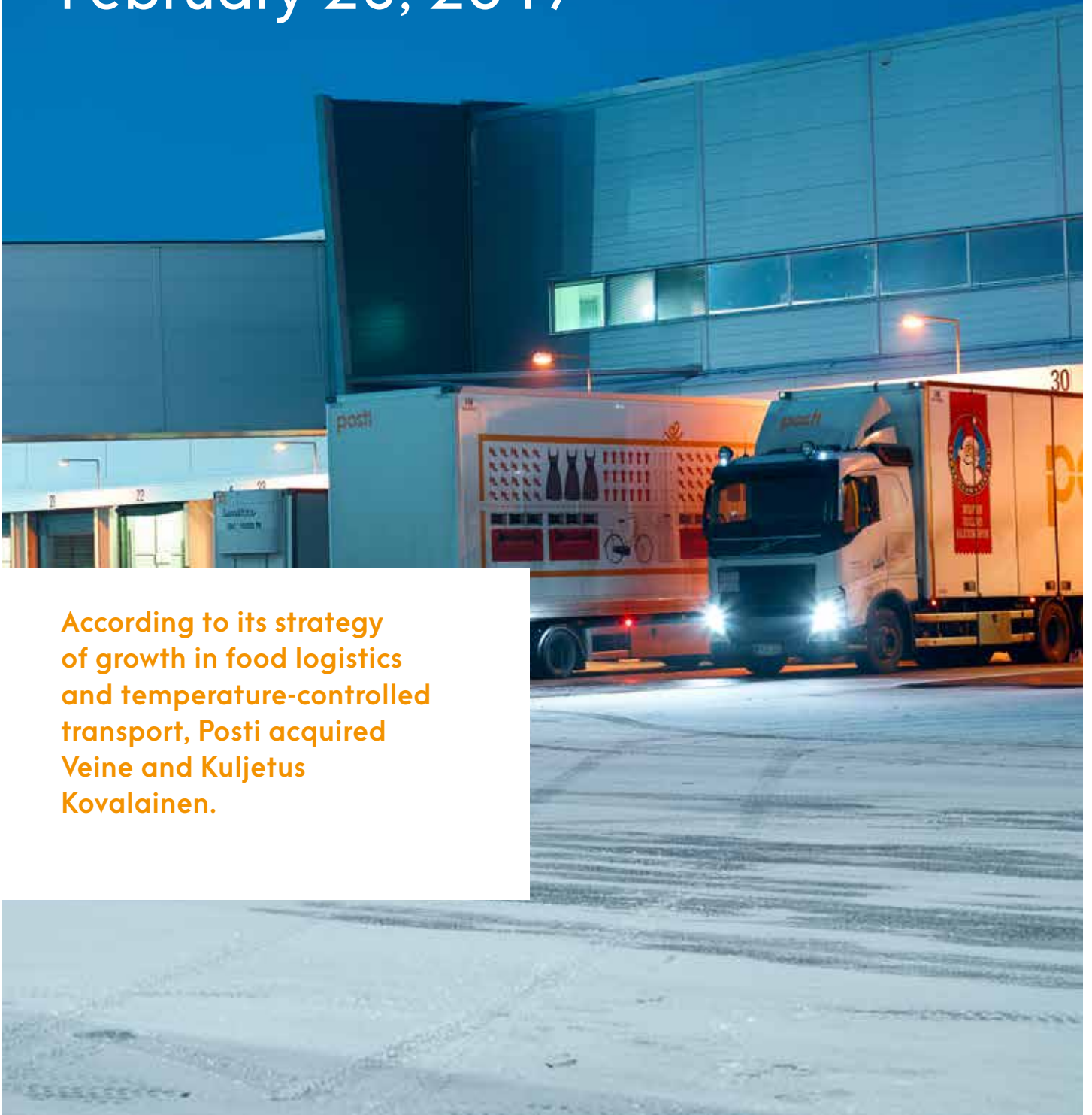


Posti Group Corporation's Financial Statements Release, February 28, 2017



According to its strategy of growth in food logistics and temperature-controlled transport, Posti acquired Veine and Kuljetus Kovalainen.

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Posti Group's net sales Q4 2016 grew by over 5% – EUR 60 million dividend to the state

POSTI GROUP CORPORATION'S FINANCIAL STATEMENTS RELEASE 2016

October–December 2016

Financial highlights

- The Group's net sales increased by 5.4% to EUR 456.5 (433.2) million.
- The Group's adjusted EBITDA declined and was EUR 43.0 (43.2) million, 9.4% (10.0%).
- The Group's EBITDA improved to EUR 38.6 (30.6) million, 8.4% (7.1%).
- The adjusted operating result declined to EUR 22.7 (24.0) million, or 5.0% (5.5%) of net sales.
- The operating result improved and amounted to EUR 14.2 (8.3) million, or 3.1% (1.9%) of net sales.

Operational highlights

- The number of addressed letters decreased by 6%. Measured in waybills, domestic freight grew by 10% excluding the effect of acquisitions and divestments. Parcel volumes grew by 9% in Finland and by 21% in the Baltic countries. B2C parcels grew by 13%.
- In October, Posti acquired Kuljetus Kovalainen, a company that specializes in food product transport. The acquisition supports Posti's strategy of continued growth in food logistics and temperature-controlled transport.
- Mail items covered by the universal service obligation accounted for 9% of all of Posti's mail items. Figure is seasonally higher in the last quarter due to Christmas cards. A total of approximately 28 (30) million Christmas cards were sent in 2016.
- The number of working days was 63 (64).

Year 2016

Financial highlights

- The Group's net sales decreased by 2.5% and amounted to EUR 1,607.6 (1,649.1) million.
- The Group's adjusted EBITDA was EUR 126.7 (128.2) million, 7.9% (7.8%).
- The Group's EBITDA declined to EUR 116.0 (147.2) million, 7.2% (8.9%).
- The adjusted operating result was EUR 47.1 (47.6) million, or 2.9% (2.9%) of net sales.
- The operating result declined to EUR 30.7 (54.8) million, or 1.9% (3.3%) of net sales. Special items were EUR 10.6 (40.8) million.
- Cross capital expenditure totaled EUR 100.4 (66.8) million.
- The return on invested capital was 5.1% (6.4%).
- The equity ratio was 54.9% (46.9%).
- Gearing was -13.6% (-10.9%).
- The Board of Directors proposes to the Annual General Meeting that a dividend of 69% of the Group's adjusted net profit, EUR 25 million be distributed. In addition to that, the Board of Directors proposes that an extra dividend of EUR 35 million be distributed, both altogether EUR 60 million.

Operational highlights

- The number of addressed letters decreased by 7%. Measured in waybills, domestic freight grew by 7% excluding the effect of acquisitions and divestments. Parcel volumes grew by 3% in Finland and by 26% in the Baltic countries. B2C parcels grew by 7%.
- OpusCapita sold its businesses serving the local markets in the Baltic countries to BaltCap in January.
- Itella Russia acquired the Russian courier company MaxiPost in March.
- OpusCapita acquired the Germany-based software company jCatalog Software in April. The acquisition supports OpusCapita's strategy to build a global buyer-supplier ecosystem offering and expands its geographical reach.
- Posti acquired Veine, a company that specializes in temperature-regulated logistics, in August. The acquisition supports Posti's strategy to grow in food logistics. Together, Posti and Veine can offer competitive and nationwide food logistics solutions.
- In September, Posti Kiinteistöt sold a 74,000 square meter logistics warehouse property, Pennala, located in Orimattila.
- By the parliament's decision in June, the Finnish State can decrease its ownership in Posti Group Corporation. In accordance with Government Resolution on Ownership Steering Policy, 49.9% of the ownership of Posti Group Corporation will be transferred to a new state-owned development company, Vake Oy, which was established in August. The Finnish State's direct holding will remain at 50.1%.
- Mail items covered by the universal service obligation accounted for 6% of all of Posti's mail items in 2016.
- The number of working days was 253 (252).

Changes in reporting and revenue recognition principles

The Postal Services operating segment and the Parcel and Logistics Services operating segment have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services. Starting from the last quarter of 2016, the company reports the results of its operations for the following reportable segments: Mail, Parcel and Logistics Services; Itella Russia; and OpusCapita. In addition, the company will report net sales for the following business areas under the Mail, Parcel and Logistics Services segment: mail and marketing services, parcel services, press services and logistics services.

Going forward, Posti will also report new financial indicators: EBITDA and adjusted EBITDA.

Posti has changed the Group's revenue recognition principle for stamps and other prepaid services. Under the new revenue recognition principle, the Group will recognize revenue for prepaid services, such as stamps, franking machines and prepaid envelopes, based on their estimated usage. Previously, revenue from these prepaid services has been recognized at the point of customer purchase. The estimated usage is based on a certain statistical model that incorporates historical sales and usage volumes as well as price changes.

Posti published a stock exchange release 'Change in reportable segments and the revenue recognition principle for stamps' on January 24, 2017 where it said: "Posti excludes the impact of acquisitions and divestments so that net sales of acquired or divested businesses is not taken into account in calculating the comparable net sales. The net sales of divested businesses is excluded also from the figures of the comparative period." Departing from the statement, Posti will not disclose comparable net sales as of the last quarter of 2016. This means that the net sales of acquired or divested businesses is included in the net sales.

Posti changed its terminology for Alternative Performance Measures in accordance with the new guidelines issued by the European Securities and Markets Authority (ESMA) as of the interim report for the second quarter of 2016.

“Non-recurring items” was replaced by “special items”. “Operating result before non-recurring items” was replaced by “adjusted operating result”. The definitions for these performance measures and for items affecting the comparability of reported figures are provided in the section “Calculation of key figures” of this interim report and at www.posti.com/financials.

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

Key figures of Posti Group

	10-12/2016	Restated**) 10-12/2015	1-12/2016	Restated**) 1-12/2015
Net sales, EUR million	456.5	433.2	1,607.6	1,649.1
Adjusted EBITDA, EUR million	43.0	43.2	126.7	128.2
Adjusted EBITDA, %	9.4	10.0	7.9	7.8
EBITDA, EUR million	38.6	30.6	116.0	147.2
EBITDA, %	8.4	7.1	7.2	8.9
Adjusted operating result, EUR million	22.7	24.0	47.1	47.6
Adjusted operating result, %	5.0	5.5	2.9	2.9
Operating result, EUR million	14.2	8.3	30.7	54.8
Operating result, %	3.1	1.9	1.9	3.3
Result before taxes, EUR million	14.7	4.7	29.5	42.3
Result for the period, EUR million	10.4	3.1	23.2	35.1
Cash flow from operating activities			63.1	81.9
Return on equity (12 months), %			3.9	6.2
Return on invested capital (12 months), %			5.1	6.4
Equity ratio, %			54.9	46.9
Gearing, %			-13.6	-10.9
Gross capital expenditure, EUR million	23.3	17.1	100.4	66.8
Average number of employees			20,632	22,219
Dividend, EUR million			60 ^{*)}	18.0

^{*)} Board of Directors' proposal to the Annual General Meeting.

^{**)} Restated due to change in the revenue recognition principle.

Heikki Malinen, President and CEO

“During the past five years, Posti has gone through the most radical period of transformation in its entire history. Digitization has drastically reduced traditional communication while, at the same time, the Finnish economy and the entire logistics industry have been in a recession. It was another challenging year for the Group in 2016 but, particularly in the last quarter, there were already signs of a turn for the better.

The Group’s net sales turned to an increase of more than 5% in the final quarter of the year. Particularly gratifying was the substantial growth achieved in parcel services, where B2C volume increased by almost 13%, boosted by e-commerce, and cross-border parcel services volume grew by more than 7%. The net sales of parcel services grew by nearly 6% in the fourth quarter. We also saw growth in our logistics services. Organic growth was nearly 8% and the overall net sales of logistics services grew by 29% in the fourth quarter.

Posti’s profitability in 2016 remained good in spite of the difficult market situation. Adjusted EBITDA even improved in the Mail, Parcel and Logistics Services segment. The Group’s adjusted EBITDA, EUR 126.7 million, was on par with the previous year. We are very pleased that Itella Russia finished a difficult year with a better result than previous year. OpusCapita also improved its profitability in the last quarter of the year.

Our operating cash flow from operating activities was good at EUR 63.1 million. The consolidated balance sheet remains strong in spite of the repayment of a EUR 150 million bond late in the year. Due to the strong balance sheet, the Board of Directors proposes the payment of a significant extra dividend.

Although Posti is Finland’s leading company in the postal and logistics industry, company will continue its resolute renewal to adjust to the rapid trend of digitization in society. Digitization is inevitable, with addressed letter volumes falling by another 7% in 2016. For this reason, renewal and growth are the main focus of our strategy, which was updated last year. In spite of the decline in volume, postal services will remain a central area of our operations. Postal services are very significant to Posti’s profitability and we believe that the upcoming reform of the Postal Act will help extend the life cycle of traditional communication.

Parcel and logistics services represent the engine of Posti’s future growth. We provide the most extensive nationwide logistics and retail network as well as a comprehensive supply chain. Last year, Posti acquired Veine and Kuljetus Kovalainen, two transport companies that specialize in temperature-controlled logistics, to support our pursuit of new growth in food logistics. It is also very significant that Posti is now part of DHL’s European parcel alliance, which improves our competitiveness in international e-commerce and parcel delivery. Higher e-commerce volumes have already had a visible positive effect on domestic warehousing services as well as the increase in the net sales of Itella Russia’s MaxiPost.

I want to thank Posti’s employees for their important work in 2016 to ensure a smoother everyday life for our customers. The implementation of renewal measures in delivery operations last fall resulted in some regrettable disruptions. We are sorry for the inconvenience caused by the disruptions and, after working hard to rectify the situation in early 2017, we have restored our delivery quality to a very good level at above 99%. I wish to thank our customers for their trust.”

APPENDICES

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

FURTHER INFORMATION

Heikki Malinen, President and CEO, and Sari Helander, CFO
Tel. +358 20 452 3366 (MediaDesk)

FINANCIAL CALENDAR IN 2017

Financial Statements Release for 2016: February 28, 2017, at 12:00

Financial Statements for 2016: March 8, 2017, at 9:00

Interim Report Q1/2017: April 28, 2017, at 9:00

Interim Report Q2/2017: July 27, 2017, at 12:00

Interim Report Q3/2017: October 26, 2017, at 9:00

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***Posti Group** is your first choice in postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in ten countries. Our net sales in 2016 amounted to EUR 1,608 million. We employ approximately 20,500 professionals who serve our customers in Finland under the name Posti and in other countries under the name Itella. All of our services in Finland are carbon neutral. www.posti.com.*

Market situation and business environment 2016

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

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

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

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

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

By the parliament's decision in June, the Finnish State can decrease its ownership in Posti Group Corporation. In accordance with Government Resolution on Ownership Steering Policy, 49.9% of the ownership of Posti Group Corporation will be transferred to a new state-owned development company, Vake Oy, which was established in August.

Changes in management

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

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

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

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

Performance improvement program

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

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

Net sales and operating result in October–December 2016

The Group's net sales grew by 5.4% in October–December and amounted to EUR 456.5 (433.2) million. In local currencies, net sales increased by 5.6%. Net sales increased by 6.4% in Finland and decreased by 0.6% in other countries. International operations accounted for 14.2% (15.0%) of net sales.

The number of working days in the fourth quarter was lower than in the previous year by one day.

The Group's adjusted EBITDA declined and was EUR 43.0 (43.2) million, 9.4% (10.0%). The Group's EBITDA improved to EUR 38.6 (30.6) million, 8.4% (7.1%).

The Group's adjusted operating result decreased to EUR 22.7 (24.0) million, or 5.0% (5.5%) of net sales.

Special items amounted to EUR 8.5 (15.7) million. The special items of the businesses are described in more detail below, in connection with the results for each reportable segment.

The Group's operating result improved and was EUR 14.2 (8.3) million, or 3.1% (1.9%) of net sales.

The result before taxes improved and was EUR 14.7 (4.7) million.

Mail items covered by the universal service obligation accounted for 9% of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 54.9 (58.1) million, or 12.0% of the Group's net sales. This figure is seasonally higher in the last quarter due to Christmas cards. A total of approximately 28 (30) million Christmas cards were sent in 2016.

Net sales and operating result in 2016

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

The number of working days in 2016 was higher than in the previous year by one day. The Group's adjusted EBITDA was EUR 126.7 (128.2) million, 7.9% (7.8%).

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

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

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

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

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

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

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

Mail items covered by the universal service obligation accounted for 6% of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 147.8 (154.8) million, or 9.2% of the Group's net sales.

Mail, Parcel and Logistics Services

October–December 2016

The year-on-year development of Posti's product volumes in Finland was as follows:

- Addressed letters -6% (-9%)
- Parcels +9% (0%), of which B2C parcels +13% (+3%)
- Domestic freight measured in waybills +10% (-16%)
- Warehouse fill rate in the end of the reporting period 73% (68%)

The amount of parcels delivered by Posti grew to 9.7 (9.0) million parcels in the fourth quarter.

The number of electronic letters (Netposti) decreased by 3%. The number of digital mailbox Netposti users increased by 8% and stood at 686,000 (636,000) at the end of the year.

The net sales of Mail, Parcel and Logistics Services increased by 6.9% to EUR 378.9 (354.4) million. The increase in net sales was attributable to the favorable development of the volumes of parcel and freight services as well as the acquisitions of Veine and Kuljetus Kovalainen. Growth was particularly expedited by record sales during the Christmas season and Black Friday campaigns. Net sales in the comparison period were negatively affected by a strike.

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

Net sales, EUR million	10-12/2016	10-12/2015	Change
Mail and Marketing Services	160.5	162.0	-0.9%
Press Services	43.1	43.9	-1.8%
Parcel Services	77.6	73.2	5.9%
Logistics Services	99.2	76.7	29.3%

The net sales of Mail and Marketing Services declined due to the lower volumes of domestic delivery products. The net sales of Press Services remained nearly at the previous year's level. The lower rate of decline in Press Services was due to changes in customers' mailing methods. Customers have, among other changes, moved products from unaddressed direct marketing to magazines. The net sales of Parcel Services grew due to higher parcel volumes. Development was positive particularly in the B2C segment and cross-border trade. In the Baltic countries, parcel volumes increased by 21%. The number of parcels going through parcel points grew by 33%. The increase in the net sales of Logistics Services was expedited by growth in domestic freight. Volumes grew due to customer acquisition and an increase in transport volumes in heavy traffic in Finland. According to a report by the Finnish Transport Agency, transport volumes in heavy traffic decreased in Finland continuously from May 2012 to April 2016, after which they turned to growth. Volumes have now increased continuously since April 2016. The warehousing business improved due to growth in both processing volumes and fill rates towards the end of the review period.

The adjusted EBITDA of Mail, Parcel and Logistics Services declined to EUR 30.4 (31.7) million, 8.0% (9.0%). The margin decreased due to a decline in postal operations and sales centering around logistics services. The result was also affected by quality assurance measures taken in production in the Christmas period as well as marketing investments being higher than in the previous year. EBITDA, on the other hand, remained on a par with the previous year at EUR 30.2 (30.1) million, 8.4% (7.1%), due to special items being lower than in the previous year.

The adjusted operating result declined to EUR 19.2 (21.4) million. In addition to changes in adjusted EBITDA, the result was weighed down by depreciation and amortization primarily related to the assets of acquired businesses.

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

Special items recognized during the period amounted to EUR 0.2 (1.6) million.

The operating result declined by 3.5% and was EUR 19.1 (19.8) million.

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

Posti and Ilkka-Yhtymä continued their cooperation in December by signing an agreement under which Posti will take care of the early-morning delivery of Ilkka-Yhtymä's regional and local newspapers in urban areas as well as basic and weekend delivery in sparsely populated areas until the end of 2018.

Year 2016

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

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

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

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

The net sales of Mail, Parcel and Logistics Services were largely unchanged from the previous year at EUR 1,321.6 (1,337.8) million. The decrease in net sales was attributable to a decline in domestic delivery product volumes. The price increases that took effect at the start of the year compensated for part of the effect of the decline in volume. Net sales were boosted by growth in parcel services and the acquisitions of Veine and Kuljetus Kovalainen.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Itella Russia

October–December 2016

Measured in local currency, Itella Russia's net sales decreased by 1.4%. Net sales were weighed down by a decline in contract logistics in the warehousing business. Warehouse fill rates declined year-on-year in Moscow as well as other regions. The fill rate for warehouses in Moscow was 75% (86%) at the end of December, while that of other areas was 82% (90%). The exceptionally low fill rate in Moscow was due to the preparing for the closing of the Krekshino warehouse during the first quarter of 2017. Warehouse handling volumes increased. Net sales were boosted by higher demand for air and sea freight, growth in e-commerce and the new business brought in by the MaxiPost acquisition.

The ruble appreciated by 20.3% compared to the previous year. Euro-denominated net sales increased by 2.6% to EUR 31.5 (30.8) million.

Adjusted EBITDA improved to EUR 2.3 (0.8) million, 7.4% (2.7%). EBITDA improved to EUR 1.6 (-11.3) million, 4.9% (-36.6%).

The adjusted operating result improved to EUR 0.6 (-0.9) million. In spite of the difficult market situation, the result improved due to the release of a provision for onerous leases made in 2015, smaller depreciation as well as efficiency improvement and cost reduction measures.

The operating result improved to EUR -0.2 (-12.8) million. The result of the comparison period (EUR -12.8 million) included a provision of EUR 11.7 million for loss-making agreements related to the loss of customers and currency depreciation.

Year 2016

Measured in local currency, Itella Russia's net sales decreased by 3.9%. Net sales were negatively affected by the weak economic climate, GDP decline and the weakening of customers' demand for logistics services.

The decline was the steepest in the demand for contract logistics, for warehousing as well as handling. Demand was strongest in transport services, particularly in air and sea freight and inter-terminal transport.

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

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

The adjusted operating result improved to EUR -4.0 (-5.1) million. The result improved due to the release of a provision for onerous leases made in 2015, lower depreciation as well as efficiency improvement and cost reduction measures.

Warehouse fill rates declined year-on-year in Moscow as well as other regions. The fill rate for warehouses in Moscow was 75% (86%) at the end of December, while that of other areas was 82% (90%). The exceptionally low fill rate in Moscow was due to the preparing for the closing of the Krekshino warehouse during the first quarter of 2017.

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

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

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

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

OpusCapita

October–December 2016

The year-on-year development of OpusCapita's volumes was as follows:

- Electronic transactions (comparable) +5%
- iPost products -3%

OpusCapita's net sales decreased by 3.2% to EUR 61.1 (63.2) million. The decrease in net sales was attributable to the accelerating shift from paper to online communication. Boosted by investments, the Buyer-Supplier Ecosystem business area grew by 24% in the fourth quarter.

Adjusted EBITDA improved to EUR 6.1 (5.1) million, 9.9% (8.0%). EBITDA declined to EUR 2.3 (6.3) million, 3.8% (9.9%).

The adjusted operating result declined to EUR 3.4 (3.5) million. The decline was due to the decrease in traditional print volume, the divestment of the businesses serving the local markets in the Baltic countries and investments in OpusCapita's new strategy.

Special items amounting to EUR 6.4 (+0.2) were recognized during the review period, related to corporate transactions and personnel restructuring in accordance with the new strategy.

The operating result decreased to EUR -3.0 (3.6) million.

Year 2016

The year-on-year development of OpusCapita's volumes was as follows:

- Electronic transactions (comparable) +13%
- iPost products -9%

OpusCapita transmitted a total of 484 million transactions. This includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 203 million transactions, which represents 42% of the total transaction volume. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continue. This was reflected in particularly in the declining volumes of iPost products.

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

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

The adjusted operating result declined to EUR 9.7 (14.5) million. The decline was due to the decrease in traditional print volumes, the divestment of the businesses serving the local markets in the Baltic countries and investments in OpusCapita's new strategy.

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

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

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

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

Key Figures for Segments

EUR million	10-12/2016	Restated 10-12/2015	Change	1-12/2016	Restated 1-12/2015	Change
Net sales						
Mail, Parcel and Logistics Services	378.9	354.4	6.9%	1,321.6	1,337.8	-1.2%
Itella Russia	31.5	30.8	2.6%	104.6	118.9	-12.0%
OpusCapita	61.1	63.2	-3.2%	240.1	256.7	-6.4%
Other operations	1.3	2.0	-34.5%	5.1	8.7	-41.5%
Intra-Group sales	-16.4	-17.2	-	-63.9	-72.9	-
Posti Group	456.5	433.2	5.4%	1,607.6	1,649.1	-2.5%
Adjusted EBITDA						
Mail, Parcel and Logistics Services	30.4	31.7	-4.3%	91.0	90.3	0.7%
Itella Russia	2.3	0.8	178.8%	2.6	4.1	-37.7%
OpusCapita	6.1	5.1	19.9%	19.1	21.6	-11.8%
Other operations	4.2	5.5	-23.6%	14.1	12.1	16.3%
Posti Group	43.0	43.2	-0.4%	126.7	128.2	-1.1%
EBITDA						
Mail, Parcel and Logistics Services	30.2	30.1	0.4%	76.9	80.9	-5.0%
Itella Russia	1.6	-11.3	-	3.9	-8.3	-
OpusCapita	2.3	6.3	-63.1%	12.2	21.4	-43.0%
Other operations	4.5	5.5	-18.6%	23.1	53.2	-56.6%
Posti Group	38.6	30.6	25.9%	116.0	147.2	-21.2%
Adjusted EBITDA, %						
Mail, Parcel and Logistics Services	8.0%	9.0%		6.9%	6.8%	
Itella Russia	7.4%	2.7%		2.5%	3.5%	
OpusCapita	9.9%	8.0%		7.9%	8.4%	
Posti Group	9.4%	10.0%		7.9%	7.8%	
EBITDA, %						
Mail, Parcel and Logistics Services	8.0%	8.5%		5.8%	6.0%	
Itella Russia	4.9%	-36.6%		3.7%	-7.0%	
OpusCapita	3.8%	9.9%		5.1%	8.4%	
Posti Group	8.4%	7.1%		7.2%	8.9%	

EUR million	10-12/2016	Restated 10-12/2015	Change	1-12/2016	Restated 1-12/2015	Change
Adjusted operating result						
Mail, Parcel and Logistics Services	19.2	21.4	-10.2%	48.7	49.2	-0.9%
Itella Russia	0.6	-0.9	-	-4.0	-5.1	-
OpusCapita	3.4	3.5	-0.7%	9.7	14.5	-33.4%
Other operations	-0.5	-0.1	-	-7.3	-11.0	-
Posti Group	22.7	24.0	-5.3%	47.1	47.6	-1.1%
Operating result						
Mail, Parcel and Logistics Services	19.1	19.8	-3.5%	34.6	38.7	-10.5%
Itella Russia	-0.2	-12.8	-	-2.7	-25.0	-
OpusCapita	-3.0	3.6	-	-1.4	13.3	-
Other operations	-1.7	-2.3	-	0.2	27.8	-99.1%
Posti Group	14.2	8.3	72.0%	30.7	54.8	-44.0%
Adjusted operating result, %						
Mail, Parcel and Logistics Services	5.1%	6.0%		3.7%	3.7%	
Itella Russia	1.8%	-2.8%		-3.8%	-4.3%	
OpusCapita	5.6%	5.5%		4.0%	5.7%	
Posti Group	5.0%	5.5%		2.9%	2.9%	
Operating result, %						
Mail, Parcel and Logistics Services	5.0%	5.6%		2.6%	2.9%	
Itella Russia	-0.7%	-41.6%		-2.6%	-21.0%	
OpusCapita	-4.8%	5.7%		-0.6%	5.2%	
Posti Group	3.1%	1.9%		1.9%	3.3%	

Financial position and investments

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

Investments according to the statement of cash flow amounted to EUR 92.3 (55.9) million. During the year, the Group invested in the acquisitions of Veine and Kuljetus Kovalainen, which specialize in temperature-controlled transport as well as the acquisitions of the software company jCatalog and the courier company MaxiPost. The Group also invested in information systems, the transport fleet and production projects.

Proceeds from divestments totaled EUR 78.0 (136.4) million. The most significant divestments were the sale of real estate in Orimattila in September and Pirkkala in August, as well as OpusCapita's sale of its businesses serving the local markets in the Baltic countries to BaltCap in January.

At the end of the review period, liquid funds totaled EUR 159.9 (258.9) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 132.1 (290.3) million. The equity ratio was 54.9% (46.9%), and gearing was -13.6% (-10.9%).

Research and development

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

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

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

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

Environmental impacts

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

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

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

Share capital and shareholding

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

Administration and auditors

Annual General Meeting

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

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

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

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

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

- Maria Guzenina, MP (Social Democratic Party)
- Marisanna Jarva, MP, Centre Party
- Rami Lehto, MP, True Finns Party
- Eeva-Maria Majjala, MP, Centre Party
- Sari Moisanen, Managing Director (interim), Sea-Lapland development centre, Left Alliance
- Mats Nylund, MP, Swedish People's Party of Finland
- Sari Raassina, MP, National Coalition Party
- Lulu Ranne, M.Sc. (Tech.), 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

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

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

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

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

Extraordinary General Meeting

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

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

Employees

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

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

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

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

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

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

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

Cooperation negotiations

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

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

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

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

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

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

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

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

Changes in corporate structure

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

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

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

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

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

Regulatory environment

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

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

Legal proceedings

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

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

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

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

Business risks

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

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

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

Strategic risks

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

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

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

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

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

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

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

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

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

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

Operational and other risks

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

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

The postal industry is undergoing the most dramatic transformation in its history. This requires Posti to continue to adjust its delivery and sorting capacity and strongly enhance the efficiency of its operations in the coming years.

Changes may cause disturbances to mail deliveries and processes, which may have a negative impact on Posti's reputation and customers' trust in the company. In addition, changes and expectations of productivity growth may have a negative impact on the personnel's commitment to the implementation of the company's strategy. Posti seeks to minimize these risks through active cooperation with employees, good change implementation planning, flexibly adjusting plans as needed, training immediate supervisors and carrying out other internal training, the Uusi polku program launched at the beginning of 2014, and professional communication.

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

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

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

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

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

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

Events after the financial period

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

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

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

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

The Government submitted its draft bill for the Postal Act to the Parliament on January 26, 2017. The legislative reform concerns Posti's universal service products. If the proposed legislative amendments were to be implemented, five-day delivery would continue in areas that do not have a delivery network maintained by newspapers, i.e. early-morning delivery of newspapers. The proposal states that, in sparsely populated areas, delivery would be implemented by means of a sourcing procedure arranged by the universal service provider. The delivery speed requirements for letters covered by the universal service obligation would be made more flexible throughout the country, and a reasonable margin would be allowed in the pricing of universal service products. The right to deviate from the requirements pertaining to delivery frequency in areas that are difficult to reach would be made more flexible. Information in the postal code system and the address register system would be opened for better utilization.

Apartment buildings could shift to mail delivery to pigeonholes, subject to the housing company's decision. A further proposal is that sending items in braille to people with visual impairments would be made free of charge. The new Postal Act is scheduled to enter into force on June 1, 2017.

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

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

Outlook for 2017

The Group's business is characterized by seasonality. Net sales and operating profit in the segments are not accrued evenly over the year. In postal services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker.

The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

Net sales in euros for the year are expected to increase compared to the previous year. The Group's adjusted operating result is expected to remain on par with the previous year. The operating result for 2017 will continue to include significant special items.

Capital expenditure excluding possible mergers and acquisitions is expected to increase from the previous year.

Board of Directors' proposal for the distribution of profits

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

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

The Board of Directors proposes to the Annual General Meeting that a dividend of 69% of the Group's adjusted net profit, EUR 25 million be distributed. In addition to that, the Board of Directors proposes that an extra dividend of EUR 35 million be distributed, both altogether EUR 60 million.

Helsinki, February 28, 2017

Posti Group Corporation
Board of Directors

APPENDICES

Key figures of Posti Group

Consolidated income statement and consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated cash flow statement

Consolidated statement of changes in equity

Notes to the Financial Statements Release

Financial Statements Review January–December 2016

Key figures of Posti Group

EUR million		10-12/2016	Restated**) 10-12/2015	1-12/2016	Restated**) 1-12/2015
Net sales		456.5	433.2	1,607.6	1,649.1
Adjusted EBITDA		43.0	43.2	126.7	128.2
Adjusted EBITDA	%	9.4	10.0	7.9	7.8
EBITDA		38.6	30.6	116.0	147.2
EBITDA	%	8.4	7.1	7.2	8.9
Adjusted operating result		22.7	24.0	47.1	47.6
Adjusted operating result	%	5.0	5.5	2.9	2.9
Operating result		14.2	8.3	30.7	54.8
Operating result	%	3.1	1.9	1.9	3.3
Result before taxes		14.7	4.7	29.5	42.3
Result for the period		10.4	3.1	23.2	35.1
Cash flow from operating activities				63.1	81.9
Return on equity (12 months)	%			3.9	6.2
Return on invested capital (12 months)	%			5.1	6.4
Equity ratio	%			54.9	46.9
Gearing	%			-13.6	-10.9
Gross capital expenditure		23.3	17.1	100.4	66.8
Employees on average				20,632	22,219
Dividends				60.0*)	18.0

*) Proposal by the Board of Directors to the Annual General Meeting.

**) Restated due to change in the revenue recognition principle.

Consolidated Income Statement

EUR million	10-12/2016	Restated 10-12/2015	1-12/2016	Restated 1-12/2015
Net sales	456.5	433.2	1 607.6	1 649.1
Other operating income	5.6	4.2	26.0	57.5
Materials and services	137.0	115.8	448.6	437.5
Employee benefits	190.8	191.2	730.8	756.5
Other operating expenses	95.7	99.8	338.2	365.4
Depreciation and amortisation	20.2	19.2	79.2	80.5
Impairment losses	4.2	3.2	6.1	11.9
Operating result	14.2	8.3	30.7	54.8
% of net sales	3.1%	1.9%	1.9%	3.3%
Finance income	2.8	2.6	12.7	13.9
Finance expenses	2.3	6.2	13.9	26.4
Result before income tax	14.7	4.7	29.5	42.3
% of net sales	3.2%	1.1%	1.8%	2.6%
Income tax	-4.3	-1.6	-6.3	-7.2
Result for the period	10.4	3.1	23.2	35.1
% of net sales	2.3%	0.7%	1.4%	2.1%

Consolidated Statement of Comprehensive Income

EUR million	10-12/2016	Restated 10-12/2015	1-12/2016	Restated 1-12/2015
Result for the period	10.4	3.1	23.2	35.1
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Changes in the fair value of available-for-sale financial assets	0.0	-0.1	0.0	-0.1
Change in fair value of cash flow hedges	0.1	-	0.0	-
Translation differences	8.8	-6.8	20.0	-9.0
Income tax relating to these items	0.0	0.0	0.0	0.0
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefit obligations	-2.4	3.0	0.0	4.6
Income tax relating to these items	0.5	-0.6	0.0	-0.9
Comprehensive income for the period	17.3	-1.3	43.2	29.7

Consolidated Balance Sheet

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

EUR million	Dec 31, 2016	Restated Dec 31, 2015	Restated Jan 1, 2015
Equity			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	0.1	0.1	0.2
Translation differences	-83.5	-103.6	-94.6
Retained earnings	479.2	474.0	435.2
Total equity	608.4	583.2	553.5
Non-current liabilities			
Deferred tax liabilities	26.6	23.1	31.6
Non-current borrowings	19.8	126.7	283.5
Other non-current liabilities	13.9	10.3	11.4
Advances received	16.8	16.6	16.7
Non-current provisions	14.3	17.0	12.6
Defined benefit pension plan liabilities	11.9	11.6	16.3
Total non-current liabilities	103.3	205.3	372.0
Current liabilities			
Current borrowings	112.3	163.6	12.0
Trade and other payables	298.1	282.0	303.8
Advances received	60.0	51.7	50.6
Current income tax liabilities	0.0	14.8	0.3
Current provisions	3.5	10.2	6.0
Total current liabilities	473.9	522.4	372.6
Liabilities associated with assets classified as held for sale	-	1.0	-
Total liabilities	577.2	728.7	744.6
Total equity and liabilities	1,185.6	1,311.9	1,298.1

Consolidated Cash Flow Statement

EUR million	1-12/2016	Restated 1-12/2015
Result for the period	23.2	35.1
Adjustments to cash flow	69.4	74.6
Change in net working capital	-3.9	-17.5
Cash flow before financial items and income tax	88.7	92.4
Financial items (net)	-6.9	-7.6
Income tax paid	-18.7	-3.0
Cash flow from operating activities	63.1	81.9
Purchase of intangible assets	-14.5	-17.7
Purchase of property, plant and equipment	-40.9	-34.7
Proceeds from sale of intangible and tangible assets	69.7	122.2
Business acquisitions	-36.8	-3.5
Proceeds from business disposals less cash and cash equivalents	8.4	14.2
Financial assets at fair value through profit or loss	48.6	-42.0
Financial assets held to maturity	40.3	-83.0
Cash flow from other investments	2.0	4.0
Cash flow from investing activities	76.7	-40.4
Change in loans (net)	-159.1	4.3
Finance lease payments	-11.6	-12.2
Dividends paid	-18.0	-
Cash flow from financing activities	-188.6	-8.0
Change in cash and cash equivalents	-48.9	33.4
Cash and cash equivalents at the beginning of the period	130.1	98.7
Effect of exchange rates changes	0.8	-0.3
Cash and cash equivalents included in assets held for sale	-	-1.8
Cash and cash equivalents at the end of the period	82.0	130.1

Consolidated Statement of Changes in Equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity Jan 1, 2015	70.0	142.7	0.2	-94.6	455.6	573.8
Correction of an error					-20.4	
Equity Jan 1, 2015, restated	70.0	142.7	0.2	-94.6	435.2	553.5
Comprehensive income						
Result for the period					35.1	35.1
Other comprehensive income:						
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.1			-0.1
Translation differences				-9.0		-9.0
Remeasurements of post-employment benefit obligations, net of tax					3.7	3.7
Comprehensive income for the period			-0.1	-9.0	38.8	29.7
Equity Dec 31, 2015, restated	70.0	142.7	0.1	-103.6	474.0	583.2
Equity Jan 1, 2016, restated	70.0	142.7	0.1	-103.6	474.0	583.2
Comprehensive income						
Result for the period					23.2	23.2
Other comprehensive income:						
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			0.0			0.0
Translation differences				20.0		20.0
Remeasurements of post-employment benefit obligations, net of tax					0.0	0.0
Comprehensive income for the period			0.0	20.0	23.2	43.2
Transactions with equity holders						
Dividends paid					-18.0	-18.0
Equity Dec 31, 2016	70.0	142.7	0.1	-83.5	479.2	608.4

Notes

1. Accounting Principles

The financial statements review has been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has applied the currently valid IFRS standards and interpretations in the preparation of this interim review. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The financial statements review is unaudited. The amendments to IFRS standards effective as of 1 January 2016 had no impact on consolidated income statement or statement of financial position.

Posti has revised the Group's method for recognizing revenue from stamps and other prepaid services in 2016. Under the new revenue recognition principle, the Group will recognize revenue for prepaid services, including stamps, franking machines and prepaid envelopes, only based on their estimated use. Revenue from such products was previously recognized when they were sold to customers. The comparative data of this review has been restated to reflect the new revenue recognition method. The effects of the change in the revenue recognition principle on the consolidated income statements, balance sheets and cash flow statements, the adjusted segment-specific financial information and the key figures for the financial years 2014–2015 has been published in a stock-exchange release on January 24th, 2017.

The Postal Services operating segment and the Parcel and Logistics Services operating segment have been combined to create a reporting segment called Mail, Parcel and Logistics Services. Starting from the last quarter of 2016, the company has the following reporting segments: Mail, Parcel and Logistics Services; Itella Russia; and OpusCapita. In addition, the company will report net sales for the following business areas under the Mail, Parcel and Logistics Services segment: mail and marketing services, parcel services, press services and logistics services. Going forward, Posti will also report new financial indicators: EBITDA and Adjusted EBITDA.

In addition to IFRS-based performance measures, Posti Group discloses adjusted EBITDA and adjusted operating result to enhance comparability as the adjusting items are not considered to incur as part of the normal business operations and also to improve transparency of special items affecting profitability. Management believes that adjusted performance measures provides meaningful supplemental information to both management and investors regarding the business performance. Adjusted EBITDA and adjusted operating result are also one of the key business performance indicators in Posti Group's management reporting.

2. Segment Information

EUR million	10-12/2016	Restated 10-12/2015	1-12/2016	Restated 1-12/2015
Net sales by segments				
Mail, Parcel and Logistics Services	378.9	354.4	1,321.6	1,337.8
inter-segment sales	-12.5	-12.2	-49.4	-52.6
Itella Russia	31.5	30.8	104.6	118.9
inter-segment sales	0.0	0.0	0.0	0.0
OpusCapita	61.1	63.2	240.1	256.7
inter-segment sales	-2.6	-2.9	-9.4	-11.5
Other operations	1.3	2.0	5.1	8.7
inter-segment sales	-1.3	-2.1	-5.0	-8.7
Total eliminations	-16.4	-17.2	-63.9	-72.9
Total	456.5	433.2	1,607.6	1,649.1

EUR million	10-12/2016	Restated 10-12/2015	1-12/2016	Restated 1-12/2015
Adjusted EBITDA by segments				
Mail, Parcel and Logistics Services	30.4	31.7	91.0	90.3
Itella Russia	2.3	0.8	2.6	4.1
OpusCapita	6.1	5.1	19.1	21.6
Other operations	4.2	5.5	14.1	12.1
Total	43.0	43.2	126.7	128.2
EBITDA by segments				
Mail, Parcel and Logistics Services	30.2	30.1	76.9	80.9
Itella Russia	1.6	-11.3	3.9	-8.3
OpusCapita	2.3	6.3	12.2	21.4
Other operations	4.5	5.5	23.1	53.2
Total	38.6	30.6	116.0	147.2
Adjusted operating result by segments				
Mail, Parcel and Logistics Services	19.2	21.4	48.7	49.2
Itella Russia	0.6	-0.9	-4.0	-5.1
OpusCapita	3.4	3.5	9.7	14.5
Other operations	-0.5	-0.1	-7.3	-11.0
Total	22.7	24.0	47.1	47.6
Operating result by segments				
Mail, Parcel and Logistics Services	19.1	19.8	34.6	38.7
Itella Russia	-0.2	-12.8	-2.7	-25.0
OpusCapita	-3.0	3.6	-1.4	13.3
Other operations	-1.7	-2.3	0.2	27.8
Total	14.2	8.3	30.7	54.8
Financial income and expenses	0.5	-3.6	-1.2	-12.5
Result for the financial period	10.4	3.1	23.2	35.1

Reconciliation of EBITDA and operating result

10-12/2016	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Other functions	Group total
EBITDA	30.2	1.6	2.3	4.5	38.6
Special items included in EBITDA:					
Personnel restructuring	0.2	0.1	0.2	0.1	0.6
Disposals of subsidiaries, real-estates and businesses				-1.3	-1.3
Provision for onerous contracts		0.7	1.6		2.4
Changes in contingent purchase considerations			1.4		1.4
Other			0.5	0.9	1.4
Special items included in EBITDA total	0.2	0.8	3.8	-0.3	4.4
Adjusted EBITDA	30.4	2.3	6.1	4.2	43.0
Operating result	19.1	-0.2	-3.0	-1.7	14.2
Special items included in operating result:					
Special items included in EBITDA	0.2	0.8	3.8	-0.3	4.4
Impairment losses			2.6	1.4	4.0
Special items total	0.2	0.8	6.4	1.1	8.5
Adjusted operating result	19.2	0.6	3.4	-0.5	22.7
1-12/2016					
EBITDA	76.9	3.9	12.2	23.1	116.0
Special items included in EBITDA:					
Personnel restructuring	14.7	0.4	3.1	0.8	18.9
Disposals of subsidiaries, real-estates and businesses			-2.8	-10.6	-13.4
Provision for onerous contracts		-1.7	1.6		0.0
Changes in contingent purchase considerations			4.1		4.1
Other	-0.6		0.8	0.9	1.1
Special items included in EBITDA total	14.1	-1.3	6.8	-9.0	10.7
Adjusted EBITDA	91.0	2.6	19.1	14.1	126.7
Operating result	34.6	-2.7	-1.4	0.2	30.7
Special items included in operating result:					
Special items included in EBITDA	14.1	-1.3	6.8	-9.0	10.7
Impairment losses			4.3	1.4	5.7
Special items total	14.1	-1.3	11.1	-7.5	16.4
Adjusted operating result	48.7	-4.0	9.7	-7.3	47.1

10-12/2015, restated	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Other functions	Group total
EBITDA	30.1	-11.3	6.3	5.5	30.6
Special items included in EBITDA:					
Personnel restructuring	0.7	0.4	0.1		1.2
Disposals of subsidiaries, real-estates and businesses	0.2				0.2
Provision for onerous contracts	0.7	11.7			12.4
Changes in contingent purchase considerations			-1.3		-1.3
Other					0.0
Special items included in EBITDA total	1.6	12.1	-1.2	0.0	12.5
Adjusted EBITDA	31.7	0.8	5.1	5.5	43.2
Operating result	19.8	-12.8	3.6	-2.3	8.3
Special items included in operating result:					
Special items included in EBITDA	1.6	12.1	-1.2	0.0	12.5
Impairment losses		-0.2	1.1	2.3	3.2
Special items total	1.6	11.9	-0.2	2.3	15.7
Adjusted operating result	21.4	-0.9	3.5	-0.1	24.0
1-12/2015, restated					
EBITDA	80.9	-8.3	21.4	53.2	147.2
Special items included in EBITDA:					
Personnel restructuring	6.9	0.7	0.9		8.5
Disposals of subsidiaries, real-estates and businesses	1.2			-40.8	-39.6
Provision for onerous contracts	0.7	11.7			12.4
Changes in contingent purchase considerations			-1.3		-1.3
Other	0.6		0.5	-0.2	0.9
Special items included in EBITDA total	9.4	12.4	0.2	-41.0	-19.1
Adjusted EBITDA	90.3	4.1	21.6	12.1	128.2
Operating result	38.7	-25.0	13.3	27.8	54.8
Special items included in operating result:					
Special items included in EBITDA	9.4	12.4	0.2	-41.0	-19.1
Impairment losses	1.1	7.5	1.1	2.3	11.9
Special items total	10.5	19.9	1.2	-38.8	-7.2
Adjusted operating result	49.2	-5.1	14.5	-11.0	47.6

Segments' assets and liabilities

EUR million	Dec 31, 2016	Restated 31.12.2015
Assets		
Mail, Parcel and Logistics Services	537.4	552.4
Itella Russia	153.5	126.1
OpusCapita	202.4	172.7
Non-current assets classified as held for sale		3.6
Other operations and unallocated	299.9	462.2
Eliminations	-7.6	-5.1
Total	1,185.6	1,311.9
Liabilities		
Mail, Parcel and Logistics Services	329.6	312.6
Itella Russia	23.0	27.0
OpusCapita	47.5	36.1
Liabilities associated with non-current assets classified as held for sale		1.0
Other operations and unallocated	184.6	357.2
Eliminations	-7.6	-5.1
Total	577.2	728.7
Personnel at end of the period		
Mail, Parcel and Logistics Services	15,455	16,200
Itella Russia	2,389	2,646
OpusCapita	2,051	2,178
Other functions	602	574
Total	20,497	21,598

3. Acquired businesses and business divestments

Acquired businesses July–September 2016

jCatalog

In April 2016 OpusCapita acquired a German-based software company jCatalog Software. jCatalog Software's solutions in the areas of eCommerce, catalog management, procurement process and supplier management will complement OpusCapita's extended purchase to pay offering. jCatalog Software is headquartered in Dortmund, Germany and has operations in Europe and in the USA with some 130 professionals.

The acquisition cost was EUR 31.2 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses. According to analysis, the goodwill arising from the acquisition amounts to EUR 19.1 million. The goodwill is justified as the acquisition supports OpusCapita's strategy to build a global buyer-supplier ecosystem offering and expands its geographical reach.

MaxiPost

Posti Group's subsidiary, Posti Global Ltd, acquired a Russian courier company OOO MaxiPost on 17th March, 2016. MaxiPost offers courier services to Russian companies, employing approximately 250 people.

The acquisition cost was EUR 1.1 million, of which the contingent earn-out component recognized in liabilities is EUR 0.7 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses.

According to provisional analysis goodwill arising from the acquisition totals to EUR 1.2 million.

Veine

In August 2016 Posti acquired the entire share capital of Veine Oy, a company operating in food logistics. Veine Group companies operate in Finland and have about 130 employees.

The acquisition cost was EUR 6.6 million, of which the contingent earn-out component recognized in liabilities amounted to EUR 2.3 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized in other operating expenses.

Goodwill according to preliminary acquisition calculation totalled EUR 8.8 million. Goodwill is justified as the acquisition supports Posti's strategy to grow in food logistics. Posti and Veine can together offer competitive and nationwide food logistics solutions.

Kuljetus Kovalainen

In October 2016 Posti acquired the entire share capital of Kovalainen Oy, a company operating in food logistics. Kuljetus Kovalainen is a Finnish transportation company, which has net sales of around EUR 15 million and a personnel of approximately 180.

The purchase consideration amounted to EUR 2.7 million, including a contingent earn-out component recognized as liabilities amounting to EUR 1.0 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses.

The goodwill arising from the preliminary acquisition calculation amounts to EUR 1.6 million. The goodwill is justified as the acquisition supports Posti's strategy to grow in food logistics. Joining forces with Kovalainen enables Posti to offer extensive logistics services in Northern Finland, Ostrobothnia and Lapland.

Analysis of net assets acquired

EUR million	Effect on assets				Fair value
	jCatalog	MaxiPost	Veine	Preliminary Kuljetus Kovalainen	
Intangible assets	15.3	0.1	2.3	0.7	18.4
Property, plant and equipment	0.2	0.0	2.6	5.3	8.1
Deferred tax asset	0.0	0.0	0.0	0.1	0.1
Inventory	0.0	0.0	0.0	0.1	0.1
Receivables	2.3	0.9	7.2	1.9	12.3
Cash and cash equivalents	3.0	0.0	0.9	0.0	4.0
Effect on assets	20.8	1.1	13.0	8.0	42.9

Effect on liabilities

EUR million	jCatalog	Maxipost	Veine	Kuljetus Kovalainen	Fair value
Deferred tax liability	5.1	0.0	0.3	0.1	5.5
Interest-bearing loans	0.2	0.0	8.1	3.8	12.1
Trade payables and other liabilities	3.5	1.1	6.8	2.9	14.2
Effect on liabilities	8.7	1.1	15.2	6.8	31.9
Net assets acquired	12.1	0.0	-2.2	1.2	11.0

Components of acquisition cost

EUR million					
Cash consideration	31.2	0.4	4.3	1.8	37.7
Earn-out consideration (estimated)	0.0	0.7	2.3	1.0	3.9
Total cost of acquisition	31.2	1.1	6.6	2.7	41.6
Fair value of net assets acquired	12.1	0.0	-2.2	1.2	11.0
Goodwill	19.2	1.1	8.8	1.6	30.6

Cash flow effect of the acquisition

EUR million					
Purchase price paid in cash	31.2	0.4	4.3	1.8	37.7
Cash and cash equivalents of the acquired subsidiary	3.0	0.0	0.9	0.0	4.0
Cash flow	-28.2	-0.4	-3.4	-1.7	-33.7

In the consolidated statement of cash flows the net outflow of cash totaling EUR 36.8 million includes also payments of deferred purchase considerations during the period.

Business and subsidiary divestments 2016

In August 2016, Posti sold Kiinteistö Oy Linnakalliontie located in Pirkkala. Posti will continue operations in the real estate with a long term leasing contract.

OpusCapita Group has sold the business operations serving the local markets in the Baltic Countries to BaltCap 11th Jan, 2016. The transaction consisted of OpusCapita AS (Estonia), OpusCapita AS (Latvia) and UAB OpusCapita (Lithuania). The divestment did not include OpusCapita competence centers in Baltic Countries serving global business. The divestment had one-off positive impact on Group's first quarter result and cash flows.

Acquired businesses after the reporting period

Posti has acquired in January HR Hoiva Oy, a company specializing in home care and personal assistance services. The disclosures according to IFRS 3 are not published in this financial statements review, since the accounting for the business combination is incomplete and thus the information is not yet available.

4. Net sales by geographical location

EUR million	10-12/2016	Restated 10-12/2015	1-12/2016	Restated 1-12/2015
Finland	362.7	335.4	1 261.9	1 264.1
Scandinavia	30.1	26.8	133.2	140.4
Russia	31.5	30.7	104.6	118.5
Other countries	32.1	40.4	107.7	126.1
Total	456.5	433.2	1 607.6	1 649.1

5. Aineellisten hyödykkeiden muutokset

EUR million	Dec 31, 2016	Dec 31, 2015
Carrying amount on 1 January	406.0	516.4
Additions	52.1	43.2
Disposals and transfers between items	-58.6	-78.4
Depreciation and impairment	-62.1	-67.4
Translation differences	22.9	-7.8
Carrying amount at the end of the period	360.5	406.0

6. Fair values of interest-bearing loans

EUR million	Carrying amount Dec 31, 2016	Fair value Dec 31, 2016	Carrying amount Dec 31, 2015	Fair value Dec 31, 2015
Non-current interest-bearing loans				
Bonds	-	-	99.8	104.1
Loans from financial institutions	-	-	-	-
Finance lease liabilities	19.4	19.4	26.4	26.4
Other interest-bearing loans	0.4	0.4	0.5	0.5
Total	19.8	19.8	126.7	131.0
Current interest-bearing loans				
Bonds	99.9	102.1	150.4	154.0
Loans from financial institutions	-	-	-	-
Finance lease liabilities	12.3	12.3	13.2	13.2
Other	0.2	0.2	0.0	0.0
Total	112.3	114.5	163.6	167.2

7. Fair value hierarchy of financial assets and liabilities measured at fair value

EUR million	Total	Level 1	Level 2	Level 3
Dec 31, 2016				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	6.1			6.1
Financial assets at fair value through profit and loss				
Money market investments	55.0		55.0	
Bonds	34.3	25.5	8.8	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Interest rate derivatives, non-hedge accounting	0.0			
Available-for-sale financial assets				
Equity fund investments	0.2			0.2
Total	95.6	25.5	63.8	6.3
Financial liabilities measured at fair value				
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Currency derivatives, hedge accounting	0.0		0.0	
Total	0.0	-	0.0	-

EUR million	Total	Level 1	Level 2	Level 3
Dec 31, 2015				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	6.2			6.2
Financial assets at fair value through profit and loss				
Money market investments	123.4		123.4	
Bonds	45.5	35.8	9.7	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Interest rate derivatives, non-hedge accounting	1.9		1.9	
Available-for-sale financial assets				
Equity fund investments	0.2			0.2
Total	177.3	35.8	135.1	6.4
Financial liabilities measured at fair value				
Trade payables and other liabilities				
Derivative contracts				
Electricity derivatives, non-hedge accounting	0.9	0.9		
Total	0.9	0.9	-	-

No transfers between the fair value hierarchy levels have been made during the reporting periods. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

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 a 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 data regarding the asset group or liability that is not based on verifiable market data.

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 measuring forward contracts against the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecast 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 price on the reporting date.

Reconciliation of financial assets measured at fair value in accordance with level 3

EUR million	Available-for-sale shares and equity fund investments
2016	
Carrying amount on 1 January	6,4
Total profits and losses	
In other comprehensive income	
Available-for-sale financial assets	0,0
Exercises	-0,3
Carrying amount on 30 September	6,1
Total profits and losses recorded on assets held at the end of the reporting period	
In financial income and expenses	-

8. Contingent liabilities

EUR million	Dec 31, 2016	Dec 31, 2015
Pledges for own behalf	8,3	10,9
Lease commitments	326,8	305,7

Legal proceedings

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

Posti has submitted a recourse claim against the State of Finland, demanding it to refund Posti for any sums that Posti may be ordered to pay in the legal proceedings initiated by the financial institutions. The recourse claim is pending until the claims by the financial institutions have been processed and a final ruling issued. On September 18, 2015, the District Court of Helsinki issued a ruling in favor of Posti in the matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeals. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99 million, and the interests claimed amount to approximately EUR 54 million on December 31, 2016.

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

Derivative contracts

EUR million	Dec 31, 2016	Dec 31, 2015
Currency derivatives		
Non-hedge accounting		
Fair value	0.0	0.0
Nominal value	4.6	8.6
Hedge accounting		
Fair value	0.0	-
Nominal value	3.4	-
Interest rate derivatives		
Non-hedge accounting		
Fair value	-	1.9
Nominal value	-	70.0
Electricity derivatives		
Non-hedge accounting		
Fair value	-	-0.9
Nominal value	-	2.5

9. Events after the reporting period, seasonality of the business and changes in the Group structure

Events after the reporting period, description of the seasonality of the business and changes in the Group structure have been included in the management commentary section.

10. Foreign exchange rates

Average rate	1-12/2016	1-12/2015
RUB	74.2224	68.0090
SEK	9.4673	9.3543
NOK	9.2927	8.9419

Closing rate	Dec 31, 2016	Dec 31, 2015
RUB	64.3000	80.6736
SEK	9.5525	9.1895
NOK	9.0863	9.6030

11. Key figures reconciliation

EUR million	Dec 31, 2016	Dec 31, 2015	Jan 1, 2015
Cash and cash equivalents	82.0	130.1	98.7
Money market investments and investments in bonds	77.9	128.8	85.8
Liquid funds	159.9	258.9	184.5

EUR million	2016	2015	2015
Interest-bearing loans	132.1	290.3	295.5
Liquid funds	159.9	258.9	184.5
Debt certificates	54.7	95.0	12.0
Net debt	-82.5	-63.6	98.9

12. Calculation of key figures

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

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

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

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

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

Interest-bearing debt Non-current and current borrowings

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

Adjusted EBITDA Adjusted EBITDA is EBITDA excluding special items.

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

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

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

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

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

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