Posti Group Corporation

# Interim Report April–June 2016

## Posti's sales of logistics services resumed growth

July 18,2016

posti

POSTI GROUP CORPORATION INTERIM REPORT, JULY 18, 2016 AT 10:00 A.M. (EET)

# Posti's sales of logistics services resumed growth

## Posti Group Corporation Interim Report January-June 2016

### April–June 2016

- The Group's net sales decreased by 5.0% to EUR 385.9 (406.3) million. Comparable net sales declined by 3.1% in April–June.
- Net sales decreased by 5.3% in Postal Services, by 1.9% in Parcel and Logistics Services, by 18.9% in Itella Russia and by 6.9% in OpusCapita. Comparable net sales increased by 3.3% in Parcel and Logistics Services and decreased by 5.0% in OpusCapita. Measured in local currency, Itella Russia's net sales increased by 3.4%.
- The adjusted operating result improved and was EUR -0.9 (-6.8) million, or -0.2% (-1.7%) of net sales.
- The adjusted operating result declined to EUR 3.6 (4.8) million in Postal Services and to EUR 1.4 (2.1) million in OpusCapita. The adjusted operating result improved to EUR -0.6 (-2.1) million in Parcel and Logistics Services and to EUR -1.6 (-2.0) million in Itella Russia. The result of Parcel and Logistics Services was previously weighed down by restructuring measures related to the divestment of the Scandinavian road freight business, which have now been completed.
- The operating result was weighed down by special items in the amount of EUR -4.8 (+34.7) million, with personnel restructuring costs in domestic production operations representing the most significant proportion of this total. The operating result in the comparison period was boosted by special items in the amount of EUR +34.7 million, which included a significant gain from the sale of real estate.
- The operating result declined and amounted to EUR -5.7 (27.9) million, representing -1.5% (6.9%) of net sales.
- Mail items covered by the universal service obligation accounted for 3.8% of all of Posti's mail items in April–June.
- By parliament's decision, 49.9% of the ownership of Posti Group Corporation will be transferred to a newly established state-owned development company. The Finnish State's holding will remain at 50.1% at a minimum.
- On April 25, 2016, OpusCapita acquired the Germany-based software company jCatalog Software.
- On June 1, 2016, Posti Ltd signed an agreement to acquire Veine Ltd, a company that specializes in temperature-regulated logistics. The plan is to complete the transaction in August 2016.
- Jani Jolkkonen, M.Sc. (Tech.), EMBA, previously Posti's SVP, Postal Services, was appointed Posti's SVP, ICT and Digitalization, and Turkka Kuusisto, M.Sc. (Tech.), was appointed SVP, Postal Services business group, with both appointments entering into effect on August 1, 2016. Both appointees will also be members of Posti's Executive Board.

### January–June 2016

- The Group's net sales decreased by 7.8% in January–June and amounted to EUR 776.5 (842.2) million. Comparable net sales decreased by 4.3%.
- Net sales decreased across all business groups: by 4.5% in Postal Services, by 9.4% in Parcel and Logistics Services, by 21.5% in Itella Russia and by 8.0% in OpusCapita. Comparable net sales decreased by 0.6% in Parcel and Logistics Services and by 5.1% in OpusCapita. Measured in local currency, Itella Russia's net sales decreased by 4.6%.
- The adjusted operating result improved and was EUR 14.0 (13.7) million, or 1.8% (1.6%) of net sales.
- In Postal Services, the adjusted operating result improved to EUR 28.3 (25.9) million. The adjusted operating result declined to EUR -5.9 (-1.1) million in Parcel and Logistics Services, to EUR -3.9 (-2.9) million in Itella Russia, and to EUR 3.4 (6.8) million in OpusCapita.
- The operating result was weighed down by special items in the amount of EUR -15.0 (+34.7) million, with personnel restructuring costs in domestic production operations representing the most significant proportion of this total. The operating result in the comparison period was boosted by special items in the amount of EUR +34.7 million, which included a significant gain from the sale of real estate.
- The operating result declined and amounted to EUR -1.0 (48.4) million, representing -0.1% (5.8%) of net sales.

- Cash flow from operating activities declined to EUR 28.2 (33.3) million.
- Mail items covered by the universal service obligation accounted for 4.6% of all of Posti's mail items in January–June.
- 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.
- Kaarina Ståhlberg, LL.M., was appointed as Posti's VP, Legal Affairs, and a member of the Management Board, effective from March 1, 2016.

*Posti has changed its terminology for Alternative Performance Measures in accordance with the new guidelines issued by the European Securities and Markets Authority (ESMA). "Non-recurring items" has been replaced by "special items". "Operating result before non-recurring items" has been 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 on Posti's website at www.posti.com/financials. The change takes effect starting from the interim report for the second quarter of 2016.*

| **Key figures of Posti Group** | **4–6** | **4–6** | **1–6** | **1–6** | **1–12** |
|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2015** |
| | | | | | |
| Net sales, EUR million | 385.9 | 406.3 | 776.5 | 842.2 | 1,650.3 |
| Operating result (adjusted), EUR million* | -0.9 | -6.8 | 14.0 | 13.7 | 48.7 |
| *Operating result (adjusted), %** | -0.2 | -1.7 | 1.8 | 1.6 | 2.9 |
| Operating result (EBIT), EUR million | -5.7 | 27.9 | -1.0 | 48.4 | 55.9 |
| *Operating result (EBIT), %* | -1.5 | 6.9 | -0.1 | 5.8 | 3.4 |
| Result before taxes, EUR million | -4.2 | 22.8 | -0.7 | 44.2 | 43.3 |
| Result for the period, EUR million | -3.1 | 17.0 | 0.3 | 32.8 | 36.0 |
| Cash flow from operating activities | | | 28.2 | 33.3 | 81.9 |
| Return on equity (12 months), % | | | 0.5 | 4.4 | 6.1 |
| Return on invested capital (12 months), % | | | 1.2 | 5.8 | 6.3 |
| Equity ratio, % | | | 47.9 | 48.0 | 47.8 |
| Gearing, % | | | -4.2 | 7.9 | -10.5 |
| Gross capital expenditure, EUR million | 48.6 | 15.5 | 59.9 | 32.0 | 60.6 |
| Average number of employees | | | 20,838 | 22,691 | 22,219 |
| Dividend, EUR million | | | | | 18.0 |
| | | | | | |
| *) Adjusted = excluding special items | | | | | |

**Heikki Malinen, President and CEO:**

*"The first half of the year was a satisfactory one for Posti in a difficult market climate. The Group's adjusted operating result for April–June improved to EUR -0.9 million and the adjusted operating result for January–June improved to EUR 14.0 million in spite of lower net sales across all business groups.*

*The economic climate in Finland and its neighboring areas remains weak but, for the first time in a long while, there are signs of economic recovery. The Russian economy remains in a recession, which has reduced the demand for Itella Russia's logistics services. Nevertheless, measured in local currency, Itella Russia's net* *sales increased by 3.4% in the second quarter. The Russian ruble appreciated in the first half of the year, but the closing rate at the end of the second quarter was still down by almost 15% year-on-year.*

*For the Parcel and Logistics Services business group, the second quarter was significant in many ways. Posti signed an agreement with Stockmann on transferring the logistics operations of Hobby Hall to Posti. Posti also announced it is expanding to food logistics by acquiring Veine, a company that specializes in temperature-regulated logistics, and by modernizing online grocery shopping. There were more good news in Parcel Services as the amount of parcels delivered by Posti in April–June increased by 4% in Finland and by 30% in the Baltic countries. The business group's comparable net sales, excluding the international freight business, grew and the adjusted operating result improved.*

*Posti renewed mail delivery with the aim of flexibly combining other services with delivery operations. The goal of the changes is to control the rise of unit costs in delivery operations, which is caused by declining volumes. The amount of addressed letter items fell by 7% and newspaper delivery volumes by 8% in January–June. The net sales and adjusted operating result of the Postal Services business group declined due to the decrease in volume.*

*OpusCapita is making a strong investment in new growth businesses. One important step in this strategy was the acquisition of the Germany-based software company jCatalog in April. The acquisition supports OpusCapita's aim of becoming a leader in the global buyer-supplier ecosystem. The integration of jCatalog with OpusCapita began immediately.*

*Following the amendments to the Postal Act that entered into force in June, the entire postal market is now open to free competition. According to the amended Postal Act, Posti's competitors may freely deliver mail anywhere and at any time without being subject to universal service obligations. This puts Posti on very unequal footing with regard to the competition, as Posti will remain subject to the heavy five-day delivery obligation in spite of the universal service obligation only applying to less than 5% of Posti's delivered items today. With this in mind, we consider it essential that the universal service obligation is eased in the upcoming renewal of the Postal Act. Easing regulations concerning universal service allows for better control over the changes in unit costs. Renewing the regulations will allow Posti to continue to fulfill its universal service obligation throughout Finland.*

*The Finnish Government drew its new ownership steering policies in the spring. Pursuant to the Parliament's decision, 49.9% of the ownership of Posti Group Corporation will be transferred to a newly established development company tasked with developing the ownership structure of the companies it owns. The Finnish State's holding in Posti Group Corporation will remain at 50.1% at a minimum. The privatizations of national postal services in Europe have shown that listings have resulted in improved financial performance and service quality.*

*In June, Posti updated its strategic goals aimed at Posti's renewal and profitable growth in new services. Posti wants to be the leading provider of logistics and postal services in Finland. We are making good progress toward achieving this objective."*

APPENDICES
Posti Group's Interim Report in full (PDF)

FURTHER INFORMATION
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FINANCIAL CALENDAR IN 2016
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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 nine countries. Our net sales in 2015 amounted to EUR 1,650 million. We employ approximately 22,000 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.*

**Interim Report for January–June 2016**

**Market situation and business environment**

According to a report by the Finnish Transport Agency, transport volumes in heavy traffic decreased in Finland continuously starting from May 2012, but they finally turned to growth in April 2016. This positive development also continued in May. This development of heavy transport volumes provides hope for the gradual recovery of the Finnish economy.

The positive development of heavy transport was also reflected in Posti's domestic freight volumes. Measured in waybills, they grew by 9% in the second quarter and by 4% in the first half of the year. Parcel services volume grew by 5% in the second quarter and by 2% in the first half of the year.

The number of working days in the second quarter of 2016 was higher than in the comparison period by three days.

The volume of addressed letters declined by -7% (-7%) and unaddressed delivery volumes by -11% (-1%). Electronic letter volumes grew. Newspaper delivery volumes declined by -8% (-31%). The exceptionally steep decline in newspaper delivery volumes in 2015 was attributable to the expiration of early-morning delivery agreements. Magazine delivery volumes declined by -2% (-10%). Magazine delivery volumes declined at a slower rate than in the previous year due to changes in customers' mailing methods, such as products being moved from unaddressed direct marketing to magazines.

The market situation in Russia remained challenging and the Russian GDP continued to decline. Volumes are negatively affected by the weak economic climate, GDP development and the depreciation of the ruble. The demand for transport services and warehouse handling volumes improved toward the end of the review period.

OpusCapita transmitted a total of 250 million transactions in January–June. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume grew to 101.8 million transactions, which represents 41% of the total transaction volume. The comparable change in the electronic transaction volume was +19%. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications is reflected in OpusCapita's operations, particularly in the volumes of iPost products, which decreased by 11% from the previous year.

The Finnish Government drew its new ownership steering policies in the spring and, pursuant to the Parliament's decision, 49.9% of the ownership of Posti Group Corporation will be transferred to a newly established state-owned development company. The Finnish State's holding will remain at 50.1% at a minimum.

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

The Finnish Communications Regulatory Authority redefined the universal service obligation for parcels in June. According to its decision, 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 10kg, throughout Finland except the Åland Islands. The obligation applies to parcel services paid in cash. Posti is considering appealing the decision.

**Strategic goals**

The Board of Directors of Posti has specified the company's strategic goals for 2016–2018. The main strategic goals remain unchanged and Posti will continue on the path of renewal and growth. The goal is to be the first choice for customers as the provider of postal and logistics services in Finland, the Baltic countries and Russia.

It is critically important for Posti to secure its competitiveness and profitability. Posti will develop its core operations while simultaneously seeking growth in new areas.

The new Postal Act and the proposed changes to Government ownership steering mean that Posti must renew itself even faster. Digitization will change Posti's business models and create new business opportunities. International e-commerce will grow and increase the volume of parcels and letters delivered in Finland. At the same time, competition will become tighter in postal and logistics services. Posti must renew its procedures in order to remain profitable and competitive.

## Net sales and operating result in April–June

The Group's net sales in April–June decreased by 5.0% to EUR 385.9 (406.3) million. Comparable net sales decreased by 3.1%.

Including divested and acquired businesses, net sales decreased across all business groups. In local currencies, net sales decreased by 4.0%. Net sales declined by 1.8% in Finland and by 20.1% in other countries. International operations accounted for 14.8% (17.6%) of net sales.

The adjusted operating result improved and was EUR -0.9 (-6.8) million, -0.2% (-1.7%) of net sales. The adjusted operating result declined in Postal Services, Itella Russia and OpusCapita, and it improved in Parcel and Logistics Services.

The review period's special items totaled EUR -4.8 (+34.7) million. The special items of the business groups are described in more detail below, in connection with the results analysis specific to each business group.

The operating result was EUR -5.7 (27.9) million, or -1.5% (6.9%) of net sales. The operating result in the comparison period was improved by special items in the amount of EUR +34.7 million, which included a significant gain from the sale of real estate.

The operating result before taxes was EUR -4.2 (22.8) million.

The number of working days in the second quarter of 2016 was higher than in the comparison period by three days. Easter fell in the first quarter of 2016, unlike last year, when it fell in the second quarter.

Mail items covered by the universal service obligation accounted for 3.8% of all of Posti's mail items in April–June. Operations under the universal service obligation amounted to EUR 27.9 (29.5) million in April–June, which was 7.2% of the entire Group's net sales.

## Net sales and operating result in January–June

The Group's net sales decreased by 7.8% to EUR 776.5 (842.2) million. Comparable net sales in January–June decreased by 4.3%. Net sales decreased in all business groups. In local currencies, net sales decreased by 6.5%.

Net sales declined by 3.9% in Finland and by 26.2% in other countries. International operations accounted for 14.1% (17.6%) of net sales. The adjusted operating result improved and was EUR 14.0 (13.7) million, or 1.8% (1.6%) of net sales. The adjusted operating result improved in Postal Services and declined in Itella Russia, Parcel and Logistics Services and OpusCapita.

The review period's special items reduced the result by a total of EUR -15.0 (+34.7) million. The special items of the business groups are described in more detail below, in connection with the results analysis specific to each business group.

The operating result was EUR -1.0 (48.4) million, or -0.1% (5.8%) of net sales. The operating result before taxes was EUR -0.7 (44.2) million.

The Group's net financial income amounted to EUR 0.3 million (expenses EUR 4.3 million).

The Group's operating result for the period was EUR 0.3 (32.8) million.

Return on equity stood at 0.5% (4.4%).

Mail items covered by the universal service obligation accounted for 4.6% of all of Posti's mail items in January–June. Operations under the universal service obligation amounted to EUR 66.1 (67.8) million in January–June, which was 8.5% of the entire Group's net sales.

## Postal Services

April–June

The Postal Services business group's net sales in April–June decreased by 5.3% and amounted to EUR 168.1 (177.6) million. The decrease in net sales was due to a decline in the domestic delivery product volume. The decline in volume was compensated for by the price increases that entered into force earlier in the year and the higher number of working days in the period. In Russia, challenges related to final delivery had a negative impact on the number of shipments delivered from Chinese online stores to Russia in the second quarter.

The business group's adjusted operating result declined to EUR 3.6 (4.8) million. No special items were recognized during the period (EUR 0.0 million). Cost adaptation measures have not fully compensated for the decline in the volume of domestic delivery products.

The operating result was EUR 3.6 (4.8) million.

The amended Postal Act entered into force on June 9, 2016. Following the amendments, Posti's competitors can deliver letters freely without being subject to universal service obligations. At the same time, Posti remains subject to a five-day universal service obligation.

As part of its efficiency improvement measures, Posti will renew its mail delivery operations. Posti revised delivery routes and extended mail delivery towards the evening, starting from April 25, 2016. The change allows the delivery of postal items and different types of services, parcels and products more flexibly to customers' homes, also in the evening. Tuesday mail delivery will be renewed starting from January 2017 in order to control the rise of delivery costs. Following the changes, basic delivery on Tuesdays will cover the majority of newspapers as well as parcels, express letters, international letter items and laboratory items. Tuesday deliveries will no longer cover magazines, advertisements, letters and free publications, provided that all early-week items have been delivered on Monday.

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

Interest in the home services launched by Posti in the spring, particularly the lawn mowing service, exceeded expectations. The services are part of Posti's renewal and its strategy of offering new services directly to households.

<u>January–June</u>

The Postal Services business group's net sales in January–June declined by 4.5% and amounted to EUR 356.8 (373.4) million. The decrease in net sales was due to a decline in the domestic delivery product volume. Deliveries of shipments from Chinese online stores to Russia increased substantially early in the year, but challenges related to final delivery had a negative impact on the amount of shipments from Chinese online stores to Russia in the second quarter.

The business group's adjusted operating result improved to EUR 28.3 (25.9) million. No special items were recognized during the period (positive items of EUR 0.2 million). The result was boosted by improvements in operational efficiency, the increases in postage fees that took effect at the beginning of 2016, as well as higher delivery volumes related to Easter and Valentine's Day.

The operating result was EUR 28.3 (26.0) million.

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 January–June, the year-on-year development of mail delivery volumes was as follows:

- Addressed letters, -7% (-7%)
- Unaddressed direct marketing, -11% (-1%)
- Newspapers, -8% (-31%)
- Magazines, -2% (-10%)
- Electronic letters, +7% (+5%)

As competition in mail delivery has yet to begin, its impact is not yet reflected in Posti's volumes for January–June. The volume of addressed letters declined by -7% (-7%) and unaddressed delivery volumes by -11% (-1%). Electronic letter volumes grew. Newspaper delivery volumes declined by -8% (-31%). The exceptionally steep decline in newspaper delivery volumes in 2015 was attributable to the expiration of early-morning delivery agreements. Magazine delivery volumes declined by -2% (-10%). Magazine delivery volumes declined at a slower rate than in the previous year due to changes in customers' mailing methods, such as products being moved from unaddressed direct marketing to magazines.

The number of Netposti users increased by 8% year-on-year and stood at 663,000 at the end of June. Netposti is an electronic mailbox provided by Posti.

**Parcel and Logistics Services**

<u>April–June</u>

The Parcel and Logistics Services business group's net sales decreased by 1.9% and amounted to EUR 146.0 (148.8) million. Comparable net sales grew by 3.3%.

Parcel services volume grew by 5% and amounted to EUR 8.8 (8.4) million. The amount of parcels delivered by Posti in April–June increased by 4% in Finland and by 30% in the Baltic countries. One factor contributing to the increase in the volume of parcel services was Easter falling in the first quarter unlike in the previous year, when it fell in the second quarter. The number of working days was higher than in the comparison period by three days.

Posti's domestic freight volumes grew due to new customer acquisition and Finland's heavy transport volumes turning to growth in April after declining for 47 consecutive months. Measured by waybills, domestic freight grew by 9% year-on-year.

The net sales of the warehousing business increased from the previous year due to higher processing volumes and fill rates towards the end of the period. Both were favorably affected by the start of operations for new customers acquired by Posti earlier in the year, following a transition period.

The business group's adjusted operating result improved to EUR -0.6 (-2.1) million. The result was favorably affected by improved operational efficiency resulting from the divestment of international freight operations. The result was previously weighed down by restructuring measures related to the divestment of the Scandinavian road freight business, which have now been completed. The factors that had a negative impact on the result included the low fill rate of the warehousing business early in the period, investments in the development of information systems and start-up costs arising from new customer relationships. The result was further weighed down by the decrease of the fuel surcharge.

Special items recognized during the period totaled EUR 0.6 (-11.7) million. The special items in the comparison period were related to the restructuring of Scandinavian operations.

The business group's operating result improved to EUR 0.0 (-13.7) million.

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 Ltd signed an agreement to acquire the entire share capital of Veine Ltd, 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 plan is to complete the transaction in August 2016.

January–June

The Parcel and Logistics Services business group's net sales decreased by 9.4% and amounted to EUR 281.4 (310.6) million. Comparable net sales decreased by 0.6%.

The amount of parcels delivered by Posti in January–June grew by 2% and totaled 17.3 (17.0) million parcels. The general weakness of domestic growth and the effects of the postal strike in late 2015 continued to be reflected in customer relationships in the first half of the year. The number of parcels going through Posti's parcel points grew by 26% year-on-year.

Posti's domestic freight volumes grew due to new customer acquisition and Finland's heavy transport volumes turning to growth in April after declining for 47 consecutive months. Measured by waybills, domestic freight grew by 4% year-on-year.

The net sales of the warehousing business increased from the previous year due to higher processing volumes and fill rates toward the end of the review period. Both were favorably affected by the start of operations for new customers acquired by Posti earlier in the year, following a transition period. The fill rate for warehouses in Finland was 78% (71%) at the end of June.

Posti is strengthening its role in international e-commerce and establishing 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 will be the largest pickup point system in the Baltic countries. Posti joined the DHL partner network that offers harmonized international parcel deliveries in 16 European countries. In addition to the Finnish end customers covered by the network, Posti will deliver parcels to Estonia, Latvia, and Lithuania through its newly-established pickup point network.

The business group's adjusted operating result declined to EUR -5.9 (-1.1) million. The result was weighed down by the low warehouse fill rate early in the year, investments in information systems in production operations, and start-up costs arising from new customer relationships. Further factors that had a negative effect on the result included tighter competition in the parcel business and a negative change in the fuel surcharge.

Special items recognized during the period totaled EUR 0.2 (-13.6) million. The special items in the comparison period were related to the restructuring of Scandinavian operations.

The business group's operating result improved to EUR -5.7 (-14.7) million.

The renewal of Posti's retail network has progressed according to plan. Posti had 1,413 service points, of which 480 were parcel points at the end of June.

**Itella Russia**

April–June

Measured in local currency, Itella Russia's net sales turned to an increase of 3.4% in April–June. Net sales were favorably affected by higher demand for air, sea and road freight as well as the transport business. The new business brought in by the MaxiPost acquisition also contributed to the increase. Warehouse processing volumes also began to grow.

Euro-denominated net sales decreased by 18.9% to EUR 25.2 (31.1) million. The decrease in net sales was attributable to the depreciation of the ruble.

The business group's adjusted operating result improved to EUR -1.6 (-2.0) million. In spite of the difficult market situation, the result improved due to factors including lower depreciation and provisions for lease liabilities as well as efficiency improvement and cost reduction measures.

The operating result was EUR -1.6 (-2.2) million.

January–June

Measured in local currency, Itella Russia's net sales decreased by 4.6% in January–June. Net sales were negatively affected by the weak economic climate and GDP decline and the weak demand for logistics services due to lower customer volumes.

The steepest decline in the first half of the year was seen in the demand for warehousing services. Nevertheless, warehouse processing volumes turned to an increase in the second quarter. The demand for air, sea and road freight also grew. The current expectation is that warehousing volumes will remain low in the second half of 2016.

The warehouse fill rate remained stable.

Euro-denominated net sales decreased by 21.5% to EUR 46.2 (58.8) million. The decrease in net sales was attributable to the depreciation of the ruble.

The business group's adjusted operating result declined to EUR -3.9 (-2.9) million. The weaker result was attributable to lower net sales.

The closing exchange rate of the Russian ruble on June 30, 2016, was 14.7% lower than on June 30, 2015.

The operating result was EUR -1.8 (-3.2) million. The first quarter's operating result was improved by an one-time adjustment to a provision.

Itella Russia acquired the Russian courier company MaxiPost in March. MaxiPost specializes in the delivery of parcels for e-commerce operators. The company delivered more than one million shipments in 2015. The MaxiPost acquisition allows Itella Russia to strengthen its e-commerce and parcel services expertise in accordance with its strategy. MaxiPost has approximately 250 employees.

Itella Russia's investments amounted to EUR 3.0 (1.0) million.

**OpusCapita**

April–June

OpusCapita's net sales decreased by 6.9% to EUR 60.8 (65.2) million. Comparable net sales decreased by 5.0%. Electronic transaction volumes saw strong growth, with a comparable increase of 23%. Net sales nevertheless decreased due to declining traditional mail delivery volumes and the accelerating shift from paper to online communications, which was reflected in OpusCapita's operations, particularly in the volumes of iPost products falling by 12%.
The adjusted operating result declined to EUR 1.4 (2.1) 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. Negative special items recognized during the period totaled EUR 0.5 (0.1) million and were related to corporate transactions and restructuring measures pursuant to the new strategy.

The operating result declined to EUR 0.9 (2.0) million.

On April 25, 2016, OpusCapita acquired the Germany-based software company jCatalog Software. jCatalog's solutions in the areas of e-commerce, catalog management, supplier management and procurement processes complement OpusCapita's purchase to pay offering. jCatalog employs some 130 professionals in Europe and the United States and its net sales in 2015 amounted to approximately EUR 10 million.

January–June

OpusCapita's net sales decreased by 8.0% to EUR 122.1 (132.7) million. Some 60% of the net sales comes from Finland, while the remaining 40% is from other countries. Comparable net sales decreased by 5.1%. OpusCapita sold its businesses serving the local markets in the Baltic countries in January and acquired the software company jCatalog in April.

OpusCapita transmitted a total of 250 million transactions in January–June. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume grew to 101.8 million transactions, which represents 41% of the total transaction volume. The comparable change in the electronic transaction volume was +19%. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications is reflected in OpusCapita's operations, particularly in the volumes of iPost products, which decreased by 11% from the previous year.

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

The adjusted operating result declined to EUR 3.4 (6.8) 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. Negative special items recognized during the period totaled EUR 4.0 (0.9) million and were related to corporate transactions and personnel restructuring measures pursuant to the new strategy.

The operating result decreased to EUR -0.6 (5.9) 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.

### Key Figures for Business Groups

| Key Figures for Business Groups (EUR million) | 4–6/2016 | 4–6/2015 | Change | 1–6/2016 | 1–6/2015 | Change |
|---|---|---|---|---|---|---|
| **Net sales** | | | | | | |
| Postal Services | 168.1 | 177.6 | -5.3% | 356.8 | 373.4 | -4.5% |
| Parcel and Logistics Services | 146.0 | 148.8 | -1.9% | 281.4 | 310.6 | -9.4% |
| Itella Russia | 25.2 | 31.1 | -18.9% | 46.2 | 58.8 | -21.5% |
| OpusCapita | 60.8 | 65.2 | -6.9% | 122.1 | 132.7 | -8.0% |
| Other operations | 1.3 | 1.9 | -33.3% | 2.8 | 4.7 | -41.3% |
| Intra-Group sales | -15.5 | -18.4 | | -32.8 | -38.1 | |
| **Posti Group** | **385.9** | **406.3** | **-5.0%** | **776.5** | **842.2** | **-7.8%** |
| | | | | | | |
| **Operating result (adjusted)*** | | | | | | |
| Postal Services | 3.6 | 4.8 | -26.3% | 28.3 | 25.9 | 9.6% |
| Parcel and Logistics Services | -0.6 | -2.1 | - | -5.9 | -1.1 | - |
| Itella Russia | -1.6 | -2.0 | - | -3.9 | -2.9 | - |
| OpusCapita | 1.4 | 2.1 | -34.0% | 3.4 | 6.8 | -50.2% |
| Other operations | -3.7 | -9.7 | - | -7.9 | -15.0 | - |
| **Posti Group** | **-0.9** | **-6.8** | **-** | **14.0** | **13.7** | **2.1%** |
| | | | | | | |
| **Operating result (EBIT)** | | | | | | |
| Postal Services | 3.6 | 4.8 | -26.3% | 28.3 | 26.0 | 8.8% |
| Parcel and Logistics Services | 0.0 | -13.7 | - | -5.7 | -14.7 | - |
| Itella Russia | -1.6 | -2.2 | - | -1.8 | -3.2 | - |
| OpusCapita | 0.9 | 2.0 | -55.0% | -0.6 | 5.9 | - |
| Other operations | -8.6 | 36.9 | - | -21.1 | 34.3 | - |
| **Posti Group** | **-5.7** | **27.9** | **-120.4%** | **-1.0** | **48.4** | **-** |
| | | | | | | |
| **Operating result (adjusted), %*** | | | | | | |
| Postal Services | 2.1% | 2.7% | | 7.9% | 6.9% | |
| Parcel and Logistics Services | -0.4% | -1.4% | | -2.1% | -0.3% | |
| Itella Russia | -6.2% | -6.5% | | -8.5% | -4.9% | |
| OpusCapita | 2.3% | 3.3% | | 2.8% | 5.2% | |
| **Posti Group** | **-0.2%** | **-1.7%** | | **1.8%** | **1.6%** | |
| | | | | | | |
| **Operating result (EBIT), %** | | | | | | |
| Postal Services | 2.1% | 2.7% | | 7.9% | 7.0% | |
| Parcel and Logistics Services | 0.0% | -9.2% | | -2.0% | -4.7% | |
| Itella Russia | -6.3% | -7.0% | | -4.0% | -5.4% | |
| OpusCapita | 1.5% | 3.1% | | -0.5% | 4.5% | |
| **Posti Group** | **-1.5%** | **6.9%** | | **-0.1%** | **5.8%** | |

*) Adjusted = excluding special items

## Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 28.2 (33.3) million.

Investments amounted to EUR 56.4 (28.5) million. The Group invested in acquisitions, information systems, the transport fleet and production projects in January–June.

Proceeds from divestments totaled EUR 9.0 (121.9) million. The most significant divestment was OpusCapita's sale of its businesses serving the local markets in the Baltic countries to BaltCap on January 11, 2016.

At the end of the reporting period, liquid assets totaled EUR 224.8 (223.1) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 285.5 (292.6) million. The equity ratio was 47.9% (48.0%), and gearing was -4.2% (7.9%).

## Employees

At the end of June, the Group employed 21,905 (23,702) people. The Group's average number of personnel was 20,838 (22,691). At the end of June, a total of 4,531 (4,760) employees worked outside Finland. The number of employees working in Finland was 17,374 (18,942).

Personnel distribution was as follows:

| | |
|---|---|
| Postal Services | 78 |
| Parcel and Logistics Services | 1,547 |
| Itella Russia | 2,513 |
| OpusCapita | 2,043 |
| Operations | 14,726 |
| Other | 998 |

The Group's personnel expenses decreased by EUR 19.9 million in January–June, or by 5.0% year-on-year. Personnel expenses included EUR 16.3 (8.0) million in restructuring costs. Excluding restructuring costs, personnel expenses declined by 7.2% year-on-year.

Posti's Uusi polku (New path) support program offers personnel not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of June, 2,132 employees had applied for the program and 1,566 had been approved. The program's sixth six-month period began on July 1 and will continue until the end of the year.

*Cooperation negotiations*

As part of its performance improvement program, Posti commenced cooperation negotiations on January 26, 2016. The target group of the negotiations consisted of 7,600 employees in total. The negotiations concerned administration and basic delivery in the Operations unit, the entire Sales and Customer Services unit, and certain Group Functions. The negotiations were concluded on March 16, 2016, with the exception of the Operations unit's basic delivery in south-eastern Finland. The original reduction need was at most 860 employees. Posti's Uusi polku (New path) support program significantly reduced the number of layoffs down to 181.

In the cooperation negotiations concerning the Operations unit's basic delivery in south-eastern Finland, the initial need for personnel reductions was a maximum of 95 permanent employees and the negotiations concerned a total of 390 employees. The negotiations concerning south-eastern Finland were completed on June 22, 2016. Posti's Uusi polku (New path) support program reduced the number of layoffs down to 12. Seven employees were made part-time.

OpusCapita started cooperation negotiations on February 8, 2016. The estimated reduction need was approximately 80 persons, of which at most 50 in Finland and about 30 in other countries. The outcome of the cooperation negotiations was a total reduction of approximately 70 persons. The total reduction in Finland was 41 persons, of which 22 were achieved through layoffs and 19 through other arrangements, including the termination of fixed-term employment relationships, pension arrangements and resignations. In other countries, the reduction was 30 persons, of which two thirds are achieved through layoffs.

On June 13, 2016, Posti started cooperation negotiations concerning early-morning delivery in the Uusimaa region. The target group comprises 538 Posti early-morning delivery employees in Uusimaa. According to a preliminary estimate, the reduction need is a maximum of 370 employees.

On July 4, 2016, Posti started cooperation negotiations concerning early-morning delivery in Oulu. The target group of the negotiations comprises 47 employees and the preliminary reduction need is 47 employees.

### Changes in corporate structure

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

Posti Global Ltd acquired the Russian company OOO MaxiPost in March.

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

### Business risks

The business risks are described in the Group's 2015 Financial Statements, and there have been no significant changes to the risks since then.

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

Following the amendments to the Postal Act that entered into force in June, the entire postal market is now open to free competition. According to the amended Postal Act, Posti's competitors may freely deliver mail anywhere and at any time without a specific delivery day obligation. This puts Posti on very unequal footing with regard to the competition, as Posti will remain subject to the heavy five-day delivery obligation in spite of the universal service obligation only applying to less than 5% of Posti's delivered items today. With this in mind, Posti considers it essential that the universal service obligation is eased in the upcoming reform of the Postal Act. Easing regulations concerning universal service allows for better control over the changes in unit costs. Reforming the regulations will allow Posti to continue to fulfill its universal service obligation throughout Finland.

The Finnish Communications Regulatory Authority redefined the universal service obligation for parcels in June. According to its decision, 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 10kg, throughout Finland except the Åland Islands. The obligation applies to parcel services paid in cash. The percentage of parcels covered by the obligation would be only about 0.5% of Posti's parcel flow. The obligation would burden the network excessively relative to the low use of the service. As a whole, the change would call for significant changes to Posti's systems and it would take place close to the Christmas season, which is a significant period with regard to the company's overall result. Posti is considering appealing the decision.

*Strategic risks*

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

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

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

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

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

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

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 our own companies, employees, and effective networking. We seek to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment, and regular compliance training for employees.

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

Financial management software is being increasingly offered as cloud services. This involves the risk of whether OpusCapita is able to develop its operations and service offering quickly enough. OpusCapita's capacity to develop the outsourcing of financial processes 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.

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

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

*Other risks*

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

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

The postal industry is undergoing the most dramatic transformation in its history. This requires Posti to adjust its delivery and sorting capacity and strongly enhance the efficiency of its operations in the coming years. Changes may cause disturbances to mail deliveries and processes. We seek to minimize these risks through active cooperation with employees, good change implementation planning, the Uusi polku (New path) program launched at the beginning of 2014 and professional communication.

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

**Outlook for 2016**

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

Comparable net sales in euros for 2016 are expected to decrease compared to 2015. The Group's adjusted operating result is expected to remain on par with the previous year. There is continued uncertainty related to the development prospects of the result achieved in Russia. The operating result for 2016 will continue to include significant special items. The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

Capital expenditure is expected to increase from 2015.

Helsinki, July 15, 2016

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 Interim Report

**Interim Report January-June 2016**

**Key figures of Posti Group**

| | **4-6 2016** | **4-6 2015** | **1-6 2016** | **1-6 2015** | **1-12 2015** |
|---|---|---|---|---|---|
| Net sales, MEUR | 385.9 | 406.3 | 776.5 | 842.2 | 1,650.3 |
| Operating result (adjusted), MEUR *) | -0.9 | -6.8 | 14.0 | 13.7 | 48.7 |
| Operating result (adjusted), % *) | -0.2 | -1.7 | 1.8 | 1.6 | 2.9 |
| Operating result (EBIT), MEUR | -5.7 | 27.9 | -1.0 | 48.4 | 55.9 |
| Operating result (EBIT), % | -1.5 | 6.9 | -0.1 | 5.8 | 3.4 |
| Result before taxes, MEUR | -4.2 | 22.8 | -0.7 | 44.2 | 43.3 |
| Result for the period, MEUR | -3.1 | 17.0 | 0.3 | 32.8 | 36.0 |
| Cash flow from operating activities | | | 28.2 | 33.3 | 81.9 |
| Return on equity (12 months), % | | | 0.5 | 4.4 | 6.1 |
| Return on invested capital (12 months), % | | | 1.2 | 5.8 | 6.3 |
| Equity ratio, % | | | 47.9 | 48.0 | 47.8 |
| Gearing, % | | | -4.2 | 7.9 | -10.5 |
| Gross capital expenditure, MEUR | 48.6 | 15.5 | 59.9 | 32.0 | 60.6 |
| Employees on average | | | 20,838 | 22,691 | 22,219 |
| Dividends, MEUR | | | | | 18.0 |

*) Adjusted = excluding special items, see note 2.

**Consolidated Income Statement**

| EUR million | 4-6 2016 | 4-6 2015 | 1-6 2016 | 1-6 2015 | 1-12 2015 |
|---|---|---|---|---|---|
| **Net sales** | **385.9** | **406.3** | **776.5** | **842.2** | **1,650.3** |
| Other operating income | 2.7 | 51.4 | 7.8 | 55.5 | 57.5 |
| Materials and services | 106.2 | 108.2 | 201.7 | 222.2 | 437.6 |
| Employee benefits | 184.0 | 204.5 | 377.6 | 397.4 | 756.5 |
| Depreciation and amortisation | 19.9 | 20.5 | 38.9 | 41.3 | 80.5 |
| Impairment losses | 0.0 | 0.0 | 1.7 | 1.1 | 11.9 |
| Other operating expenses | 84.3 | 96.6 | 165.4 | 187.2 | 365.4 |
| **Operating result (EBIT)** | **-5.7** | **27.9** | **-1.0** | **48.4** | **55.9** |
| % of net sales | -1.5 % | 6.9 % | -0.1 % | 5.8 % | 3.4 % |
| Financial income | 3.1 | 2.8 | 5.8 | 9.7 | 13.9 |
| Financial expenses | 1.6 | 7.9 | 5.6 | 13.9 | 26.4 |
| **Result before income tax** | **-4.2** | **22.8** | **-0.7** | **44.2** | **43.3** |
| % of net sales | -1.1 % | 5.6 % | -0.1 % | 5.2 % | 2.6 % |
| Income tax | 1.1 | -5.8 | 1.0 | -11.3 | -7.4 |
| **Result for the financial period** | **-3.1** | **17.0** | **0.3** | **32.8** | **36.0** |
| % of net sales | -0.8 % | 4.2 % | 0.0 % | 3.9 % | 2.2 % |

**Consolidated Statement of Comprehensive Income**

| | | | | | |
|---|---|---|---|---|---|
| **Result for the financial period** | **-3.1** | **17.0** | **0.3** | **32.8** | **36.0** |
| **Other comprehensive income** | | | | | |
| **Items that may be reclassified to profit or loss in subsequent periods:** | | | | | |
| Available-for-sale financial assets | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Change in fair value of cash flow hedges | 0.4 | 0.1 | -0.4 | 0.1 | - |
| Translation differences | 5.2 | 0.2 | 10.1 | 20.3 | -9.0 |
| Tax effect | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 |
| **Items that will not be reclassified to profit or loss in subsequent periods:** | | | | | |
| Actuarial gains and losses | 0.0 | 1.9 | 2.0 | 1.4 | 4.6 |
| Tax effect | 0.0 | -0.4 | -0.4 | -0.3 | -0.9 |
| **Comprehensive income for the financial period** | **2.5** | **18.8** | **11.6** | **54.3** | **30.5** |

**Consolidated Statement of Financial Position**

| EUR million | 30 June 2016 | 30 June 2015 | 31 Dec 2015 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 203.9 | 186.5 | 186.0 |
| Other intangible assets | 63.8 | 58.2 | 50.7 |
| Investment property | 10.0 | 10.7 | 10.3 |
| Property, plant and equipment | 405.9 | 458.0 | 406.0 |
| Other non-current investments | 6.1 | 5.8 | 6.3 |
| Non-current receivables | 3.7 | 81.6 | 1.5 |
| Deferred tax assets | 19.9 | 22.3 | 18.0 |
| **Total non-current assets** | **713.3** | **823.2** | **678.9** |
| **Current assets** | | | |
| Inventories | 3.5 | 4.3 | 4.7 |
| Trade and other receivables | 250.6 | 259.3 | 262.5 |
| Income tax receivables | 1.6 | 1.7 | 1.0 |
| Financial assets available-for-sale | 0.1 | 0.2 | 0.2 |
| Financial assests held to maturity | 85.6 | 20.0 | 95.0 |
| Financial assets at fair value through profit or loss | 116.5 | 129.3 | 128.9 |
| Cash and cash equivalents | 109.2 | 93.8 | 130.1 |
| **Total current assets** | **567.1** | **508.7** | **622.4** |
| **Non-current assets classified as held for sale** | **-** | **15.1** | **3.6** |
| **Total assets** | **1,280.4** | **1,347.0** | **1,304.8** |
| **Equity** | | | |
| Share capital | 70.0 | 70.0 | 70.0 |
| Contingency reserve | 142.7 | 142.7 | 142.7 |
| Fair value reserve | -0.3 | 0.2 | 0.1 |
| Translation differences | -93.5 | -74.3 | -103.6 |
| Retained earnings | 479.0 | 489.6 | 495.2 |
| **Total equity** | **597.9** | **628.2** | **604.4** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 27.7 | 30.3 | 23.1 |
| Non-current interest-bearing loans | 122.1 | 280.7 | 126.7 |
| Other non-current liabilities | 11.4 | 11.6 | 10.3 |
| Non-current provisions | 17.1 | 18.9 | 17.0 |
| Defined benefit pension plan liabilities | 9.7 | 14.8 | 11.6 |
| **Total non-current liabilities** | **187.9** | **356.3** | **188.6** |
| **Current liabilities** | | | |
| Current interest-bearing loans | 163.4 | 11.9 | 163.6 |
| Trade payables and other liabilities | 289.7 | 287.1 | 282.0 |
| Advances received | 32.3 | 39.4 | 40.1 |
| Income tax payables | 2.6 | 18.8 | 14.9 |
| Current provisions | 6.5 | 5.3 | 10.2 |
| **Total current liabilities** | **494.6** | **362.6** | **510.8** |
| **Liabilities associated with non-current assets classified as held for sale** | **-** | **-** | **1.0** |
| **Total liabilities** | **682.5** | **718.8** | **700.4** |
| **Total equity and liabilities** | **1,280.4** | **1,347.0** | **1,304.8** |

**Consolidated Cash Flow Statement**

| EUR million | 1-6 2016 | 1-6 2015 | 1-12 2015 |
|---|---|---|---|
| **Result for the financial period** | **0.3** | **32.8** | **36.0** |
| Adjustments to cash flow | 34.6 | 12.4 | 74.7 |
| Change in net working capital | 7.7 | -11.0 | -18.2 |
| **Cash flow before financial items and income tax** | **42.5** | **34.3** | **92.4** |
| | | | |
| Financial items (net) | 1.4 | 0.9 | -7.6 |
| Income tax paid | -15.7 | -1.8 | -3.0 |
| **Cash flow from operating activities** | **28.2** | **33.3** | **81.9** |
| | | | |
| Purchase of intangible assets | -7.7 | -8.8 | -17.7 |
| Purchase of property, plant and equipment | -17.0 | -19.7 | -34.7 |
| Proceeds from sale of intangible and tangible assets | 0.5 | 121.9 | 122.2 |
| Business acquisitions | -31.7 | -3.5 | -3.5 |
| Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents | 8.4 | -0.4 | 14.2 |
| Financial assets at fair value through profit or loss | 11.3 | -43.7 | -42.0 |
| Financial assests held to maturity | 9.4 | -83.0 | -83.0 |
| Cash flow from other investments | 1.7 | 2.9 | 4.0 |
| **Cash flow from investing activities** | **-25.0** | **-34.3** | **-40.4** |
| | | | |
| Change in loans (net) | -0.2 | 0.3 | 4.3 |
| Payments of finance lease liabilities | -6.7 | -5.8 | -12.2 |
| Dividends paid | -18.0 | - | - |
| **Cash flow from financing activities** | **-24.9** | **-5.6** | **-8.0** |
| | | | |
| **Change in cash and cash equivalents** | **-21.7** | **-6.6** | **33.4** |
| | | | |
| **Cash and cash equivalents at the beginning of the period** | **130.1** | **98.7** | **98.7** |
| Effect of changes in exchange rates | 0.7 | 1.6 | -0.3 |
| Cash and cash equivalents for assets classified as held for sale | - | - | -1.8 |
| **Cash and cash equivalents at the end of the period** | **109.2** | **93.8** | **130.1** |

**Consolidated Statement of Changes in Equity**

| EUR million | Share capital | Contingency reserve | Fair value reserve | Translation differences | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Equity 1 January 2015** | **70.0** | **142.7** | **0.2** | **-94.6** | **455.6** | **573.8** |
| **Comprehensive income** | | | | | | |
| Result for the financial period | | | | | 32.8 | 32.8 |
| Other items of Comprehensive income: | | | | | | |
| Change in fair value reserve | | | 0.1 | | | 0.1 |
| Change in translation differences | | | | 20.3 | | 20.3 |
| Actuarial gains and losses | | | | | 1.2 | 1.2 |
| **Comprehensive income for the financial period** | | | **0.1** | **20.3** | **34.0** | **54.3** |
| **Equity 30 June 2015** | **70.0** | **142.7** | **0.2** | **-74.3** | **489.6** | **628.2** |
| | | | | | | |
| **Equity 1 January 2016** | **70.0** | **142.7** | **0.1** | **-103.6** | **495.2** | **604.4** |
| **Comprehensive income** | | | | | | |
| Result for the financial period | | | | | 0.3 | 0.3 |
| Other items of Comprehensive income: | | | | | | |
| Change in fair value reserve | | | -0.3 | | | -0.3 |
| Change in translation differences | | | | 10.1 | | 10.1 |
| Actuarial gains and losses | | | | | 1.6 | 1.6 |
| **Comprehensive income for the financial period** | | | **-0.3** | **10.1** | **1.8** | **11.6** |
| **Transactions with equity holders** | | | | | | |
| Dividends paid | | | | | -18.0 | -18.0 |
| **Equity 30 June 2016** | **70.0** | **142.7** | **-0.3** | **-93.5** | **479.0** | **597.9** |

## Notes

### 1. Accounting Principles

The interim review has been prepared in accordance with IAS 34 'Interim Financial Reporting' applying the same accounting principles as those used in financial statements for 2015. 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 interim 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.

In addition to IFRS-based performance measures, Posti Group discloses adjusted operating result (also referred as adjusted EBIT) 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 operating result provides meaningful supplemental information to both management and investors regarding the business performance. Adjusted operating result is also one of the key business performance indicators in Posti Group's management reporting.

### 2. Segment Information

| EUR million | 4-6 2016 | 4-6 2015 | 1-6 2016 | 1-6 2015 | 1-12 2015 |
|---|---|---|---|---|---|
| **Net sales by business groups** | | | | | |
| Postal Services | 168.1 | 177.6 | 356.8 | 373.4 | 742.3 |
| inter-segment sales | -11.9 | -13.5 | -24.8 | -27.3 | -52.4 |
| Parcel and Logistics Services | 146.0 | 148.8 | 281.4 | 310.6 | 596.7 |
| inter-segment sales | 0.0 | -0.1 | -0.1 | -0.2 | -0.3 |
| Itella Russia | 25.2 | 31.1 | 46.2 | 58.8 | 118.9 |
| inter-segment sales | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| OpusCapita | 60.8 | 65.2 | 122.1 | 132.7 | 256.7 |
| inter-segment sales | -2.2 | -2.8 | -5.1 | -5.9 | -11.5 |
| Other operations | 1.3 | 1.9 | 2.8 | 4.7 | 8.7 |
| inter-segment sales | -1.3 | -2.0 | -2.7 | -4.7 | -8.8 |
| Total eliminations | -15.5 | -18.4 | -32.7 | -38.1 | -73.0 |
| **Total** | **385.9** | **406.3** | **776.5** | **842.2** | **1,650.3** |
| | | | | | |
| **Operating result by business groups (adjusted) *)** | | | | | |
| Postal Services | 3.6 | 4.8 | 28.3 | 25.9 | 56.4 |
| Parcel and Logistics Services | -0.6 | -2.1 | -5.9 | -1.1 | 0.6 |
| Itella Russia | -1.6 | -2.0 | -3.9 | -2.9 | -5.1 |
| OpusCapita | 1.4 | 2.1 | 3.4 | 6.8 | 14.5 |
| Other operations | -3.7 | -9.7 | -7.9 | -15.0 | -17.7 |
| **Total** | **-0.9** | **-6.8** | **14.0** | **13.7** | **48.7** |
| | | | | | |
| **Operating result by business groups** | | | | | |
| Postal Services | 3.6 | 4.8 | 28.3 | 26.0 | 57.3 |
| Parcel and Logistics Services | 0.0 | -13.7 | -5.7 | -14.7 | -12.6 |
| Itella Russia | -1.6 | -2.2 | -1.8 | -3.2 | -25.0 |
| OpusCapita | 0.9 | 2.0 | -0.6 | 5.9 | 13.3 |
| Other operations | -8.6 | 36.9 | -21.1 | 34.3 | 22.8 |
| **Total** | **-5.7** | **27.9** | **-1.0** | **48.4** | **55.9** |
| | | | | | |
| **Financial income and expenses** | **1.5** | **-5.1** | **0.3** | **-4.3** | **-12.5** |
| **Result for the financial period** | **-3.1** | **17.0** | **0.3** | **32.8** | **36.0** |

**Reconciliation of operating result**

| | Postal Services | Parcel and Logistics Services | Itella Russia | Opus Capita | Other operations | Group Total |
|---|---|---|---|---|---|---|
| **4-6/2016** | | | | | | |
| **Operating result (adjusted)** | **3.6** | **-0.6** | **-1.6** | **1.4** | **-3.7** | **-0.9** |
| **Special items:** | | | | | | |
| Personnel restructuring | | | 0.1 | 0.5 | 4.8 | 5.4 |
| Provision for onerous contracts | | | -0.1 | | | -0.1 |
| Other | | -0.6 | | | | -0.6 |
| **Special items total** | **0.0** | **-0.6** | **0.0** | **0.5** | **4.8** | **4.8** |
| **Operating result** | **3.6** | **0.0** | **-1.6** | **0.9** | **-8.6** | **-5.7** |
| **1-6/2016** | | | | | | |
| **Operating result (adjusted)** | **28.3** | **-5.9** | **-3.9** | **3.4** | **-7.9** | **14.0** |
| **Special items:** | | | | | | |
| Personnel restructuring | | 0.4 | 0.2 | 2.4 | 13.2 | 16.3 |
| Disposals of subsidiaries, real-estates and businesses | | | | -2.8 | | -2.8 |
| Impairment losses | | | | 1.7 | | 1.7 |
| Provision for onerous contracts | | | -2.3 | | | -2.3 |
| Other | | -0.6 | | 2.7 | | 2.1 |
| **Special items total** | **0.0** | **-0.2** | **-2.1** | **4.0** | **13.2** | **15.0** |
| **Operating result** | **28.3** | **-5.7** | **-1.8** | **-0.6** | **-21.1** | **-1.0** |
| **4-6/2015** | | | | | | |
| **Operating result (adjusted)** | **4.8** | **-2.1** | **-2.0** | **2.1** | **-9.7** | **-6.8** |
| **Special items:** | | | | | | |
| Personnel restructuring | | 6.9 | 0.2 | 0.1 | 1.0 | 8.1 |
| Disposals of subsidiaries, real-estates and businesses | | 4.8 | | | -47.6 | -42.9 |
| **Special items total** | **0.0** | **11.7** | **0.2** | **0.1** | **-46.7** | **-34.7** |
| **Operating result** | **4.8** | **-13.7** | **-2.2** | **2.0** | **36.9** | **27.9** |
| **1-6/2015** | | | | | | |
| **Operating result (adjusted)** | **25.9** | **-1.1** | **-2.9** | **6.8** | **-15.0** | **13.7** |
| **Special items:** | | | | | | |
| Personnel restructuring | -0.2 | 7.3 | 0.3 | 0.4 | 0.3 | 8.0 |
| Disposals of subsidiaries, real-estates and businesses | | 4.7 | | | -49.3 | -44.6 |
| Impairment losses | | 1.1 | | | | 1.1 |
| Other | | 0.6 | | 0.5 | -0.2 | 0.9 |
| **Special items total** | **-0.2** | **13.6** | **0.3** | **0.9** | **-49.3** | **-34.7** |
| **Operating result** | **26.0** | **-14.7** | **-3.2** | **5.9** | **34.3** | **48.4** |

| 1-12/2015 | | | | | | |
|---|---|---|---|---|---|---|
| **Operating result (adjusted)** | **56.4** | **0.6** | **-5.1** | **14.5** | **-17.7** | **48.7** |
| **Special items:** | | | | | | |
| Personnel restructuring | -0.9 | 9.6 | 0.6 | 0.9 | -1.8 | 8.4 |
| Disposals of subsidiaries, real-estates and businesses | | 1.3 | | | -40.8 | -39.5 |
| Impairment losses | | 1.1 | 7.6 | 1.1 | 2.3 | 12.0 |
| Provision for onerous contracts | | | 11.7 | | | 11.7 |
| Other | | 1.3 | | -0.8 | -0.2 | 0.3 |
| **Special items total** | **-0.9** | **13.2** | **19.9** | **1.2** | **-40.5** | **-7.2** |
| **Operating result** | **57.3** | **-12.6** | **-25.0** | **13.3** | **22.8** | **55.9** |

*) adjusted = excluding special items

**Segments' assets and liabilities**

| **EUR million** | **30 June 2016** | **30 June 2015** | **31 Dec 2015** |
|---|---|---|---|
| **Assets** | | | |
| Postal Services | 251.8 | 310.9 | 262.1 |
| Parcel and Logistics Services | 278.4 | 311.9 | 288.5 |
| Itella Russia | 136.4 | 163.6 | 126.1 |
| OpusCapita | 205.4 | 178.4 | 172.7 |
| Non-current assets classified as held for sale | - | 15.1 | 3.6 |
| Other operations and unallocated | 415.6 | 376.3 | 456.9 |
| Eliminations | -7.3 | -9.3 | -5.1 |
| **Total** | **1,280.4** | **1,347.0** | **1,304.8** |
| | | | |
| **Liabilities** | | | |
| Postal Services | 160.6 | 169.4 | 163.5 |
| Parcel and Logistics Services | 110.2 | 123.8 | 119.2 |
| Itella Russia | 25.8 | 18.0 | 27.0 |
| OpusCapita | 43.0 | 44.5 | 36.1 |
| Liabilities associated with non-current assets classified as held for sale | - | - | 1.0 |
| Other operations and unallocated | 350.2 | 372.4 | 358.8 |
| Eliminations | -7.3 | -9.3 | -5.1 |
| **Total** | **682.5** | **718.8** | **700.4** |

| **Personnel at end of the period** | | | |
|---|---|---|---|
| Postal Services | 78 | 80 | 69 |
| Parcel and Logistics Services | 1,547 | 1,567 | 1,478 |
| Itella Russia | 2,513 | 2,615 | 2,646 |
| OpusCapita | 2,043 | 2,239 | 2,178 |
| Operations | 14,726 | 16,216 | 14,256 |
| Other functions | 998 | 985 | 971 |
| **Total** | **21,905** | **23,702** | **21,598** |

## 3. Acquired businesses and business divestments

### Acquired businesses 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 preliminary acquisition cost was EUR 31.9 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, the goodwill arising from the acquisition amounts to EUR 19.9 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.

**Analysis of net assets acquired - provisional amounts**

**Effect on assets**

| EUR million | Fair value |
|---|---|
| Intangible assets | 15.3 |
| Property, plant and equipment | 0.2 |
| Receivables | 1.6 |
| Cash and cash equivalents | 3.0 |
| **Effect on assets** | **20.1** |

**Effect on liabilities**

| EUR million | |
|---|---|
| Deferred tax liability | 5.1 |
| Interest-bearing loans | 0.2 |
| Trade payables and other liabilities | 2.9 |
| **Effect on liabilities** | **8.2** |
| **Net assets acquired** | **11.9** |

**Components of acquisition cost**

| EUR million | |
|---|---|
| **Total cost of acquisition** | **31.9** |
| Fair value of net assets acquired | 11.9 |
| **Goodwill** | **19.9** |

**Cash flow effect of the acquisition**

| EUR million | |
|---|---|
| Purchase price paid in cash | 31.9 |
| Cash and cash equivalents of the acquired subsidiary | 3.0 |
| **Cash flow** | **-28.8** |

### MaxiPost

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

The acquisition cost was EUR 1.1 million, of which the contingent earn-out component reconized in liabilities is EUR 0.7 million. The 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.

**Analysis of net assets acquired - provisional amounts**

**Effect on assets**

| **EUR million** | **Fair value** |
|---|---|
| Intangible assets | 0.1 |
| Receivables | 0.9 |
| Cash and cash equivalents | 0.0 |
| **Effect on assets** | **1.1** |

**Effect on liabilities**

| **EUR million** | |
|---|---|
| Trade payables and other liabilities | 1.1 |
| **Effect on liabilities** | **1.1** |
| **Net assets acquired** | **-0.1** |

**Components of acquisition cost**

| **EUR million** | |
|---|---|
| Cash consideration | 0.4 |
| Earn-out consideration (estimated) | 0.7 |
| **Total cost of acquisition** | **1.1** |
| Fair value of net assets acquired | -0.1 |
| **Goodwill** | **1.2** |

**Cash flow effect of the acquisition**

| **EUR million** | |
|---|---|
| Purchase price paid in cash | 0.4 |
| Cash and cash equivalents of the acquired subsidiary | 0.0 |
| **Cash flow** | **-0.4** |

**Business divestments in 2016**

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.

## 4. Net sales by geographical location

| EUR million | 4-6 2016 | 4-6 2015 | 1-6 2016 | 1-6 2015 | 1-12 2015 |
|---|---|---|---|---|---|
| Finland | 303.1 | 306.0 | 614.9 | 641.0 | 1,265.3 |
| Scandinavia | 32.5 | 38.5 | 65.0 | 83.0 | 140.4 |
| Russia | 24.9 | 31.0 | 46.2 | 58.7 | 118.5 |
| Other countries | 25.3 | 30.8 | 50.3 | 59.5 | 126.1 |
| **Total** | **385.9** | **406.3** | **776.5** | **842.2** | **1,650.3** |

## 5. Changes in property, plant and equipment

| EUR million | 30 June 2016 | 30 June 2015 | 31 Dec 2015 |
|---|---|---|---|
| Carrying amount on 1 January | 406.0 | 516.4 | 516.4 |
| Additions | 19.3 | 23.2 | 43.2 |
| Disposals and transfers between items | -0.2 | -65.6 | -78.4 |
| Depreciation and impairment | -30.7 | -33.1 | -67.4 |
| Translation differences | 11.6 | 17.2 | -7.8 |
| **Carrying amount at the end of the period** | **401.4** | **458.0** | **406.0** |

## 6. Fair values of interest-bearing loans

| EUR million | Carrying amount 30 June 2016 | Fair value 30 June 2016 | Carrying amount 30 June 2015 | Fair value 30 June 2015 | Carrying amount 31 Dec 2015 | Fair value 31 Dec 2015 |
|---|---|---|---|---|---|---|
| **Non-current interest-bearing loans** | | | | | | |
| Bonds | 99.8 | 103.2 | 250.4 | 260.8 | 99.8 | 104.1 |
| Finance lease liabilities | 21.8 | 21.8 | 29.8 | 29.8 | 26.4 | 26.4 |
| Other interest-bearing loans | 0.4 | 0.4 | 0.6 | 0.6 | 0.5 | 0.5 |
| **Total** | **122.1** | **125.5** | **280.7** | **291.1** | **126.7** | **131.0** |
| | | | | | | |
| **Current interest-bearing loans** | | | | | | |
| Bonds | 150.2 | 151.9 | - | - | 150.4 | 154.0 |
| Loans from financial institutions | - | - | 0.0 | 0.0 | - | - |
| Finance lease liabilities | 13.1 | 13.1 | 11.8 | 11.8 | 13.2 | 13.2 |
| Other | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **163.4** | **165.1** | **11.9** | **11.9** | **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 |
|---|---|---|---|---|
| **30 June 2016** | | | | |
| | | | | |
| **Financial assets measured at fair value** | | | | |
| Non-current receivables | | | | |
| Other non-current investments | 6.0 | | | 6.0 |
| Trade and other receivables | | | | |
| Derivative contracts | | | | |
| Currency forward contracts, hedge accounting | 0.0 | | 0.0 | |
| Financial assets at fair value through profit and loss | | | | |
| Money market investments | 118.0 | | 118.0 | |
| Bonds | 34.7 | 25.6 | 9.1 | |
| Derivative contracts | | | | |
| Currency derivatives, non-hedge accounting | 0.0 | | 0.0 | |
| Interest rate derivatives, non-hedge accounting | 0.8 | | 0.8 | |
| Electricity derivatives, non-hedge accounting | 0.1 | 0.1 | | |
| Available-for-sale financial assets | | | | |
| Equity fund investments | 0.1 | | | 0.1 |
| **Total** | **159.8** | **25.7** | **128.1** | **6.1** |
| | | | | |
| **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 | 0.4 | | 0.4 | |
| Electricity derivatives, non-hedge accounting | 0.4 | 0.4 | | |
| **Total** | **0.8** | **0.4** | **0.4** | **-** |

| EUR million | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **31 Dec 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 excercised or at the moment when the parametres 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 | -0.1 |
| Exercises | -0.2 |
| **Carrying amount on 30 June** | **6.1** |

**Total profits and losses recorded on assets held at the end of the reporting period**

| | |
|---|---|
| In financial income and expenses | 0.0 |

## 8. Contingent liabilities

| **EUR million** | **30 June 2016** | **30 June 2015** | **31 Dec 2015** |
|---|---|---|---|
| Pledges for own behalf | 8.4 | 13.1 | 10.9 |
| Lease commitments | 289.6 | 352.1 | 305.7 |

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

**Derivative contracts**

| EUR million | 30 June 2016 | 30 June 2015 | 31 Dec 2015 |
|---|---|---|---|
| **Currency derivatives** | | | |
| Non-hedge accounting | | | |
| Fair value | 0.0 | 0.1 | 0.0 |
| Nominal value | 6.0 | 31.8 | 8.6 |
| | | | |
| Hedge accounting | | | |
| Fair value | -0.4 | 0.1 | - |
| Nominal value | 7.0 | 2.6 | - |
| | | | |
| **Interest rate derivates** | | | |
| Non-hedge accounting | | | |
| Fair value | 0.8 | - | 1.9 |
| Nominal value | 70.0 | - | 70.0 |
| | | | |
| Hedge accounting | | | |
| Fair value | - | 2.9 | - |
| Nominal value | - | 70.0 | - |
| | | | |
| **Electricity derivatives** | | | |
| Non-hedge accounting | | | |
| Fair value | -0.4 | -0.9 | -0.9 |
| Nominal value | 2.4 | 3.7 | 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 | 1-6 2016 | 1-6 2015 | 1-12 2015 |
|---|---|---|---|
| RUB | 78.4122 | 64.6024 | 68.0090 |
| SEK | 9.3015 | 9.3422 | 9.3543 |
| NOK | 9.4227 | 8.6442 | 8.9419 |

| Closing rate | 30 June 2016 | 30 June 2015 | 31 Dec 2015 |
|---|---|---|---|
| RUB | 71.5200 | 62.3550 | 80.6736 |
| SEK | 9.4242 | 9.2150 | 9.1895 |
| NOK | 9.3008 | 8.7910 | 9.6030 |

**11. Calculation of key figures (IFRS)**

$$\text{Return on equity, \%} = 100 \times \frac{\text{result for the period (12m roll.)}}{\text{total equity (average)}}$$

$$\text{Return on invested capital, \%} = 100 \times \frac{\text{result before income tax (12m roll.) + interest and other financial expenses (12m roll.)}}{\text{total equity and liabilities - non-interest-bearing liabilities (average)}}$$

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

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

Gross capital expenditure includes the investments in intangible and tangible assets and business acquisitions.

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

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

Operating result (EBIT) is a net amount derived from net sales plus other operating income, less cost for production materials and services, less employee benefit expenses, depreciation, amortization and any impairment losses, other operating expenses and the share of associated company's results. All other items in the income statement are shown below the operating profit. Exchange rate differences are included in the operating profit if they arise from items related to operations. Otherwise they are recognized in financial items.

The Group reports separately special items which include reorganization costs, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, 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.

The Group defines comparable net sales as net sales excluding acquired and divested businesses.