions | 17.0 | 12.6 |
| Short-term provisions | 10.2 | 6.0 |
| Total | 27.3 | 18.6 |

Restructuring provisions are primarily related to the statutory labor negotiations conducted during 2009–2011 and 2013–2015. 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. Provisions for onerous contracts relate to Russian real-estate leases and customer agreements.

30. Interest-bearing loans

| EUR million | Carrying amount 2015 | Fair value 2015 | Carrying amount 2014 | Fair value 2014 |
|-----------------------------------|----------------------------|--------------------|----------------------------|--------------------|
| Non-current | | | | |
| Bonds | 99.8 | 104.1 | 251.3 | 263.6 |
| Finance lease liabilities | 26.4 | 26.4 | 32.1 | 32.1 |
| Other | 0.5 | 0.5 | 0.1 | 0.1 |
| Total | 126.7 | 131.0 | 283.5 | 295.9 |
| Current | | | | |
| Loans from financial institutions | 150.4 | 154.0 | 0.0 | 0.0 |
| Finance lease liabilities | 13.2 | 13.2 | 11.8 | 11.8 |
| Other | 0.0 | 0.0 | 0.2 | 0.2 |
| Total | 163.6 | 167.2 | 12.0 | 12.0 |

Finance lease liabilities: minimum lease payments

| EUR million | 2015 | 2014 |
|------------------------------|-------------|-------------|
| Less than 1 year | 14.2 | 13.1 |
| 1–5 years | 27.1 | 33.3 |
| More than 5 years | 0.2 | 0.7 |
| Minimum lease payments total | 41.6 | 47.1 |
| Future interest expenses | -2.1 | -3.2 |
| Total | 39.5 | 43.9 |

Present value of minimum lease payments:

| EUR million | 2015 | 2014 |
|-------------------|-------------|-------------|
| Less than 1 year | 13.2 | 11.8 |
| 1–5 years | 26.4 | 32.1 |
| More than 5 years | - | 0.0 |
| Total | 39.6 | 43.9 |

Finance leases consist mainly of leased transport, production and IT-equipment. Duration of leasing contracts is typically 3–10 years.

31. Trade payables and other non-interest-bearing liabilities

Other non-current liabilities

| EUR million | 2015 | 2014 |
|------------------------|-------------|-------------|
| Other liabilities | 6.2 | 6.5 |
| Other accrued expenses | 4.1 | 4.9 |
| Total | 10.3 | 11.4 |

Trade payables and other current liabilities

| EUR million | 2015 | 2014 |
|---|--------------|--------------|
| Financial liabilities measured at fair value: | | |
| Derivative contracts, non-hedge accounting | 0.9 | 0.9 |
| Financial liabilities at amortized cost: | | |
| Trade payables | 59.5 | 51.0 |
| Advances received | 40.1 | 40.1 |
| Accrued personnel expenses | 125.0 | 148.0 |
| Other accrued expenses and deferred income | 47.9 | 47.7 |
| Other liabilities | 48.7 | 56.3 |
| Current non-interest-bearing liabilities | 322.1 | 343.9 |

The most significant item within other accrued expenses and deferred income is estimated payables for terminal payments to other Postal administrations, totaling EUR 23.9 (10.0) million. The remaining items comprise ordinary accruals of expenses.

32. Operating leases

Maturity of minimum lease payments:

| EUR million | 2015 | 2014 |
|-------------------|--------------|--------------|
| Less than 1 year | 71.5 | 78.5 |
| 1–5 years | 154.7 | 145.5 |
| More than 5 years | 79.5 | 39.9 |
| Total | 305.7 | 263.8 |

The income statement includes EUR 128.4 (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 | 2015 | 2014 |
|-------------------|------------|------------|
| Less than 1 year | 2.0 | 1.4 |
| 1–5 years | 0.6 | 0.3 |
| More than 5 years | 0.0 | 2.0 |
| Total | 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 As Oy Kirjekyyhky's site will expire in 2050.

33. Pledges, commitments and other liabilities

| EUR million | 2015 | 2014 |
|------------------------------|-------------|-------------|
| Pledges given on own behalf: | | |
| Bank guarantee | 6.0 | 7.5 |
| Guarantee | 3.9 | 4.0 |
| Pledges | 0.9 | 0.8 |
| Total | 10.9 | 12.2 |

On September 18, 2015, the District Court of Helsinki issued another positive ruling in favor of Posti regarding a dispute concerning the refund of value added taxes. Posti is not deemed liable to compensate value added taxes paid by its customers. Posti's contract customers filed a claim with the Helsinki District Court for the damage of value added taxes of postal services totaling slightly over EUR 100 million. According to the District Court, including the VAT in the postal services referred to in the case was not contrary to EU law. The plaintiffs consisted of seven largescale financing and insurance institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeal.

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.

34. 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 electricity derivatives.

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 Kiinteistöt is responsible for managing the price risk of electricity.

Market risks

Currency risks

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 8.6 million used to hedge against the currency risk associated with loans, receivables and commitments. The Group is exposed to translation risk in connection with 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.

Due to high volatility and weakening 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 quit hedging of the ruble-denominated receivables of the parent company and the local operative transaction risks.

Major transaction risk positions of financial instruments on the balance sheet date

| 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 -1.7 (-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 0.0 (0.1) million on the Group's profit before tax.

Major translation risk positions on the balance sheet date

| 2015 EUR million | RUB | SEK | NOK | PLN |
|-----------------------------------|------------|------------|------------|------------|
| Net investment | 83.0 | 18.4 | 5.6 | 6.9 |
| Hedging | - | - | - | - |
| Open position | 83.0 | 18.4 | 5.6 | 6.9 |

| 2014 EUR million | RUB | SEK | NOK | PLN |
|-----------------------------------|------------|------------|------------|------------|
| Net investment | 120.4 | 23.8 | 16.2 | 6.8 |
| Hedging | - | - | - | - |
| Open position | 120.4 | 23.8 | 16.2 | 6.8 |

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 290.3 (295.5) million and interest-bearing receivables to EUR 353.8 (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 interest rate risk of the fixed rate bond issued by Posti Group Corporation for nominal value EUR 70 million is 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

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 |
| Bond | 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 |
| Bond | | 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 (-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 electricity derivatives to reduce the price risk related to electricity procurement. The Group uses standardized listed derivative products as hedging instruments. The derivatives are used for hedging purposes only, but hedge accounting as defined in the IFRS is not applied.

The Group has prepared a sensitivity analysis on open electricity derivatives at reporting date. A fluctuation of 10 percentage points in electricity price would have an impact of EUR 0.2 (0.3) million on the Group's profit before taxes.

Derivative contracts

2015

| EUR million | Nominal value | Net fair value | Positive fair value | Negative fair value |
|--|---------------|----------------|---------------------|---------------------|
| Foreign currency derivatives: | | | | |
| Currency forward contracts, non-hedge accounting | 8.6 | 0.0 | 0.1 | 0.0 |
| Interest rate derivatives: | | | | |
| Interest rate swaps, non-hedge accounting | 70.0 | 1.9 | 1.9 | |
| Electricity derivatives: | | | | |
| 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 |
|--|---------------|----------------|---------------------|---------------------|
| Foreign currency derivatives: | | | | |
| Currency forward contracts, non-hedge accounting | 47.9 | 1.9 | 2.2 | -0.2 |
| Interest rate derivatives: | | | | |
| Interest rate swaps, hedge accounting | 70.0 | 3.9 | 3.9 | - |
| Electricity derivatives: | | | | |
| Electricity derivatives, non-hedge accounting | 4.1 | -0.6 | 0.0 | -0.6 |

Derivative instruments are used to hedge against currency, interest rate and electricity price risk. Currency forward contracts are measured at fair value using the forward rates at the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts. The fair value of electricity derivatives is based on market prices on the reporting date.

Offsetting of financial instruments

| Derivative assets | 2015 | 2014 |
|---|-------------|-------------|
| Derivative assets, reported as gross amount | 2.0 | 6.0 |
| Related derivative liabilities subject to master netting agreements | 0.0 | 0.2 |
| Net amount | 1.9 | 5.8 |

| Derivative liabilities | 2015 | 2014 |
|---|-------------|-------------|
| Derivative liabilities, reported as gross amount | 0.9 | 0.9 |
| Related derivative liabilities subject to master netting agreements | 0.0 | 0.2 |
| Net amount | 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 statement of financial position.

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 408.8 (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 (200.0) million.

Contractual cash flows from financial liabilities, including interests**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, cash flows payable | 0.9 | | | | | 0.9 |
| Interest rate derivatives, cash flows receivable | -3.1 | | | | | -3.1 |
| Currency derivatives, cash flows payable | 0.0 | | | | | 0.0 |
| Currency derivatives, cash flows receivable | -0.1 | | | | | -0.1 |
| Electricity derivatives, cash flows payable | 1.7 | 0.8 | | | | 2.5 |
| Total | 229.7 | 132.9 | 0.1 | 0.0 | 0.2 | 363.0 |

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, cash flows payable | 1.0 | 1.0 | | | | 2.0 |
| Interest rate derivatives, cash flows receivable | -3.1 | -3.1 | | | | -6.1 |
| Currency derivatives, cash flows payable | 0.1 | | | | | 0.1 |
| Currency derivatives, cash flows receivable | -2.5 | | | | | -2.5 |
| Electricity derivatives, cash flows payable | 2.4 | 1.2 | 0.5 | | | 4.1 |
| Total | 73.2 | 193.7 | 105.1 | 0.0 | 0.7 | 372.8 |

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 a high credit rating, 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 for 2015 were EUR 0.8 (1.7) million.

Aging of trade receivables:

| EUR million | 2015 | 2014 |
|----------------------|--------------|--------------|
| Not yet due | 164.8 | 174.8 |
| 1–30 days overdue | 21.4 | 15.9 |
| 31–60 days overdue | 3.0 | 3.0 |
| 61–90 days overdue | 1.6 | 0.8 |
| 91–180 days overdue | 0.0 | 0.6 |
| 181–365 days overdue | 0.0 | 0.1 |
| Total | 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 2015 and 2014. The Group's loan agreements do not contain financial covenants.

The Group monitors its capital structure by assessing equity ratio and gearing.

| Group's total capital | 2015 | 2014 |
|------------------------------------|-------|-------|
| Interest-bearing liabilities | 290.3 | 295.5 |
| ./. Interest-bearing receivables | 353.8 | 196.5 |
| = Interest-bearing net liabilities | -63.6 | 98.9 |
| Total equity | 604.4 | 573.8 |
| Equity ratio, % | 47.8 | 45.9 |
| Gearing, % | -10.5 | 17.2 |

35. Related party transactions

The Group's related party consists of bodies that hold authority within the Group or are under the Group's authority. Such authority or other significant control is associated with financial or operational decision-making. Posti Group's related party consists of the Board of Directors, President & CEO, Posti Group Corporation's Executive Board and the next of kin of the aforementioned. In addition, the related party includes the joint ventures, associates, mutual real estate companies, and the State of Finland, which owns 100% of Posti Group Corporation's shares.

The upper 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 upper management. Business transactions with related party companies, such as associated companies and other state-owned companies, are carried out applying market terms and conditions. Posti Group did not have significant business transactions with the upper management or their related parties. Posti Group has business relations with associations tied to its state-owner. During the financial period, the Group did not carry out any business transactions that, reviewed singly or jointly, are significant financially or qualitatively.

Business transactions with related party

Net sales and purchases, as well as the receivables and payables consist of business transactions with related party.

| EUR million | 2015 | 2014 |
|---|------|------|
| Net sales | 2.5 | 2.8 |
| Trade receivables and other receivables | 0.6 | 0.6 |

Management remuneration

| EUR million | 2015 | 2014 |
|--|------|------|
| Wages and salaries and other employee benefits | 2.7 | 2.1 |
| Pensions-Defined contribution plans | 0.2 | 0.1 |
| Pensions-Defined benefit plans | 0.0 | 0.3 |

Salaries and fees of the management

| EUR million | 2015 | 2014 |
|-----------------------------|------------|------------|
| President & CEO | 0.6 | 0.6 |
| Executive Board (excl. CEO) | 2.1 | 1.5 |
| Board of Directors | 0.3 | 0.3 |
| Supervisory Board | 0.0 | 0.0 |
| Total | 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).

The Board of Directors' salaries and fees

| EUR thousand | 2015 | 2014 |
|------------------------------|--------------|--------------|
| Arto Hiltunen (chairman) | 52.8 | 55.8 |
| Päivi Pesola (vice chairman) | 36.6 | 39.6 |
| Petri Järvinen *) | 33.6 | 28.4 |
| Petri Kokko *) | 33.0 | 29.0 |
| Jussi Kuutsa *) | 33.6 | 36.6 |
| Timo Löyttyniemi **) | 0.0 | 7.7 |
| Kirsi Nuotto ***) | 26.4 | - |
| Ilpo Nuutinen **) | - | 8.3 |
| Marja Pokela **) | 33.6 | 29.0 |
| Maarit Toivanen-Koivisto **) | 0.0 | 8.3 |
| Riitta Savonlahti *****) | 7.8 | 36.0 |
| Suvi-Anne Siimes | 33.6 | 36.0 |
| Total | 291.0 | 314.6 |

*) Board member from 25th March 2014

**) Board member until 25th March 2014

***) Board member from 18th March 2015

*****) Board member until 18th March 2015

36. Group companies

The Group's parent company is Posti Group Corporation.

| Subsidiaries 31 Dec 2015 | Group's holding % | Country | Business group |
|-----------------------------------|--------------------------|----------------|---|
| Global Mail FP Oy | 100 | Finland | Itella Russia |
| GSB Logistics Ltd | 100 | Cyprus | Itella Russia |
| Itella Logistics AB | 100 | Sweden | Parcel and Logistics Services |
| Itella Logistics AS | 100 | Norway | Parcel and Logistics Services |
| Itella Logistics OÜ | 100 | Estonia | Parcel and Logistics Services |
| Itella Logistics SIA | 100 | Latvia | Parcel and Logistics Services |
| Itella Logistics UAB | 100 | Lithuania | Parcel and Logistics Services |
| Itella SmartPOST OÜ | 100 | Estonia | Parcel and Logistics Services |
| NLC International Corporation Ltd | 100 | Cyprus | Itella Russia |
| Norian Redovisining AB | 100 | Sweden | OpusCapita |
| OOO Itella | 100 | Russia | Itella Russia |
| OOO Itella Connexions | 100 | Russia | Itella Russia |
| OOO Itella Express | 100 | Russia | Itella Russia |
| OOO Kapstroyontazh | 100 | Russia | Itella Russia |
| OOO NLC-Bataisk | 100 | Russia | Itella Russia |
| OOO NLC-Ekaterinburg | 100 | Russia | Itella Russia |
| OOO NLC-Samara | 100 | Russia | Itella Russia |
| OOO RED-Krekshino | 100 | Russia | Itella Russia |
| OOO Rent-Center | 100 | Russia | Itella Russia |
| OOO Terminal Lesnoy | 100 | Russia | Itella Russia |
| OOO Terminal Sibir | 100 | Russia | Itella Russia |
| OpusCapita AB | 100 | Sweden | OpusCapita |
| OpusCapita Accounting UAB | 100 | Lithuania | OpusCapita |
| OpusCapita AS | 100 | Norway | OpusCapita |
| OpusCapita AS | 100 | Estonia | OpusCapita |
| OpusCapita AS | 100 | Latvia | OpusCapita |
| OpusCapita Competence Center OÜ | 100 | Estonia | OpusCapita |
| OpusCapita Competence Center SIA | 100 | Latvia | OpusCapita |
| OpusCapita GmbH | 100 | Germany | OpusCapita |
| OpusCapita Group Oy | 100 | Finland | OpusCapita |
| OpusCapita Inkasso AS | 100 | Norway | OpusCapita |
| OpusCapita IT Solution AS | 100 | Norway | OpusCapita |
| OpusCapita Regnskap AS | 100 | Norway | OpusCapita |
| OpusCapita s.r.o. | 100 | Slovakia | OpusCapita |
| OpusCapita Services GmbH | 100 | Germany | OpusCapita |
| OpusCapita Sp. z o.o. | 100 | Poland | OpusCapita |
| OpusCapita UAB | 100 | Lithuania | OpusCapita |
| Posti Global Oy | 100 | Finland | Itella Russia |
| Posti Kiinteistöt Oy | 100 | Finland | Other |
| Posti Oy | 100 | Finland | Postal Services and Parcel and Logistics Services |

| Associated companies 31 Dec 2015 | Group's holding % | Country | Business group |
|---|--------------------------|----------------|-----------------------|
| BPO4U AB | 50 | Sweden | OpusCapita |

37. Events after the reporting period

On January 11, 2016, OpusCapita Group Ltd 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 January 26, 2016, Posti Group announced it will commence cooperation negotiations, the sphere of which covers a total of 7,600 employees. The negotiations concern Production administration and basic delivery, the entire Sales and Customer Service unit, and certain Group functions. The preliminary estimated reduction need is 860 people.

OpusCapita announced on February 8, 2016 a new planned organization and operating model in order to implement its new strategy and to improve profitability. As part of the change, OpusCapita will start cooperation negotiations to reduce approximately 80 positions, of which a maximum of 50 in Finland and in total some 30 in other countries.

Parent Company's Financial Statements, FAS

Income Statement of the Parent Company

| EUR | Note | 2015 | 2014 |
|---|-----------|------------------------|-----------------------|
| Net sales | <u>1</u> | 14,183,630.38 | 84,408,809.48 |
| Other operating income | <u>2</u> | 1,078,437.18 | 2,545,474.06 |
| Materials and services | <u>3</u> | -9,643.17 | -65,257.21 |
| Personnel expenses | <u>4</u> | -8,496,775.34 | -34,352,484.07 |
| Depreciation, amortization and impairment losses | <u>5</u> | -2,793,007.63 | -5,939,228.17 |
| Other operating expenses | <u>6</u> | -39,681,163.03 | -138,081,154.48 |
| Operating profit/loss | | -35,718,521.61 | -91,483,840.39 |
| Financial income and expenses | <u>8</u> | -68,001,943.10 | 176,764,176.95 |
| Profit/loss before extraordinary items | | -103,720,464.71 | 85,280,336.56 |
| Extraordinary items | <u>9</u> | 111,700,000.00 | 53,900,000.00 |
| Profit/loss before appropriations and income tax | | 7,979,535.29 | 139,180,336.56 |
| Income tax | <u>10</u> | -6,613,937.79 | -76,844.43 |
| Profit/loss for the financial period | | 1,365,597.50 | 139,103,492.13 |

Balance Sheet of the Parent Company

| EUR | Note | 31.12.2015 | 31.12.2014 |
|--------------------------------------|-----------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | <u>11</u> | 2,416,664.45 | 7,447,179.36 |
| Tangible assets | <u>12</u> | 2,019,640.42 | 5,464,942.12 |
| Investments | <u>13</u> | 756,634,325.94 | 830,871,345.81 |
| Total non-current assets | | 761,070,630.81 | 843,783,467.29 |
| Current assets | | | |
| Non-current receivables | <u>14</u> | 72,520,046.60 | 86,386,564.29 |
| Current receivables | <u>15</u> | 168,557,335.76 | 104,471,593.63 |
| Current investments | | 264,085,421.32 | 158,282,359.79 |
| Cash and bank | | 528,684.91 | 12,951.60 |
| Total current assets | | 505,691,488.59 | 349,153,469.31 |
| Total assets | | 1,266,762,119.40 | 1,192,936,936.60 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | <u>17</u> | 70,000,000.00 | 70,000,000.00 |
| Fair value reserve | | 68,325.12 | 166,467.98 |
| Other reserves | | 142,703,761.93 | 142,703,761.93 |
| Retained earnings | | 566,076,975.92 | 426,973,483.79 |
| Profit/loss for the financial period | | 1,365,597.50 | 139,103,492.13 |
| Total equity | | 780,214,660.47 | 778,947,205.83 |
| Provisions | <u>18</u> | 1,451,920.13 | 1,287,274.11 |
| Liabilities | | | |
| Non-current | <u>18</u> | 103,885,279.00 | 255,883,456.02 |
| Current | <u>21</u> | 381,210,259.80 | 156,819,000.64 |
| Total liabilities | | 485,095,538.80 | 412,702,456.66 |
| Total equity and liabilities | | 1,266,762,119.40 | 1,192,936,936.60 |

Cash Flow Statement of the Parent Company

| EUR | 2015 | 2014 |
|---|-----------------------|-----------------------|
| Cash flow from operations | | |
| Result before extraordinary items | -103,720,464.71 | 85,280,336.56 |
| Adjustments: | | |
| Depreciation and amortization | 2,793,007.63 | 5,939,228.17 |
| Gains or losses on disposal of fixed assets | -775,543.66 | 34,231.16 |
| Financial income (-) and expense (+) | -28,093,805.06 | -143,381,759.98 |
| Impairment losses on non-current investments | 96,095,748.16 | -33,382,416.97 |
| Loss on merger | 23,275,219.49 | 53,140,506.53 |
| Other adjustments | -335,207.50 | 342,394.76 |
| Cash flow before change in working capital | -10,761,045.65 | -32,027,479.77 |
| Interest-free current receivables, increase (-), decrease (+) | -2,722,692.20 | 26,127,300.83 |
| Interest-free non-current receivables, increase (-), decrease (+) | 310,980.08 | 79,876.08 |
| Inventories, increase (-), decrease (+) | -1,536.76 | 203,288.51 |
| Interest-free current liabilities, increase (+), decrease (-) | -25,468,153.15 | 2,611,713.64 |
| Interest-free non-current liabilities, increase (+), decrease (-) | -493,491.12 | 464,047.63 |
| Change in working capital | -28,374,893.15 | 29,486,226.69 |
| Cash flow from operating activities before financial items and taxes | -39,135,938.80 | -2,541,253.08 |
| Interests paid | -12,854,661.42 | -16,473,017.85 |
| Interests received | 8,461,182.39 | 21,921,048.33 |
| Other financial items | 2,294,733.43 | 5,816,123.73 |
| Income tax paid | -46,130.33 | -118,706.03 |
| Cash flow from financial items and taxes | -2,144,875.93 | 11,145,448.18 |
| Cash flow from operating activities (A) | -41,280,814.73 | 8,604,195.10 |
| Investments in tangible and intangible assets | -585,914.63 | -5,059,429.98 |
| Proceeds from sale of tangible and intangible assets | 6,268,723.62 | 2,442,575.07 |
| Other investments | -28,999,783.81 | -182,326,692.20 |
| Proceeds from sale of other investments | 10,829,350.99 | 37,895,740.00 |
| Loans granted | -23,072,780.93 | -38,876,015.84 |
| Repayments of loan receivables | 47,592,248.12 | 108,176,494.97 |
| Dividends received | 25,788,047.50 | 165,088,047.50 |
| Cash flow from investing activities (B) | 37,819,890.86 | 87,340,719.52 |
| Increases in current loans | 90,630,776.4 | 0.0 |
| Repayment of current loans | 0.00 | -25,908,856.76 |
| Repayment of non-current loans | 0.00 | -12,500,000.00 |
| Group contributions received and paid | 53,900,000.00 | 44,600,000.00 |
| Cash flow from financing activities (C) | 144,530,776.38 | 6,191,143.24 |

| | | |
|---|-----------------------|-----------------------|
| Change in cash and cash equivalents (A+B+C) | 141,069,852.51 | 102,136,057.86 |
| Change in group cash pool | -31,896,200.73 | -64,407,719.01 |
| Cash and cash equivalents received in merger | -2,854,856.94 | 0.00 |
| Change in cash and cash equivalents | 106,318,794.84 | 37,728,338.85 |
| Cash and cash equivalents at the beginning of the financial period | 158,295,311.39 | 120,566,972.54 |
| Cash and cash equivalents at the end of the financial period | 264,614,106.23 | 158,295,311.39 |

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.

Research and development expenditure

Research costs are expensed as incurred. Only development costs arising from significant new or substantially improved products and enterprise resource planning systems are capitalized as intangible assets provided that they are technically feasible and it is probable that the created asset will generate future economic benefits and development expenses can be measured reliably. Development costs which have been expensed once will not be capitalized later. Amortizations on intangible assets are recognized as of the date asset has been taken in use. Capitalized development costs are amortized over the assets' useful lives which is three to five years. The value of the intangible asset is the original acquisition cost less any accumulated depreciation and impairment losses. If the previous criteria are not fulfilled, the development cost is expensed as incurred.

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.

Inventory

Inventories are measured at acquisition cost, average acquisition cost or probable realisation value, whichever is lower.

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.

Extraordinary income and expenses

Extraordinary income and expenses include transactions that do not specifically belong in the scope of the business activity of the company but are notable in size, incl. group contributions.

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.

Measurement of financial instruments

Investments in bonds and commercial papers have been measured at fair value at the market rates quoted on the balance sheet date. The fair values of currency forward contracts are based on the forward prices quoted on the balance sheet date. The fair value of interest-rate swaps equals the present value of future interest cash flows. Other investments are equity fund investments measured at the fair value on the balance sheet date notified by the fund manager or the latest available fair value.

Derivative contracts and hedge accounting

Derivative contracts are initially recognized at the fair value of the date the derivative contract was concluded. Subsequently, they are measured at fair value on the 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 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 derivative contracts, which do not meet the conditions for applying hedge accounting.

When commencing hedge accounting, the company documents 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 hedging measures. When commencing hedging, and at least in connection with each annual financial statements, the company documents and assesses the effectiveness of the hedging relationship by inspecting the hedge instrument's ability to offset the fair value of the hedged item.

Changes in the fair value of derivatives that meet the conditions for and determined as 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. If the conditions for hedge accounting are no longer met, the amount related to the hedged risk and recognized against the hedged asset or liability is recognized to income statement during maturity of the derivative. The Group has applied fair-value hedge accounting for hedging against fixed-rate loans. Changes in the fair value of a derivatives contract hedging against a fixed-rate loan and changes in fair value attributable to the interest rate risk of a hedged fixed-rate loan until hedge accounting is ceased are presented in financial items. Hedge accounting for interest rate swaps ceased to meet hedge effectiveness criteria and hedge accounting was discontinued as of as of 1 July, 2015. Since that date the amount recognized against the hedged liability is accrued to financial items.

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

| | 2015 | 2014 |
|-----------------|----------------------|----------------------|
| Finland | 13,542,859.46 | 81,928,341.40 |
| Scandinavia | 0.00 | 1,032,958.47 |
| Russia | 651,897.92 | 1,009,003.04 |
| Other countries | -11,127.00 | 438,506.57 |
| Total | 14,183,630.38 | 84,408,809.48 |

2. Other operating income

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Gains on sale of intangible and tangible assets | 833,701.33 | 0.00 |
| Rental income | 67,043.64 | 64,143.64 |
| Other operating income | 177,692.21 | 2,481,330.42 |
| Total | 1,078,437.18 | 2,545,474.06 |

3. Materials and services

| | 2015 | 2014 |
|---------------------------------------|-----------------|------------------|
| Purchases during the financial period | 1,329.53 | 1,634.12 |
| External services | 8,313.64 | 63,623.09 |
| Total | 9,643.17 | 65,257.21 |

4. Personnel expenses

| | 2015 | 2014 |
|--|---------------------|----------------------|
| Wages and salaries | 7,944,462.31 | 29,316,830.66 |
| Pension expenses | -110,433.70 | 3,653,265.35 |
| Other social expenses | 662,746.73 | 1,382,388.06 |
| Total | 8,496,775.34 | 34,352,484.07 |
| Management remuneration | | |
| President and CEO | 579,875.74 | 565,606.00 |
| Executive Board (excl. CEO) | 601,688.79 | 1,263,264.25 |
| Board of Directors | 291,067.74 | 314,603.22 |
| Supervisory Board | 27,700.00 | 21,200.00 |
| Total | 1,500,332.27 | 2,164,673.47 |
| Average number of personnel during the financial period | | |
| Administrative employees | 61 | 360 |
| Employees | - | 1 |
| Total | 61 | 361 |

5. Depreciation, amortization and impairment losses

| | 2015 | 2014 |
|-------------------------|---------------------|---------------------|
| Intangible rights | 2,788,070.30 | 3,573,533.31 |
| Machinery and equipment | 4,937.33 | 2,365,694.86 |
| Total | 2,793,007.63 | 5,939,228.17 |

6. Other operating expenses

| | 2015 | 2014 |
|------------------------------------|----------------------|-----------------------|
| Rents and leases | 657,595.85 | 2,935,057.82 |
| Losses on sale of fixed assets | 58,157.67 | 34,231.16 |
| Personnel related costs | 174,889.47 | 1,617,605.09 |
| Travelling expenses | 120,105.09 | 995,350.96 |
| Marketing expenses | 1,710,796.06 | 8,510,214.52 |
| Entertainment expenses | 74,773.44 | 252,128.64 |
| Facility maintenance expenses | 32,484.02 | 94,465.22 |
| Office and administrative expenses | 3,302,100.89 | 8,916,332.79 |
| IT operating costs | 9,142,107.23 | 57,968,111.52 |
| Loss on merger | 23,275,219.49 | 53,140,506.53 |
| Other operating expenses | 1,132,933.82 | 3,616,364.77 |
| Total | 39,681,163.03 | 138,081,154.48 |

7. Auditors' remuneration

| | 2015 | 2014 |
|----------------|-------------------|-------------------|
| Audit | 218,354.84 | 150,232.00 |
| Tax advisory | 0.00 | 625.00 |
| Other services | 73,971.47 | 69,362.07 |
| Total | 292,326.31 | 220,219.07 |

8. Financial income and expenses

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Dividends received | | |
| From Group companies | 25,700,000.00 | 165,000,000.00 |
| From others | 88,047.50 | 88,047.50 |
| Total | 25,788,047.50 | 165,088,047.50 |
| Other interest and financial income | | |
| From Group companies | 3,844,841.07 | 2,347,203.68 |
| Gains from currency exchange | 4,118,201.36 | 17,207,842.23 |
| Other interest income from others | 6,509,795.97 | 5,957,951.64 |
| Other financial income from others | 1,301,689.18 | 1,514,006.65 |
| Total | 15,774,527.58 | 27,027,004.20 |
| Total financial income | 41,562,575.08 | 192,115,051.70 |
| Interest and other financial expenses | | |
| To Group companies | 538,210.78 | 1,574,955.40 |
| Losses on currency exchange | 6,309,931.01 | 24,341,983.09 |
| Other interest expenses to others | 12,537,124.23 | 14,673,236.59 |
| Other financial expenses to others | 3,493,761.31 | 2,177,978.56 |
| Total | 22,879,027.33 | 42,768,153.64 |
| Impairment losses on non-current assets | | |
| Impairment losses on group interests/receivables on Group companies | 92,736,279.13 | 26,353,057.69 |
| Impairment losses on group interests/receivables on associated companies | 80,000.00 | |
| Impairment losses on other shares and receivables | 3,279,469.03 | |
| Impairment loss reversals on group interests/receivables on Group companies | -9,406,548.68 | |
| Impairment loss reversals on other financial securities | -3,708.63 | -53,770,336.58 |
| Total | 86,685,490.85 | -27,417,278.89 |
| Total financial expenses | 109,564,518.18 | 15,350,874.75 |
| Total financial income and expenses | -68,001,943.10 | 176,764,176.95 |
| Financial income and expenses including gains and losses on currency exchange (net) | -2,191,729.65 | -7,134,140.86 |

9. Extraordinary items

| | 2015 | 2014 |
|---------------------------------|-----------------------|----------------------|
| Group contributions received | 111,700,000.00 | 66,800,000.00 |
| Group contributions distributed | 0.00 | -12,900,000.00 |
| Total | 111,700,000.00 | 53,900,000.00 |

10. Income tax

| | 2015 | 2014 |
|-----------------------------------|---------------------|------------------|
| Income tax on extraordinary items | 22,340,000.00 | 10,780,000.00 |
| Income tax on business activities | -8,284,600.39 | -10,753,068.38 |
| Income tax from previous years | -15,602.83 | 7,569.41 |
| Change in deferred tax assets | -7,425,858.99 | 42,343.40 |
| Total | 6,613,937.79 | 76,844.43 |

11. Intangible assets

| Intangible rights | | |
|--|----------------------|----------------------|
| Cost 1 Jan | 28,656,231.10 | 29,047,963.85 |
| Additions | 356,711.45 | 2,066,135.37 |
| Disposals | -3,580,918.71 | -2,989,225.67 |
| Transfers between items | 331,700.00 | 531,357.55 |
| Cost 31 Dec | 25,763,723.84 | 28,656,231.10 |
| Accumulated amortization 1 Jan | 23,548,655.05 | 24,342,429.53 |
| Accumulated amortization on disposals | -1,899,665.96 | -2,978,354.53 |
| Amortization for the financial period | 1,698,070.30 | 2,184,580.05 |
| Accumulated amortization 31 Dec | 23,347,059.39 | 23,548,655.05 |
| Book value 31 Dec | 2,416,664.45 | 5,107,576.05 |
| Prepayments | | |
| Cost 1 Jan | 3,728,556.57 | 3,193,516.81 |
| Additions | 226,754.84 | 1,383,850.81 |
| Disposals | -1,144,658.15 | -317,453.50 |
| Transfers between items | -331,700.00 | -531,357.55 |
| Cost 31 Dec | 2,478,953.26 | 3,728,556.57 |
| Accumulated impairment 1 Jan | 1,388,953.26 | 0.00 |
| Impairment | 1,090,000.00 | 1,388,953.26 |
| Accumulated impairment 31 Dec | 2,478,953.26 | 1,388,953.26 |
| Book value 31 Dec | 0.00 | 2,339,603.31 |
| Total intangible assets | 2,416,664.45 | 7,447,179.36 |

12. Tangible assets

| | 2015 | 2014 |
|---|---------------------|----------------------|
| Land and water | | |
| 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 | 12,584,317.33 | 24,280,327.53 |
| Additions | 2,448.34 | 1,609,443.80 |
| Disposals | -12,510,111.13 | -13,347,124.25 |
| Transfers between items | 0.00 | 41,670.25 |
| Cost 31 Dec | 76,654.54 | 12,584,317.33 |
| Accumulated depreciation 1 Jan | 9,134,374.35 | 19,390,353.32 |
| Accumulated depreciation on disposals and transfers | -9,067,298.42 | -12,621,673.83 |
| Depreciation for the financial period | 4,937.33 | 2,365,694.86 |
| Accumulated depreciation 31 Dec | 72,013.26 | 9,134,374.35 |
| Book value 31 Dec | 4,641.28 | 3,449,942.98 |
| 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 |
| Work in progress | | |
| Cost 1 Jan | 0.00 | 42,486.00 |
| Additions | 0.00 | 0.00 |
| Disposals | 0.00 | -815.75 |
| Transfers between items | 0.00 | -41,670.25 |
| Cost 31 Dec | 0.00 | 0.00 |
| Book value 31 Dec | 0.00 | 0.00 |
| Total tangible assets | 2,019,640.42 | 5,464,942.12 |

13. Investments

| Shares in Group companies | 2015 | 2014 |
|---|-----------------------|-------------------------|
| Cost 1 Jan | 1,032,517,581.18 | 916,298,211.73 |
| Additions | 32,079,105.74 | 160,519,741.66 |
| Disposals | -100,442,495.85 | -44,300,372.21 |
| Cost 31 Dec | 964,154,191.07 | 1,032,517,581.18 |
| Accumulated impairment losses 1 Jan | 239,527,042.73 | 265,268,231.70 |
| Impairment losses | 92,736,279.13 | 18,509,183.03 |
| Reversals of impairments | -90,272,662.32 | -44,250,372.00 |
| Book value 31 Dec | 722,163,531.53 | 792,990,538.45 |
| Shares in associated companies | | |
| Cost 1 Jan | 513,245.14 | 513,245.14 |
| Cost 31 Dec | 513,245.14 | 513,245.14 |
| Share of profits or losses 1 Jan | 1,310,984.87 | 1,310,984.87 |
| Accumulated impairment losses 1 Jan | -1,097,739.73 | -1,097,739.73 |
| Impairment losses | 80,000.00 | 0.00 |
| Book value 31 Dec | 220,000.00 | 300,000.00 |
| Other shares and holdings | | |
| Cost 1 Jan | 6,660,306.40 | 6,660,306.40 |
| Additions | 28,560.00 | 0.00 |
| Disposals | -79,103.92 | 0.00 |
| Cost 31 Dec | 6,609,762.48 | 6,660,306.40 |
| Accumulated impairment losses 1 Jan | 660,676.07 | 660,676.07 |
| Impairment losses | 209,292.00 | 0.00 |
| Book value 31 Dec | 5,739,794.41 | 5,999,630.33 |
| Receivables from Group companies | | |
| Capital loan receivables | | |
| Cost 1 Jan | 28,511,000.00 | 93,181,287.06 |
| Repayments | 0.00 | -64,670,287.06 |
| Cost 31 Dec | 28,511,000.00 | 28,511,000.00 |
| Accumulated impairment losses 1 Jan | 0.00 | 51,891,600.00 |
| Reversals of impairment losses | 0.00 | -51,891,600.00 |
| Book value 31 Dec | 28,511,000.00 | 28,511,000.00 |

| | | |
|---------------------------------|-----------------------|-----------------------|
| Receivables from others | | |
| Capital loan receivables | | |
| Cost 1 Jan | 3,070,177.03 | 3,070,177.03 |
| Additions | 0.00 | 0.00 |
| Cost 31 Dec | 3,070,177.03 | 3,070,177.03 |
| Impairment losses | 3,070,177.03 | 0.00 |
| Book value 31 Dec | 0.00 | 3,070,177.03 |
| Total investments | 756,634,325.94 | 830,871,345.81 |

14. Non-current receivables

| Receivables from Group companies | 2015 | 2014 |
|---|----------------------|----------------------|
| Loan receivables | 63,288,307.81 | 80,408,248.39 |
| Total | 63,288,307.81 | 80,408,248.39 |
| Receivables from others | | |
| Loan receivables | 861,122.19 | 861,122.19 |
| Other receivables | 109,154.55 | 420,134.63 |
| Deferred tax assets | 8,261,462.05 | 835,603.06 |
| Other accrued income and prepayments | 0.00 | 3,861,456.02 |
| Total | 9,231,738.79 | 5,978,315.90 |
| Total non-current receivables | 72,520,046.60 | 86,386,564.29 |

15. Current receivables

| Receivables from Group companies | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Trade receivables | 82,213.75 | 1,433,274.96 |
| Loan receivables | 351,790.61 | 22,677,938.62 |
| Interest receivables | 5,913,140.44 | 4,954,508.26 |
| Other receivables | 41,298,749.45 | 32,844.89 |
| Prepayments and accrued income | 111,700,000.00 | 66,820,042.91 |
| Total | 159,345,894.25 | 95,918,609.64 |
| Receivables from others | | |
| Trade receivables | -2,167.80 | 5,260.40 |
| Other receivables | 293,262.97 | 2,199,212.51 |
| Prepayments and accrued income | 8,920,346.34 | 6,347,688.31 |
| Total | 9,211,441.51 | 8,552,161.22 |
| Total current receivables | 168,557,335.76 | 104,470,770.86 |
| Key items in prepayments and accrued income | | |
| Interest receivables | 2,339,842.50 | 1,537,806.25 |
| Other prepayments and accrued income | 6,580,503.84 | 4,809,882.06 |
| Total | 8,920,346.34 | 6,347,688.31 |

16. Fair value and change in fair value by financial instrument

| | 2015 | 2014 |
|---|----------------|----------------|
| Investments in bonds and notes | 45,520,667.51 | 41,704,990.51 |
| Change in fair value recognized in the income statement | -868,664.50 | 461,815.16 |
| Investments in commercial papers | 123,403,018.75 | 104,279,619.28 |
| Change in fair value recognized in the income statement | 16,714.67 | 14,743.37 |
| Currency derivatives | 28,182.99 | 1,939,699.18 |
| Change in fair value recognized in the income statement | -1,911,516.19 | 2,140,675.80 |
| Interest rate derivatives | 1,897,236.73 | 3,861,456.02 |
| Change in fair value recognized in the income statement | -1,964,219.29 | -935,757.50 |
| Other investments | 161,735.00 | 297,750.00 |
| Change in fair value recognized in the fair value reserve of which deferred tax | -122,678.58 | 268,509.09 |
| | 24,535.72 | -53,701.22 |

17. Equity

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| 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 | 166,467.98 | -48,336.89 |
| Profit or loss at fair value, other current investments | -98,142.86 | 214,804.87 |
| Fair value reserve 31 Dec | 68,325.12 | 166,467.98 |
| Restricted equity total | 70,068,325.12 | 70,166,467.98 |
| 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 | 566,076,975.92 | 426,973,483.79 |
| Dividend distribution | 0.00 | 0.00 |
| Retained earnings 31 Dec | 566,076,975.92 | 426,973,483.79 |
| Profit/loss for the financial year 31 Dec | 1,365,597.50 | 139,103,492.13 |
| Total unrestricted equity | 710,146,335.35 | 708,780,737.85 |
| Total equity | 780,214,660.47 | 778,947,205.83 |
| Calculation of distributable equity 31 Dec | | |
| Other reserves | 142,703,761.93 | 142,703,761.93 |
| Retained earnings | 566,076,975.92 | 426,973,483.79 |
| Profit/loss for the financial period | 1,365,597.50 | 139,103,492.13 |
| Total | 710,146,335.35 | 708,780,737.85 |

18. Provisions

| | 2015 | 2014 |
|-------------------------|---------------------|---------------------|
| Pension provision | 301,878.00 | 310,146.00 |
| Restructuring provision | 580,760.88 | 687,267.61 |
| Other provisions | 569,281.25 | 289,860.50 |
| Total | 1,451,920.13 | 1,287,274.11 |

19. Deferred tax assets and liabilities

| Deferred tax assets | 2015 | 2014 |
|----------------------------|---------------------|-------------------|
| From provision | 290,384.03 | 257,454.83 |
| From impairments | 0.00 | 159,242.64 |
| From temporary differences | 7,971,078.02 | 418,905.59 |
| Total | 8,261,462.05 | 835,603.06 |

| Deferred tax liabilities | 2015 | 2014 |
|---------------------------------|------------------|------------------|
| Valuation to fair value | 17,081.28 | 41,617.00 |
| Total | 17,081.28 | 41,617.00 |

20. Non-current liabilities

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Bonds | 99,771,766.37 | 251,251,916.55 |
| Deferred tax liability | 17,081.28 | 41,617.00 |
| Other non-current liabilities | 4,096,431.35 | 4,589,922.47 |
| Total | 103,885,279.00 | 255,883,456.02 |
| Liabilities, maturity more than 5 years | | |
| Bonds | - | - |
| Total | 0.00 | 0.00 |

21. Current liabilities

| Amounts owed to Group companies | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Trade payables | -92,802.66 | 850,019.77 |
| Interest liabilities | 309,852.77 | 68,426.69 |
| Other liabilities | 209,949,515.21 | 111,978,496.18 |
| Accruals and deferred income | 68,683.71 | 12,929,191.50 |
| Total | 210,235,249.03 | 125,826,134.14 |
| Amounts owed to others | | |
| Bonds | 150,422,779.87 | 0.00 |
| Trade payables | 607,288.80 | 8,101,721.70 |
| Other liabilities | 2,340,730.92 | 5,711,976.56 |
| Accruals and deferred income | 17,604,211.18 | 17,179,168.24 |
| Total | 170,975,010.77 | 30,992,866.50 |
| Total current liabilities | 381,210,259.80 | 156,819,000.64 |
| Key items in other liabilities | | |
| Payroll and related social costs | 225,124.68 | 926,881.11 |
| VAT-liability | 2,018,671.90 | 4,723,165.55 |
| Other liabilities | 96,934.34 | 61,929.90 |
| Total | 2,340,730.92 | 5,711,976.56 |
| Key items in accruals and deferred income | | |
| Payroll and related social costs | 1,501,921.94 | 7,731,215.14 |
| Accrued interests | 1,303,922.36 | 1,324,674.85 |
| Tax liabilities | 14,009,537.17 | 15,870.72 |
| Other accruals and deferred income | 788,829.71 | 8,107,407.53 |
| Total | 17,604,211.18 | 17,179,168.24 |
| Interest-bearing liabilities | | |
| Non-current liabilities | 99,771,766.37 | 251,251,916.55 |
| Current liabilities | 265,371,722.87 | 24,318,166.62 |
| Total | 365,143,489.24 | 275,570,083.17 |

22. Assets pledged, commitments and other liabilities

| Pledges given for Group companies | 2015 | 2014 |
|---------------------------------------|-----------------------|-----------------------|
| Guarantees | 225,930,060.00 | 107,227,356.00 |
| Total | 225,930,060.00 | 107,227,356.00 |
| Pledges given for others | | |
| Guarantees | | |
| Others | 100,000.00 | 100,000.00 |
| Total | 100,000.00 | 100,000.00 |
| Lease contracts unpaid amounts | | |
| Payable within one year | 153,460.80 | 291,282.54 |
| Payable in later years | 170,133.32 | 383,471.86 |
| Total | 323,594.12 | 674,754.40 |
| Rental liabilities | 815.00 | 815.00 |
| Other commitments | 26,424.00 | 26,424.00 |
| Derivative contracts | | |
| Currency forward contracts | | |
| Fair value | 28,182.99 | 1,939,699.18 |
| Nominal value | 8,561,928.25 | 47,867,325.04 |
| Interest rate swaps | | |
| Fair value | 1,897,236.73 | 3,861,456.02 |
| Nominal value | 70,000,000.00 | 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.

Other commitments

On September 18, 2015, the District Court of Helsinki issued a positive ruling in favor of Posti regarding a dispute concerning the refund of value added taxes. Posti is not deemed liable to compensate value added taxes paid by its customers. Posti's contract customers filed a claim for the damage of value added taxes of postal services totaling a little over EUR 100 million. According to the District Court, including the VAT in the postal services referred to in the case was not contrary to EU law. The plaintiffs consisted of seven large-scale financing and insurance institutions. The plaintiffs, except one of them, have appealed to the Helsinki Court of Appeal.

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 | 280,838,632.95 |
| OpusCapita Group Oy, Helsinki | 1,868 | 100.00 | 110,975,397.77 |
| Itella Logistics AB, Stockholm | 4,000 | 100.00 | 1,781.31 |
| Itella Logistics AS, Oslo | 6 | 100.00 | 260,837.62 |
| Itella Logistics SIA, Riga | 20 | 100.00 | 66,251.45 |
| Itella Logistics UAB, Vilnius | 1,000 | 100.00 | 18,147.59 |
| Posti Kiinteistöt Oy, Helsinki | 103,488 | 100.00 | 192,730,895.55 |
| Itella SmartPOST OÜ, Tallinn | | 100.00 | 750,000.00 |
| NLC International Corporation, Limassol | 57,667,410 | 100.00 | 3,438,999.59 |
| Posti Oy, Helsinki | 2,538,295 | 100.00 | 106,659,037.70 |
| Posti Global Oy, Helsinki | 999 | 99.90 | 26,423,550.00 |
| Total | | | 722,163,531.53 |

Associated companies

| | | | |
|----------------------|-------|-------|-------------------|
| KOY Heliposti, Kotka | 4,253 | 28.35 | 220,000.00 |
| Total | | | 220,000.00 |

Other companies

| | | | |
|---|-------|-------|---------------------|
| As. Oy Raison Keskuslähiö, Raisio | 6,350 | 9.77 | 33,000.00 |
| As. Oy Rovaniemen Viirikankaant. 2-4, Rovaniemi | 1,584 | 15.84 | 90,000.00 |
| Huhtakeskus Oy, Jyväskylä | 328 | 3.28 | 60,000.00 |
| KOY Elimäen Matkakaari, Elimäki | 2,700 | 11.09 | 70,000.00 |
| Cooperative Vereniging IPC, Amsterdam | 5 | 0.05 | 6,040.80 |
| East Office of Finnish Industries Oy | 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 | | | 5,080.00 |
| Vierumäki Golf Oy, Helsinki | 7 | 0.06 | 61,516.41 |
| Oy Samlink Ab | 8,590 | 5.88 | 5,000,067.20 |
| Golfsarfvik | 1 | | 28,560.00 |
| Total | | | 5,739,794.41 |

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 profits total EUR 710,146,335.35 of which net profit for the financial year accounts for EUR 1,365,597.50.

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 18,000,000.00 to be distributed and EUR 692,146,335.35 retained in the shareholders' equity.

Signatures of the Board of Directors' Report and the Financial Statements

Helsinki, 11 February 2016

Arto Hiltunen
Chairman

Heikki Malinen
President & CEO

Päivi Pesola
Vice Chairman

Petri Järvinen

Petri Kokko

Jussi Kuutsa

Kirsi Nuotto

Marja Pokela

Suvi-Anne Siimes

Our auditor's report has been issued today.

Helsinki 11 February, 2016

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

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Posti Group Corporation for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, [income statement,] statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our

audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet (and the distribution of other unrestricted equity) 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 11 February, 2016

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 2015 of Posti Group Corporation.

The Supervisory Board proposes to the 2016 Annual General Meeting that the Income Statement and Balance Sheet for 2015 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 3 March 2016

Markku Rossi
Chairman of the Supervisory Board

Investor information

Our financial reports follow the International Financial Reporting Standards. As an issuer of two publicly listed bonds, we are obligated to disclose periodic information to a limited extent.

The first bond (EUR 150 million) was issued in November 2009 and listed on NASDAQ OMX Helsinki in December 2009. The second bond (EUR 100 million) was issued in November 2011 and listed on NASDAQ OMX Helsinki in January 2012.

This disclosure obligation is based on the Finnish Securities Market Act and the rules and regulations of NASDAQ OMX Helsinki Ltd.

We fulfill our obligation to disclose periodic information by publishing our financial statements and quarterly interim reports as stock exchange releases.

Our financial communications policy is available in full at www.posti.com/financials.

Financial calendar in 2016

Financial Statements for 2015: February 12, 2016

January-March: April 29, 2016 at 10:00 am

January-June: July 18, 2016 at 10:00 am

January-September: October 31, 2016 at 10:00 am

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 on March 18, 2015. 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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