

FINANCIAL
STATEMENTS

2017



posti

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Board of Directors' Report 2017

Description of the business model

Posti is a service company in the postal and logistics industry that serves both private individuals and business customers as well as the public sector. Posti's business consists of delivery services for parcels and printed products, e-commerce services, comprehensive supply chain solutions, such as warehousing and in-house logistics services, as well as a broad range of transport services for businesses and organizations, including food logistics and freight services. Posti also provides various digital services, global software solutions as well as home and care services. Posti reports its results of operations for Mail, Parcel and Logistics Services, Itella Russia and OpusCapita segments. Posti's business is managed in four business groups: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. The company operates in 11 countries. At the end of the 2017 financial year, the number of personnel stood at approximately 20,000. In Finland, the company employed about 16,500 people at the end of the financial year, which makes it one of the country's largest private-sector employers.

Business environment

Posti's business environment is undergoing a dramatic transformation. Changes in consumer behavior, accelerated digitalization, the transformation of the retail industry, the rapid growth of e-commerce, intense market competition and the advancement of technology are all challenging Posti like never before. It is very important for Posti to continuously improve the quality of customer satisfaction and customer experience, that are essential for ensuring competitiveness and profitability in a period of industry transformation. Continuous renewal is crucial as traditional mail delivery volumes decline.

The growth of e-commerce picked up speed toward the end of the review period, which was reflected favorably in Posti's parcel volumes. According to a survey by International Post Corporation, Finns differ significantly from other Europeans in how they prefer to receive their parcels. For example, 22% of Finnish consumers prefer to have parcels delivered to parcel lockers. Posti has increased the number of parcel lockers substantially in recent years. The corresponding figure for consumers in other countries was 4%. The volume of purchases from foreign online stores is growing.

Domestic demand has remained strong as the employment rate and consumer purchasing power have improved. The Bank of Finland estimates that economic growth accelerated and Finnish GDP increased by 3.1% in 2017. Economic growth has also been boosted by a clear positive turn in exports. According to the Finnish Transport Agency, transport volumes in heavy traffic have continued to increase since April 2016. GDP growth was also reflected in Posti's growing freight volumes in 2017.

However, the decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continued. The trend is particularly evident in the volumes of iPost products and printing services. Competition in mail delivery has also increased. In addition to Posti, there are currently 13 operators delivering mail in Finland.

The Russian economy continued to grow moderately. The Russian Ministry of Finance estimates that the Russian GDP grew by 1.5% in 2017. The IMF forecasts GDP growth of 1.7% in 2018. The ruble depreciated by 7.9% from the end of the previous year.

A collective agreement for the mail communications and logistics industry was approved on September 28, 2017. The new agreement entered into force on November 1, 2017, and will remain valid for two years. Achieving a two-year agreement is very significant for Posti in the current period of major transformation, and it provides an excellent foundation for the company to continue its essential renewal in a controlled manner. The arbitration committee stipulated by the collective agreement for the mail communications and logistics industry issued a decision on February 1, 2018, on a general increase of 1.31% to the industry's collective agreement. The increase will apply retrospectively from November 1, 2017.

The Postal Act reform is a continuation of the amendments to the Postal Act that entered into force in 2016 and made letter delivery an activity that is open to free competition and only subject to notification by service providers. The latest amendments apply to universal service products, namely stamped letters and cards. For parcels, the universal service concept covers parcels sent to addresses outside Finland and paid for with stamps. The delivery of newspapers and magazines is not covered by the Postal Act.

Following a change that entered into force on September 15, 2017, five-day delivery of universal service letters will continue in a large part of Finland, namely the areas that do not have early-morning delivery networks maintained by newspapers. In these areas, Posti will be required to arrange competitive bidding for the delivery of universal service letters starting from July 1, 2018. In urban areas, delivery on at least three days per week is allowed if the area in question has an early-morning delivery network for newspapers.

Posti's goal is to evolve into a customer-oriented and profitable logistics and postal service company by 2020. At the core of the strategy are four main objectives that will see Posti emerge as a winner through this period of transformation: win e-commerce play, keep mail relevant to customers, renew service culture, and digitally powered to secure your service delivery.

Changes in segment reporting

OpusCapita carried out significant restructuring measures during the financial year and divested its Finance and Accounting Outsourcing business. OpusCapita's sending of documents and invoices as well as the digitizing operations in Finland were transferred to Posti's Mail, Parcel and Logistics Services segment effective from October 1, 2017. Following the transfer, the OpusCapita segment now consists of the Buyer-Supplier Ecosystem business. Segment reporting has been adjusted to correspond to the new business structure. The changes are also presented retrospectively in the comparison figures for the 2016 financial year. Comparison figures for 2015–2017 are presented as an appendix to this release.

Net sales and operating result in 2017

The number of working days in 2017 was lower than in the previous year by two days. The number of working days affects the Group's net sales and result.

The Group's net sales grew by 2.5% to EUR 1,647.0 (1,607.6) million. Net sales increased by 2.4% in Finland and by 3.0% in other countries. International operations accounted for 14.5% (14.4%) of net sales.

The Group's adjusted EBITDA declined to EUR 118.6 (126.7) million, 7.2% (7.9%). The Group's EBITDA declined to EUR 83.7 (116.0) million, 5.1% (7.2%).

The adjusted operating result declined to EUR 42.4 (47.1) million, or 2.6% (2.9%) of net sales.

Special items weighed down the result by EUR 69.9 (16.4) million. The special items include a provision of EUR 18.2 million related to lease agreements for warehouses to be closed in Russia.

In connection with the restructuring of OpusCapita and the refocusing of its operations, the future outlook and cash flow forecasts of the cash generating unit were updated. Based on this assessment, the Group recognized impairment of goodwill in the amount of EUR 33.9 million.

The operating result was EUR -27.5 (30.7) million, or -1.7% (1.9%) of net sales.

The operating result before taxes was EUR -36.9 (29.5) million.

The Group's net financing costs amounted to EUR 9.4 (1.2) million. The change was attributable to exchange rate differences and special items.

Return on equity was -8.0% (3.9%).

Mail items covered by the universal service obligation accounted for 5.5% (5.6%) of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 136.7 (135.9) million, or 8.3% (8.5%) of the Group's net sales.

Key figures of Posti Group

	2017	2016	restated 2015*
Net sales, MEUR	1,647.0	1,607.6	1,649.1
Adjusted EBITDA, MEUR	118.6	126.7	128.2
Adjusted EBITDA, %	7.2	7.9	7.8
EBITDA, MEUR	83.7	116.0	147.2
EBITDA, %	5.1	7.2	8.9
Adjusted operating result, MEUR	42.4	47.1	47.6
Adjusted operating result, %	2.6	2.9	2.9
Operating result, MEUR	-27.5	30.7	54.8
Operating result, %	-1.7	1.9	3.3
Result before taxes, MEUR	-36.9	29.5	42.3
Result for the period, MEUR	-44.3	23.2	35.1
Cash flow from operating activities	96.0	63.1	81.9
Return on equity, % (12 months)	-8.0	3.9	6.2
Return on invested capital (12 months), %	-4.5	5.1	6.4
Equity ratio, %	48.8	54.9	46.9
Gearing, %	-8.8	-13.6	-10.9
Gross capital expenditure, MEUR	73.3	100.4	66.8
Employees on average	20,316	20,632	22,219
Employees on average, FTE	17,912	18,529	20,095
Dividends, MEUR	40,0**	60.0	18.0

* Restated due to change in the revenue recognition principle

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

Mail, Parcel and Logistics Services

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

- Addressed letters -10% (-7%)
- iPost products -4% (-9%)
- Parcels in Finland and the Baltic countries 9% (6%), B2C parcels 12% (8%)
- Domestic freight* measured in waybills 8% (9%)
- Warehouse fill rate in Finland on average during the year 78% (68%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries was 40 (37) million parcels. The figure does not include letter-like e-commerce items, the number of which is growing. In 2017 Posti delivered more than a million letters from Chinese online stores to Finnish consumers each month. In the Baltic countries, parcel volumes increased by 25%.

The volume of electronic Netposti letters increased by 1%.

The number of digital mailbox Netposti users increased by 16% and stood at 795,000 (686,000) at the end of the year.

The net sales of Mail, Parcel and Logistics Services increased to EUR 1,448.7 (1,416.0) million. Net sales are itemized below.

Net sales, EUR million	2017	2016, restated	Change
Mail & Marketing Services	630.2	651.9	-3.3%
Press Services	166.9	171.4	-2.6%
Parcel Services	287.5	276.7	3.9%
Logistics Services	373.4	322.6	15.8%
Other and eliminations	-9.3	-6.7	
Total	1,448.7	1,416.0	2.3%

The net sales of Mail and Marketing Services decreased. The decline in volumes was compensated for by changes in pricing. The net sales of parcel services grew, particularly due to growth in consumer parcels. Parcel Services saw very positive development, particularly in the volumes of domestic consumer parcels and international consumer parcels addressed to Finland. A new record was made in the daily volume of parcels in December. In addition to the boost provided by the improved growth of the Finnish economy, growth in parcel volumes was particularly expedited by record consumer demand during the Christmas season and Black Friday campaigns.

At the end of December, Posti had a total of 1,464 service points in Finland, of which 533 were Posti Parcel Lockers. The number of parcels going through Posti Parcel Lockers grew by 47%. In Logistics Services, the net sales of domestic freight increased, with acquisitions also playing a part in the growth. In the warehousing business, warehouse fill rates improved.

The adjusted EBITDA of Mail, Parcel and Logistics Services declined to EUR 106.3 (109.0) million, 7.3% (7.7%). The adjusted EBITDA was weighed down by a decline in the net sales of Mail and Marketing Services, which was not fully compensated for by cost savings in production. EBITDA improved to EUR 102.2 (93.4) million, with the increase being attributable to non-recurring personnel-related items recognized in the previous year.

The adjusted operating result decreased to EUR 60.4 (61.9) million, 4.2% (4.4%). The weaker result of traditional postal operations was compensated for by the improved net sales and profitability of parcel and logistics services.

Special items recognized during the period weighed down the result by EUR 11.1 (19.4) million. The special items were related to impairment of goodwill and personnel restructuring. Approximately EUR 7.0 million of the total impairment of goodwill of EUR 33.9 million recognized for the OpusCapita business in the third quarter is allocated to the Mail, Parcel and Logistics Services segment under the revised reporting structure.

The operating result improved to EUR 49.3 (42.5) million.

In January, Posti acquired HR Hoiva Oy (now known as Posti Kotipalvelut Oy).

In April, Posti and Solemo Oy established Flexo, a joint venture that provides in-house logistics services.

In the summer, Posti strengthened its early-morning delivery by acquiring the early-morning delivery operations of Kaakon Viestintä and merging Posti's early-morning delivery operations into a newly established subsidiary, Posti Palvelut Oy.

Also in the summer, Posti acquired the personal assistance business of SOL Henkilöstöpalvelut Oy.

Posti has signed extensive cooperation agreements on Smartpost parcel lockers to be installed in the lobbies of new apartment buildings with YIT, Bonava, Skanska, SRV, Sato, Heka (the housing company of the City of Helsinki), Espoon Asunnot (the housing company of the City of Espoo) and Kojamo. Posti has also signed an agreement with Securitas on parcel lockers to be installed in office buildings.

The digitizing production in Sweden, Norway and Poland was outsourced to the US-based BancTec on October 2, 2017.

Itella Russia

Measured in local currency, Itella Russia's net sales increased by 1.1%. Euro-denominated net sales increased by 13.8% to EUR 119.1 (104.6) million. Net sales were favorably affected by changes in the ruble exchange rate as well as the growth of the transport business, which was compensated for by the decline in the capacity of the warehousing business.

The adjusted EBITDA improved to EUR 3.7 (2.6) million, 3.1% (2.5%). The improvement was attributable to the optimization of warehouse capacity. EBITDA declined to EUR -14.4 (3.9) million. Profitability continued to be weighed down by currency-denominated leases. To support the focusing of operations, it was decided that leased warehouses would be closed at two locations. As a result of this decision, a provision of EUR 18.2 million related to warehouse lease agreements was recognized as a special item in December.

The adjusted operating result improved to EUR -3.5 (-4.0) million.

The average fill rate for warehouses showed a year-on-year increase in Moscow and a decrease in other regions. The average fill rate was 84.2% (77.4%) in Moscow and 74.4% (85.9%) in other regions. One large warehouse in Moscow was closed down in the first quarter, and three regional warehouses were closed down during the last two quarters of the year.

The Russian ruble depreciated by 7.9% compared to the previous year.

The operating result declined to EUR -21.5 (-2.7) million.

OpusCapita

The comparable volume of OpusCapita's electronic transactions grew by 31% compared to the previous year.

OpusCapita's net sales increased by 4.4% to EUR 64.7 (62.0) million. Some 51.5% of the net sales came from Finland, while the remaining 48.5% was from other countries.

EBITDA declined to EUR -3.6 (2.1) million. Adjusted EBITDA decreased to EUR -2.6 (3.1) million, -4.0% (5.1%). The decline in adjusted EBITDA was attributable to significant changes, particularly in the product development and product organization, as well as substantial investments in sales and marketing.

The adjusted operating result declined to EUR -7.9 (-1.2) million, -12.3% (-1.9%).

Special items with a negative effect on the result amounting to EUR 27.9 (1.3) million were recognized during the review period. In connection with the restructuring of OpusCapita and the refocusing of its operations, the future outlook and cash flow forecasts of the cash generating unit were updated. Based on this assessment, the Group recognized impairment of goodwill in the amount of EUR 33.9 million. Of this total, EUR 26.9 million was allocated to OpusCapita under the revised reporting structure.

The operating result declined to EUR -35.9 (-2.5) million.

On July 13, 2017, OpusCapita acquired Billexco AG, a Switzerland-based e-invoicing operator.

After OpusCapita's new organizational structure became effective in the fourth quarter, its operations are now divided into four product lines: Business Network, Cash Management, Procurement and Invoice Automation, and Product Information Management. The restructuring also involved new arrangements with regard to support functions and interfaces with the Mail, Parcel and Logistics Services segment.

Other operations

The divestment of the Finance and Accounting Outsourcing business was completed in the third quarter.

Segments' Key Figures

EUR million	2017	2016
Net sales		
Mail, Parcel and Logistics Services	1,448.7	1,416.0
Itella Russia	119.1	104.6
OpusCapita	64.7	62.0
Other operations	23.5	36.8
Intra-Group sales	-9.0	-11.9
Posti Group	1,647.0	1,607.6
Net sales change-%		
Mail, Parcel and Logistics Services	2.3%	-2.2%
Itella Russia	13.8%	-12.0%
OpusCapita	4.4%	10.4%
Posti Group	2.5%	-2.5%
Adjusted EBITDA		
Mail, Parcel and Logistics Services	106.3	109.0
Itella Russia	3.7	2.6
OpusCapita	-2.6	3.1
Other operations	11.2	12.0
Posti Group	118.6	126.7
EBITDA		
Mail, Parcel and Logistics Services	102.2	93.4
Itella Russia	-14.4	3.9
OpusCapita	-3.6	2.1
Other operations	-0.6	16.7
Posti Group	83.7	116.0

Adjusted EBITDA, %

Mail, Parcel and Logistics Services	7.3%	7.7%
Itella Russia	3.1%	2.5%
OpusCapita	-4.0%	5.1%
Posti Group	7.2%	7.9%

EBITDA, %

Mail, Parcel and Logistics Services	7.1%	6.6%
Itella Russia	-12.0%	3.7%
OpusCapita	-5.6%	3.4%
Posti Group	5.1%	7.2%

Adjusted operating result

Mail, Parcel and Logistics Services	60.4	61.9
Itella Russia	-3.5	-4.0
OpusCapita	-7.9	-1.2
Other operations	-6.5	-9.7
Posti Group	42.4	47.1

Operating result

Mail, Parcel and Logistics Services	49.3	42.5
Itella Russia	-21.5	-2.7
OpusCapita	-35.9	-2.5
Other operations	-19.4	-6.6
Posti Group	-27.5	30.7

Adjusted operating result, %

Mail, Parcel and Logistics Services	4.2%	4.4%
Itella Russia	-2.9%	-3.8%
OpusCapita	-12.3%	-1.9%
Posti Group	2.6%	2.9%

Operating result, %		
Mail, Parcel and Logistics Services	3.4%	3.0%
Itella Russia	-18.1%	-2.6%
OpusCapita	-55.4%	-4.0%
Posti Group	-1.7%	1.9%

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 96.0 (63.1) million.

Investments according to the cash flow statement amounted to EUR 77.0 (92.3) million.

Investments were made in relatively small acquisitions during the year. During the financial year, Posti began the construction of a 26,000 m² freight terminal on Suokalliontie in Vantaa, Finland. The terminal will be completed in summer 2018. The Group also invested in information systems, the transport fleet and production projects.

Cash flow of investments recognized at fair value through profit and loss and held to maturity was EUR 54.3 (88.9) million.

At the end of the year, liquid assets totaled EUR 123.7 (159.9) million, and undrawn committed credit facilities amounted to EUR 210.0 (150.0) million. The Group signed two new long-term loan agreements for EUR 60 million each, one of which was withdrawn in the second quarter. The EUR 100 million bond issued in 2011 was paid off in its entirety in December. The Group's interest-bearing liabilities were EUR 120.0 (132.1) million. The equity ratio was 48.8% (54.9%) and gearing was -8.8% (-13.6%).

Research and development

Expenditure related to research and development activities in 2017 amounted to EUR 5.6 (8.4) million, or 0.4% (0.6%) of the Group's total operating expenses.

The Mail, Parcel and Logistics Services segment invested in the development of digital services for consumers. Digital services help Posti improve the services offered to private customers as well as the customer experience. For example, Posti's new mobile application provides consumers with new services that make daily routines easier and fulfill a growing number of customer needs.

During the year, OpusCapita continued to invest in solutions that support the continued development of its Purchase-to-Pay and Cash Management product lines. 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.

Statement of non-financial information

Introduction

Posti complies with responsible business practices in all of its operations. Posti's responsibility policies take into account the UN Global Compact principles, the UN Guiding Principles on Business and Human Rights and the UN Sustainable Development Goals. The Global Compact principles comprise self-regulation pertaining to human rights, the environment and corruption. The UN Guiding Principles specify a company's responsibility with regard to human rights and call on companies to respect human rights. The UN Sustainable Development Goals contain guidelines aimed at ensuring sustainable development.

Posti reports on sustainability in accordance with the international Global Reporting Initiative GRI G4 reporting framework. In addition, Posti complies with the reporting requirements of its owner, the Finnish State. The environmental accounting applies the WBCSD (World Business Council for Sustainable Development) Greenhouse Gas (GHG) protocol and the GHG Inventory Standard for the Postal Sector protocol, which includes more detailed instructions for the postal industry. The various aspects of corporate responsibility will be discussed in more detail in the next corporate responsibility report, to be published in March 2018.

Environmental responsibility

Posti identifies, evaluates and manages environmental aspects in its operations and, through its quality and environmental policy, is committed to reducing the environmental impacts of its operations with regard to transport as well as the energy consumption of properties. Examples of identified environmental responsibility risks include traffic accidents, which may cause significant environmental damage. If realized, such a risk can have a negative impact on nature as well as customer property. The risk is managed as part of occupational safety management, through measures such as driver training, appropriate work instructions and careful employee orientation.

Posti's environmental management is based on the ISO 14001 environmental management standard. Employees' awareness of environmental issues is promoted through training and employee orientation as part of the ISO 14001 management system. Environmental issues are also regularly discussed in the channels of internal communication. At the end of 2017, certified environmental management systems covered 87% (83%) of the Group's employees.

Posti's successful environmental management also helps its customers reduce their environmental impact through the use of Posti's services. All of Posti's services in Finland are carbon neutral Posti Green services. The carbon-dioxide emissions arising from transport are reduced by combining transports and using route planning, smooth and safe driving styles and the renewal of the fleet. The remaining emissions are compensated for by participating in certified climate projects.

Posti's target is to reduce carbon-dioxide emissions in Finland by 30% by 2020, in proportion to net sales, compared to 2007. By the end of 2017, Posti's emissions relative to net sales had declined by 17% (13%) in Finland. The Group's absolute carbon-dioxide emissions in 2017 amounted to 196,500 (164,300) metric tons. The increase in emissions is partly attributable to the calculation being expanded to include subcontracted transport in Russia and the Baltic countries, as well as the acquisitions of Kuljetus Kovalainen and Veine Oy in 2016.

Social issues and personnel

For Posti, social responsibility means a commitment to producing reliable and high-quality services for various customer groups. Posti processes all information and product flows in strict confidence and with a high level of information security. The Group deals ethically, openly and transparently with all of its stakeholders.

The EU General Data Protection Regulation (GDPR) sets out new provisions concerning the processing of personal data, effective from May 25, 2018. Posti has prepared for the changes brought about by the new Regulation by carrying out a GDPR preparation project, the aims of which include improving data protection preparedness, the awareness of personnel and the protection of processes and systems, among other things. As part of the GDPR preparations, the Group provided Basics of Data Protection training for personnel. All employees are required to complete the training. More in-depth data protection training was also organized for certain personnel groups. As of the end of 2017, some 61% of the Group's personnel (excl. Itella Russia) had completed the basic training. The training is intended to prevent potential risks related to data protection, such as personal data ending up in the wrong hands.

Providing a safe and healthy working environment for employees is the key objective of Posti's people responsibility. This can be achieved by continuously developing the management of occupational safety and well-being at work. 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 long-term goal is to be a zero-accident workplace. To achieve this goal, occupational safety is systematically managed as part of day-to-day management. Personnel competence and awareness related to occupational safety is increased and safety-promoting working methods are systematically developed. All accidents and hazardous situations are investigated. Making safety observations and implementing corrective actions in response to the observations is part of continuous improvement. In 2017, the Group's personnel made a total of 11,699 (10,401) safety observations. The figure covers Posti's operations in Finland and Estonia.

Posti revised its work ability management model during the reporting year. The new model emphasises the supervisor's early identification of, and intervention in, potential work ability problems through the use of well-being at work discussions. The aim is to prevent long-term disability problems. Challenges related to work ability are a key risk in the context of occupational safety and well-being at work.

Posti monitors the frequency of occupational accidents that lead to absences by using the LTA1 indicator (occupational accidents per million working hours). The LTA1 of Finnish operations was 46 (43). For other countries, including Russia, the LTA1 figure was 13. The figures include occupational accidents that occurred during working hours and led to an absence of at least one day. The LTA1 indicators cover more than 90% of the personnel, excluding Flexo and Posti Home Services. Serious occupational accidents leading to an absence of more than one month decreased in the Group by 21% compared to the previous year.

The Group's sick leave rate was 5.7%, including all countries of operation except Russia and Lithuania. The sick leave rate for Finland turned to a slight decline and stood at 5.9% (6.6%). The figure covers all Finnish operations except Flexo and Posti Home Services.

Posti is facing a major transformation, which creates pressure related to the success of change management. Supervisors play a key role in communication about changes and future direction. Posti measures the success of supervisory work annually at the Group level by an index that includes performance management, fairness, occupational safety and change management in the work of supervisors. In 2017, this index stood at 65% (63%). The goal is for the index to show continuous improvement. The index covers the Group's Finnish operations excluding OpusCapita, Flexo and Posti Home Services.

Respecting human rights and preventing bribery and corruption

Posti is committed to respecting human rights in all of its operations, and requires the same from partners and suppliers. Posti adheres to the UN Global Compact principles in realizing the Group's responsibility for human rights. The Group also takes into account the UN Guiding Principles on Business and Human Rights in its key responsibility documents: the Code of Conduct, the Group's Corporate Responsibility Principles and the Supplier Code of Conduct. Posti has also published and implemented a Group-level policy on gifts and hospitality as part of the Group's compliance program. Posti has a zero-tolerance policy with regard to human rights violations, corruption and bribery.

Posti's Code of Conduct and Supplier Code of Conduct cover legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility. The Code of Conduct also documents the principles concerning the consequences of misconduct. It also specifies the whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems. While anonymous reporting is possible, Posti encourages employees to report problems and shortcomings under their own names to make it easier to investigate the issues.

The risks identified in this area are related to potential human rights violations, supplier management, failure of internal control and corruption. The most significant risks related to human rights and corruption are business-related reputation risks. Posti prevents these risks by providing Code of Conduct training to all employees. The content of the Code of Conduct is the same for all employees and it is included in the employee orientation for new recruits. Training on the content of the Code of Conduct is provided electronically to employees who have access to a computer. For other employees, training is organized separately using either written training materials or classroom training. As of December 31, 2017, some 78% of the Group's employees had completed the training. More in-depth training on the subject matter is also organized for the most significant target groups, such as management as well as the sales and sourcing functions.

Potential risks related to human rights and the prevention of corruption and bribery in the supply chain are prevented by monitoring suppliers' sustainability performance by means of a self-assessment tool and also by conducting sustainability audits when necessary. The Group also uses financial management monitoring tools and confirmation processes to support the management of corruption risks.

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.

Parliament has decided that the Finnish State can decrease its ownership in Posti Group Corporation, but its share of ownership must remain at 50.1 percent at a minimum. In accordance with the Government Resolution on Ownership Steering Policy, 49.9 percent of the ownership of Posti Group Corporation can be transferred to Vake Oy, a state-owned development company, with the other 50.1 percent remaining in the State's direct ownership.

Administration and auditors

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 27, 2017. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend amounting to 69% of the Group's adjusted net profit, or EUR 25 million. In line with the Board of Directors' proposal, the Annual General Meeting further decided that an additional dividend of EUR 35 million will be distributed. The total dividend distribution amounted to EUR 60 million.

The Annual General Meeting also adopted the 2016 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: Petri Järvinen, M.Sc. (Tech.); Petri Kokko, Director, M.Sc. (Econ.); Kirsi Nuotto, M.A. Marja Pokela, BBA, M.Sc. (Adm.); Suvi-Anne Siimes, Licentiate of Political Science, (Econ.); and Arja Talma, M.Sc. (Econ.), eMBA. Markku Pohjola, B.Sc. (Econ.) and Eero Hautaniemi, M.Sc. (Econ.), were elected as new members of the Board of Directors.

Markku Pohjola was elected as the Chairman of the Board of Directors and Suvi-Anne Siimes as the Vice Chairman.

It was decided that the Supervisory Board comprise twelve members. The following continued as members of the Supervisory Board: Maria Guzenina, MP, Social Democratic Party; Rami Lehto, MP, Finns Party; Eeva-Maria Maijala, MP, Centre Party; Sari Moisanen, B Eng.; Mats Nylund, MP, Swedish People's Party of Finland; Juha Pylväs, MP, Centre Party; Sari Raassina, MP, National Coalition Party; Lulu Ranne, Project and Environmental Expert, Finns Party; Markku Rossi, MP, Centre Party; Satu Taavitsainen, MP, Social Democratic Party; Jani Toivola, MP, The Greens of Finland; and Kari Tolvanen, MP, National Coalition Party.

Markku Rossi was re-elected as the Chairman of the Supervisory Board and Jani Toivola as the Vice Chairman.

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

No changes were made to the Board of Directors' or Supervisory Board's fees. Members of the Board of Directors receive a monthly remuneration and a meeting fee. Members of the Supervisory Board receive a meeting fee.

Changes in management

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

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

Kaarina Ståhlberg, LL.M. (Columbia University, NY) and General Counsel of Posti Group Corporation, was appointed as a member of the Posti Group Corporation Executive Board as of October 1, 2017.

Employees

The Group's average number of employees, converted into full-time equivalents, was 17,912 (18,529). On December 31, 2017, the numbers of employees converted into full-time equivalents were:

- The Group: 16,932 (18,519) employees
- Finland: 13,592 (14,140) employees
- Other countries of operation: 3,340 (4,379) employees

The Group's personnel expenses amounted to EUR 696.6 (730.8) million, down 4.7% from the previous year. The personnel expenses included EUR 5.0 (18.9) million in restructuring costs. Excluding restructuring costs, the personnel expenses declined by 2.8% year-on-year. Salaries and wages paid by the Group decreased by EUR 20.5 (22.0) million from the previous year.

According to the Board of Director's decision, based on the result for the financial year, a bonus will be paid to the personnel fund.

Group personnel in total	2017	2016	2015
Salaries and wages, EUR million	564.3	584.8	606.9
Employees on December 31	20,014	20,497	21,598
Average number of employees	20,316	20,632	22,219

The company entered into 1107 (289) new permanent employment contracts in Finland in 2017. The substantial increase in the number of new employment relationships was due to recruitment particularly in early-morning delivery, basic delivery, sorting and warehouse operations. Personnel reductions amounted to 599 (1,383) person-years. Out of this total, 265 (417) person-years were related to production and finance, 42 (39) person-years were reduced through voluntary resignation and pension plans, 206 (857) person-years were reduced via the Uusi polku (New path) program, and 86 (70) person-years were reduced in relation to corporate transactions.

In addition, 300 new employment relationships began as a result of 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 December 2017, 2,823 employees had applied for the program and 1,937 had been approved.

Cooperation negotiations

On January 25, 2017, Posti announced that it will start cooperation negotiations concerning administrative positions. The target group of the negotiations comprised 308 employees and the negotiations led to personnel reductions concerning 33 people.

On March 20, 2017, Posti started cooperation negotiations in the Sorting organization under the Operations unit to support the restructuring of supervisory positions at the sorting centers in Helsinki, Vantaa and Lieto. The negotiations covered 37 employees and led to personnel reductions concerning six people.

On April 24, 2017, OpusCapita announced that it will start cooperation negotiations in the Document and Transaction Processing unit. The target group of the negotiations comprised 69 employees and they led to personnel reductions concerning 15 people.

Posti started cooperation negotiations concerning supervisory positions in the Operations unit's Southeast Finland regional delivery organization on May 9, 2017, in the Northern Finland regional delivery organization on June 19, 2017 and in the Lakeland region delivery organization on September 21, 2017. The negotiations in Southeast Finland covered 28 delivery supervisors and led to personnel reductions concerning six people. The negotiations in Northern Finland covered 23 delivery supervisors and led to personnel reductions concerning five people. The negotiations in the Lakeland region covered 30 delivery supervisors and led to personnel reductions concerning seven people.

Posti Kuljetus Oy's transport production unit in Seinäjoki commenced cooperation negotiations on October 18, 2017. The target group of the negotiations comprised 32 employees and they led to personnel reductions concerning 16 people.

Posti Palvelut Oy commenced cooperation negotiations on November 28, 2017, concerning early-morning delivery operations in Vaasa and Mustasaari. The target group of the negotiations comprised 68 employees and they led to personnel reductions concerning 9 people.

Changes in the corporate structure

Posti Group Corporation's most significant changes in group structure in 2017:

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

On January 10, 2017, Posti Ltd acquired HR Hoiva Oy and subsequently changed its name to Posti Kotipalvelut Oy on March 31, 2017.

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

Posti Palvelut Oy, was established in April for early-morning delivery operations.

On April 13, 2017, Posti Group Corporation and Solemo Oy established Flexo Palvelut Oy, a joint venture providing in-house logistics services. Posti owns 80% of the shares in Flexo, with Solemo owning the remaining 20%.

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

OpusCapita carried out significant restructuring measures during the financial year. During the financial year, OpusCapita divested its Finance and Accounting Outsourcing business and related subsidiaries OpusCapita Regnskap AS, OpusCapita Inkasso AS, OpusCapita IT Solution AS and OpusCapita Accounting UAB.

Regulatory environment

The Government submitted its draft bill for the Postal Act to Parliament on January 26, 2017. Parliament approved the draft bill on June 21, 2017. The Act entered into force on September 15, 2017. Five-day mail delivery will continue in a large part of Finland, namely the areas that do not have early-morning delivery networks maintained by newspapers. In these areas, Posti will be required to arrange competitive bidding for five-day delivery. In urban areas where early-morning delivery networks maintained by newspapers are available, the new Postal Act makes it possible to deviate from five-day delivery by allowing three-day delivery. Universal service letters must be delivered so that at least 50% of the items are delivered by the fourth weekday following the mailing date and at least 97% by the fifth weekday from the mailing date. The delivery speed obligation applies to letters and cards furnished with a stamp. The delivery speeds of all other items are based on commercial agreements and are not regulated. The new Postal Act also includes other amendments that affect Posti's operations.

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.

The claims were rejected in their entirety by a decision of the Helsinki District Court on September 18, 2015, and by a decision of the Helsinki Court of Appeal on September 14, 2017. Of the six plaintiffs that appealed the District Court's decision to the Court of Appeal, one decided to take no further legal action. Five of the plaintiffs have requested the Supreme Court for leave to appeal. The total amount of the compensations claimed by the five plaintiffs is approximately EUR 99 million, and the interest claimed amounted to approximately EUR 61 million on December 31, 2017.

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.

Strategic risks

The weaker than expected 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 is anticipated to have a negative impact on Posti's net sales and profit.

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. The decline in volumes 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.

For OpusCapita, the rapid increase in electronic transactions and intensifying competition make it 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.

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.

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 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.

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

Jani Jolkkonen, SVP, ICT and Digitalization and member of the Executive Board, left Posti on January 10, 2018.

On January 15, 2018, Posti announced it will initiate its first sourcing procedure on the five-day delivery of universal service letters in areas not covered by early-morning newspaper delivery. The use of competitive bidding stems from the Postal Act reforms set to take effect in the beginning of July 2018.

The arbitration committee stipulated by the collective agreement for the mail communications and logistics industry issued a decision on February 1, 2018, on a general increase of 1.31% to the industry's collective agreement. The increase will apply retrospectively from November 1, 2017.

Outlook

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

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

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

Board of Directors' proposal for the distribution of profits

In the financial statements, the parent company's distributable funds total EUR 480,292,766.45, of which the loss for the 2017 financial year is EUR 8,671,085.70.

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 27 million be distributed. In addition, the Board of Directors proposes an extra dividend of EUR 13 million. The total distribution of dividend would be EUR 40 million.

Helsinki, February 28, 2018

Posti Group Corporation
Board of Directors

Alternative Performance Measures

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

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

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

Calculation of Key Figures (IFRS)

Calculation of key figures

In addition to IFRS-based performance measures, Posti Group discloses adjusted EBITDA and adjusted operating result to enhance comparability of performance measures 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.

Return on equity, %	100 x	result for the period (12m rolling)
		<hr/>
		total equity (average of opening and closing balance of previous 12m)

Return on invested capital, %	100 x	result before income tax (12m rolling) + interest and other financial expenses (12m rolling)*
		<hr/>
		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 x	total equity
		<hr/>
		total assets - advances received (current and non-current)

Gearing, %	100 x	net debt
		<hr/>
		total equity

Net debt		interest bearing borrowings - liquid funds - debt certificates
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Interest-bearing debt		Non-current and current borrowings
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EBITDA		EBITDA is operating result excluding depreciation, amortization and impairment losses.
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Adjusted EBITDA		Adjusted EBITDA is EBITDA excluding special items.
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Adjusted operating result	Adjusted operating result is operating result excluding 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.
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.
Earnings per share, EUR	result for the period for the parent company shareholders

Average number of shares during the period

Consolidated Financial Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

EUR million	Note	2017	2016	2015, restated
Net sales	1	1,647.0	1,607.6	1,649.1
Other operating income	3	15.4	26.0	57.5
Materials and services	4	-508.0	-448.6	-437.5
Employee benefits	5	-696.6	-730.8	-756.5
Other operating expenses	6	-374.1	-338.2	-365.4
Depreciation and amortization	7	-75.8	-79.2	-80.5
Impairment losses	7	-35.4	-6.1	-11.9
Operating result (EBIT)		-27.5	30.7	54.8
Finance income	8	3.8	12.7	13.9
Finance expenses	8	-13.1	-13.9	-26.4
Result before income tax		-36.9	29.5	42.3
Income tax	9	-7.4	-6.3	-7.2
Result for the period		-44.3	23.2	35.1
Result for the period attributable to				
Parent company shareholders		-44.3	23.2	35.1
Non-controlling interest		0.0	-	-
Earnings per share, basic, EUR		-1.11	0.58	0.88
Earnings per share, diluted, EUR		-1.11	0.58	0.88

Consolidated statement of comprehensive income

Result for the period	-44.3	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	-0.1	0.0	-0.1
Change in fair value of cash flow hedges	-0.9	0.0	-
Translation differences	-7.0	20.0	-9.0
Income tax relating to these items	0.2	0.0	0.0
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	-0.4	0.0	4.6
Income tax relating to these items	0.1	0.0	-0.9
Comprehensive income for the period	-52.5	43.2	29.7
Comprehensive income attributable to			
Parent company shareholders	-52.5	43.2	29.7
Non-controlling interest	0.0	-	-

Consolidated Balance Sheet

Assets

EUR million	Note	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015, restated
Non-current assets				
Goodwill	10	180.7	213.7	186.0
Other intangible assets	10	56.9	60.7	50.7
Investment property	11	9.1	9.7	10.3
Property, plant and equipment	12	346.4	360.5	406.0
Other non-current investments	21	3.5	6.1	6.3
Non-current receivables	21	1.4	2.6	1.5
Deferred tax assets	13	11.0	13.6	23.3
Total non-current assets		609.0	667.0	684.2
Current assets				
Inventories	14	4.8	4.0	4.8
Trade and other receivables	15	314.2	295.6	264.3
Current income tax receivables		1.5	4.2	1.0
Current financial assets	21	77.4	132.8	224.1
Cash and cash equivalents	21	86.0	82.0	130.1
Total current assets		483.9	518.6	624.2
Assets classified as held for sale	16	-	-	3.6
Total assets		1,092.9	1,185.6	1,311.9

Equity and liabilities				
EUR million	Note	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015, restated
Equity attributable to the shareholders of the parent company				
Share capital	17	70.0	70.0	70.0
General purpose reserve	17	142.7	142.7	142.7
Fair value reserve	17	-0.8	0.1	0.1
Translation differences	17	-90.6	-83.5	-103.6
Retained earnings		370.9	479.2	474.0
Total shareholders' equity		492.3	608.4	583.2
Non-controlling interests		0.3	-	-
Total equity		492.6	608.4	583.2
Non-current liabilities				
Deferred tax liabilities	13	23.7	26.6	23.1
Non-current borrowings	21	70.5	19.8	126.7
Other non-current payables	20	16.8	13.9	10.3
Advances received	20	14.0	16.8	16.6
Non-current provisions	19	20.6	14.3	17.0
Defined benefit pension plan liabilities	18	11.8	11.9	11.6
Total non-current liabilities		157.4	103.3	205.3
Current liabilities				
Current borrowings	21	49.5	112.3	163.6
Trade and other payables	20	317.6	298.1	282.0
Advances received	20	68.7	60.0	51.7
Current income tax liabilities		0.2	0.0	14.8
Current provisions	19	6.9	3.5	10.2
Total current liabilities		442.9	473.9	522.4

Liabilities associated with assets classified as held for sale	16	-	-	1.0
Total liabilities		600.3	577.2	728.7
Total equity and liabilities		1,092.9	1,185.6	1,311.9

Consolidated Statement of Cash Flows

EUR million	Note	2017	2016	2015, restated
Result for the period		-44.3	23.2	35.1
Adjustments for:				
Depreciation and amortization	7	75.8	79.3	80.5
Impairment losses	7	35.4	6.1	11.9
Gains on sale of intangible and tangible assets	3	-3.6	-16.1	-46.4
Losses on sale of intangible and tangible assets	6	8.3	0.5	1.5
Finance income	8	-3.8	-10.9	-13.9
Finance expense	8	12.3	13.9	25.7
Income tax	9	7.4	6.3	7.2
Other non-cash items		12.8	-9.8	8.2
Cash flow before change in net working capital		100.4	92.6	109.8
Change in trade and other receivables	15	-24.2	-12.7	2.4
Change in inventories	14	-0.8	0.9	0.2
Change in trade and other payables	20	29.1	7.9	-20.1
Change in net working capital		4.1	-3.9	-17.5
Cash flow before financial items and income tax		104.4	88.7	92.4
Interests paid	8	-7.4	-12.5	-15.6
Interests received	8	2.9	7.7	7.0
Other financial items	8	0.8	-2.1	1.0
Income tax paid	9	-4.7	-18.7	-3.0
Cash flow from financial items and income tax		-8.4	-25.6	-10.6
Cash flow from operating activities		96.0	63.1	81.9

Purchase of intangible assets	10	-13.2	-14.5	-17.7
Purchase of property, plant and equipment	12	-54.4	-40.9	-34.7
Proceeds from sale of intangible and tangible assets	10, 12	7.4	69.7	122.2
Business acquisitions, net of cash acquired	2	-9.4	-36.8	-3.5
Proceeds from business disposals less cash and cash equivalents	2	-7.1	8.4	14.2
Financial assets at fair value through profit or loss	21	39.3	48.6	-42.0
Financial assets held to maturity	21	15.0	40.3	-83.0
Cash flow from other investments		2.0	2.0	4.0
Cash flow from investing activities		-20.4	76.7	-40.4
Increases in current loans	21	39.9	-	4.3
Repayment of current loans	21	-99.9	-159.1	-
Increases in non-current loans	21	60.3	-	-
Finance lease payments	21	-12.7	-11.6	-12.2
Dividends paid		-60.0	-18.0	-
Transactions with non-controlling interests		1.5	-	-
Cash flow from financing activities		-70.9	-188.6	-8.0
Change in cash and cash equivalents		4.7	-48.9	33.4
Cash and cash equivalents at the beginning of the period		82.0	130.1	98.7
Effect of exchange rates changes		-0.7	0.8	-0.3
Cash and cash equivalents included in assets classified held for sale	16	-	-	-1.8
Cash and cash equivalents at the end of the period		86.0	82.0	130.1

Consolidated Statement of Changes in Equity

Attributable to the owners of the parent company

EUR million	Attributable to the owners of the parent company						Non-controlling interests	Total equity
	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total		
Equity Jan 1, 2017	70.0	142.7	0.1	-83.5	479.2	608.4	-	608.4
Result for the period					-44.3	-44.3	0.0	-44.3
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.8			-0.8		-0.8
Translation differences				-7.0		-7.0		-7.0
Remeasurements of post-employment benefit obligations, net of tax					-0.4	-0.4		-0.4
Total comprehensive income for the period			-0.8	-7.0	-44.6	-52.5	0.0	-52.5
Transactions with equity holders								
Contributions by non-controlling interest					1.2	1.2	0.3	1.5
Other transactions with non-controlling interest					-4.8	-4.8		-4.8
Dividends paid					-60.0	-60.0		-60.0
Equity Dec 31, 2017	70.0	142.7	-0.8	-90.6	370.9	492.3	0.3	492.6

Attributable to the owners of the parent company								
EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity	Non-controlling interests	Total equity
Equity Jan 1, 2016	70.0	142.7	0.1	-103.6	474.0	583.2	-	583.2
Result for the period					23.2	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		0.0
Translation differences				20.0		20.0		20.0
Remeasurements of post-employment benefit obligations, net of tax					0.0	0.0		0.0
Total comprehensive income for the period			0.0	20.0	23.2	43.2	-	43.2
Transactions with equity holders								
Dividends paid					-18.0	-18.0	-	-18.0
Equity Dec 31, 2016	70.0	142.7	0.1	-83.5	479.2	608.4	-	608.4

EUR million	Attributable to the owners of the parent company						Non-controlling interests	Total equity
	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity		
Equity Jan 1, 2015, restated	70.0	142.7	0.2	-94.6	435.2	553.5	-	553.5
Result for the period					35.1	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		-0.1
Translation differences				-9.0		-9.0		-9.0
Remeasurements of post-employment benefit obligations, net of tax					3.7	3.7		3.7
Total comprehensive income for the period			-0.1	-9.0	38.8	29.7	-	29.7
Equity Dec 31, 2015, restated	70.0	142.7	0.1	-103.6	474.0	583.2	-	583.2

Notes to the consolidated financial statements

Company information

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

Accounting policies

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

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

The financial statements include exceptionally comparative data for two years to increase longer term comparability, as Posti has changed its segment reporting in 2017.

Consolidation Principles

Subsidiaries

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

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

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

Associates

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

Joint operations

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

Foreign currency translation

Functional and presentation currency

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

Transaction and balances

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

Group companies

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

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

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

Revenue recognition

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

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

Prepaid services

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

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

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

Other services

Revenue for the delivery of letters, publications, and addressed direct marketing is recognized when the service has been performed. The net sales of unaddressed direct marketing is recognized monthly, based on the date of observation. The date of observation reflects the moment at which the delivery was entered into the production system. Where the payments are received for a service to be provided over a specified period of time (such as post office boxes), payments received are recognized as deferred revenue and released to the income statement over the period that the service is performed.

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

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

Volume-based invoicing of document processing automatization services is recognized as revenue for the period when the service has been performed.

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

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

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

OpusCapita offers software solutions for corporate customers either by selling licenses or software as a service (SaaS). Revenue for licenses is recognized at the time when the license is granted and for services during the contract period. Revenue for software implementation projects is recognized during the project.

Government grants

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

Employee benefits

Pensions

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

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

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

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

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

Income taxes

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

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

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

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

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

Intangible assets

Business combinations and goodwill

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

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

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

Research and development expenditure

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

Other intangible assets

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

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

Property, plant and equipment

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

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

The expected useful lives of PPE are as follows:

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

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

Assets held for sale

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

Investment property

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

Impairment testing

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

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

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

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

Leases

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

The Group as lessee

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

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

Inventories

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

Financial assets and liabilities

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

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

Financial assets recognized through profit or loss include financial assets held-for-trading. This class includes investments in bonds and money-market investments with maturity more than 3 months. Also derivative instruments which are not hedge accounted for are classified as held-for-trading. Investments in bonds and money-market instruments are measured at fair value on the balance sheet date, based on price quotes on the market on the balance sheet date, or valuation models based on observable market information.

Financial assets held-for-trading are included in current assets. Any unrealized and realized gains or losses resulting from fair value changes are recognized through profit or loss during the period in which they occur.

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

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and not held for trading. Loans and receivables are included in current and non-current assets and measured at amortized cost applying the effective interest-rate method. Trade and other receivables are recognized at cost, corresponding to their fair value and recorded under current assets. Impairment loss is recognized for trade receivables overdue for more than 180 days.

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

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

Derivative contracts and hedge accounting

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

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

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

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

Cash and cash equivalents

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

Provisions and contingent liabilities

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

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

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

Fair Value Measurement

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

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

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

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

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

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

Critical accounting estimates and judgments in applying accounting policies

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

Impairment testing of Posti's cash generating unit Itella Russia

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

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

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

Goodwill impairment testing in Posti's cash generating unit Opus Capita

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

The determination of impairments of goodwill and other intangible assets involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in Posti's businesses, increased cost of capital, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate

an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. When determining the values in use for the cash generating units, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations. The most significant assumptions in goodwill impairment testing comprise of growth in net sales, development of EBIT margin, determination of the discount rate (WACC), and long-term growth rate used after the five-year forecast period.

Based on the annual impairment test, an impairment loss amounting to EUR 33.9 million on OpusCapita's goodwill. The Group changed its segments and redefined its cash-generating units in 2017. The goodwill included in the affected units was reallocated and part of OpusCapita's goodwill was allocated to Postal Services unit. The carrying amount of goodwill subject to impairment testing before reallocation was EUR 122.7 million (31 December 2016: EUR 122.7 million and 31 December 2015: EUR 107.1 million). Further details on goodwill impairment testing, including a sensitivity analysis, are included in [note 10](#).

Uncertainty regarding the utilization of deferred tax assets

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

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

As at December 31, 2017 Posti had unused tax losses for which it has not recognized deferred tax assets of EUR 153.7 million (December 31, 2016 EUR 153.0 million and December 31, 2015 EUR 139.9 million). Refer to note 13 for detail on deferred tax assets and liabilities.

Provisions – onerous contracts

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

Contingent liabilities

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

The claims were rejected in their entirety by a decision of the Helsinki District Court on September 18, 2015, and by a decision of the Helsinki Court of Appeal on September 14, 2017. Of the six plaintiffs that appealed the District Court's decision to the Court of Appeal, one decided to take no further legal action. Five of the plaintiffs have requested the Supreme Court for leave to appeal. The total amount of the compensations claimed by the five plaintiffs is approximately EUR 99 million, and the interest claimed amounted to approximately EUR 61 million on December 31, 2017.

At this point in time, it is not possible to assess how or when the case will be resolved. No provision has been recognized in the consolidated statements of financial position as Posti considers the allegations made by the plaintiffs are without merit. It is expected to take several years until all of the final court orders are rendered in the matter. The outcome of the process may have a material adverse effect on Posti's financial position, results of operations and cash flows. For more information on this case, see [note 23](#).

Application of new or amended IFRS standards

The amendments to IFRS standards effective as of 1 January 2017 had no impact on Group's financial statements.

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

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

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

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

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

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

Impairment of financial asset will be based on new expected credit loss method. The group will apply a simplified provision matrix approach for trade receivables whereby the impairment loss is measured over the life of the asset unless the asset is already impaired due to credit risk. Financial assets at amortized cost are subject to impairment testing. Following the application of the new standard, the Group will recognize the credit losses earlier than currently.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. The group does not expect to increase hedge accounting. As a general rule, it will be easier to apply hedge accounting going forward due to the fact that only prospective effectiveness testing is required.

The new standard also introduces expanded disclosure requirements and changes in presentation.

IFRS 9 is effective from 1 January 2018 which is also the initial application date for the Group. The impact of the transition will be recognized in retained earnings on the effective date, but it will not have a material effect on the Group's equity or key figures.

IFRS 15 Revenue from contracts with customers. The new standard shall be applied for the annual reporting periods beginning on or after 1 January 2018. The new standard defines a five-step model to recognize revenue based on contracts with the customers and replaces the current standards IAS 18 and IAS 11 as well as their interpretations. The timing of the revenue recognition can take place over time or at a point of time, depending on the transfer of control. The standard also entails increased disclosures on revenue from customer contracts.

A significant portion of the Group's revenue is generated by rendering of short-term services. These services include freight services in Finland and in the Baltic countries, parcel services in the Baltic countries, delivery of international mail from Finland and via Finland, and delivery of unaddressed direct marketing. According to IFRS 15 revenue for these services should be recognized over time. However, the Group continues to recognize the revenue for these services when the delivery is received to Posti's delivery network because the Group has concluded that this has only a minor impact on the Group's income statement and balance sheet.

In addition to the short-term services described above, where the impact of the new standard is minor, the Group has identified the following areas where the new standard involves special consideration:

- Revenue recognition for parcel business in Finland will change and the revenue for delivered parcels will be recognized when the parcel has been delivered. The impact of the transition to be recognized in the shareholders' equity will be EUR 0.8 million.
- Revenue recognition for long term transport services in Itella Russia segment will be redefined and the timing of the recognition of revenue for these services will be changed so that the revenue will be recognized during the progress of the transport. The impact of the transition will be minor.
- Posti has identified that some of the customer contracts of Supply Chain Solutions and Posti Messaging include payments and costs relating to the implementation of the services. According to IFRS 15 these contract cost for fulfilling the service obligation will be capitalized and amortized over the contract period. Also the payments received for these services will be allocated over the contract period. The impact of the change will be minor.
- The Group's customer contracts include some variable fee components, such as volume discounts. Volume discounts continue to be accrued during the financial year, therefore the accounting treatment will not change.
- Service level penalty fees are currently recognized as expense and according to IFRS 15 they will be recognized as a deduction of net sales. Posti estimates that the impact on the financial statements will be minor.
- OpusCapita sell its customers either licenses or software as a service (SaaS). Licenses or service agreements do not involve significant tailoring but may include implementation services, which are considered as separate performance obligations. According to IFRS 15 the revenue for licenses is recognized when the license is granted and for SaaS the revenue is recognized over time. Revenue for implementation services is recognized for the period during which the service is performed. Before the implementation of IFRS 15 revenue for part of these services has been recognized on invoicing basis, but the Group estimates that the impact of this accounting policy change will be immaterial.
- Any possible sales bonuses for obtaining a customer contract are currently recognized as an expense. According to IFRS 15 they should be capitalized and accrued over the contract period. However, the Group has only a small amount of sales bonuses, relating to a limited amount of customers, that fulfill the capitalization criteria of IFRS 15 and consequently this will not have a material impact on the Group's income statement or balance sheet.
- Posti does not grant its customers payment terms which are longer than 12 months and the customer contracts do not contain significant financing components.

The Group adopts the new standard on 1 January 2018 for the future periods with prospective application and provides additional disclosures on the transition.

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

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

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

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

As at the December 31, 2017, the Group has non-cancellable operating lease commitments of EUR 254.3 million (see [note 22](#)). However, the Group has not yet determined to what extent these commitments and other cancellable leases will result in the recognition of an asset and a liability for future payments and how this will affect the Group's income statement and classification of cash flows as judgement will be required to determine the lease period that Posti expects to maintain under the cancellable leases or leases with extension options. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases.

The standard becomes effective for years commencing on or after 1 January 2019. Posti will adopt the standard on its effective date retrospectively.

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

1. Operating segments

Posti's reportable segments consist of four operating segments: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. The Group's operating segments are based on the various services and products they offer and on the respective markets. The operating segments are managed as separate businesses. The President and CEO is the chief operating decision maker, being responsible for allocating resources to operating segments and the evaluation of the segments' results.

The Postal Services operating segment and the Parcel and Logistics Services operating segments have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services. Posti reports its result of operations according to the following reportable segments: Mail, Parcel and Logistics Services; Itella Russia and OpusCapita. The aggregated reportable segment for the most part shares common operative functions, such as production, retail network and customer service. These functions represent the majority of the combined segment's expenses, so the financial performance of the segments is dependent on the allocation principles of the shared cost base. In addition to similar financial characteristics and common production processes, the aggregated operating segments are similar in terms of their services, customers and distribution channels.

OpusCapita carried out significant restructuring measures during the financial year. OpusCapita sold its Finance and Accounting Outsourcing business in September. In addition, the digitizing production in Sweden, Norway and Poland was outsourced to the US-based BancTec in October. OpusCapita's sending of documents and invoices as well as the digitizing operations in Finland were transferred to Posti's Postal Services business group effective from October 1, 2017. The Buyer-Supplier Ecosystem business continues as a unit of its own within OpusCapita segment. Segment reporting has been changed to reflect the new operative structure. The changes in reporting are presented retrospectively starting from 1 January, 2015 to increase longer term comparability.

The chief operating decision maker primarily uses measures of adjusted EBITDA and adjusted operating result to assess the performance of the operating segments. He also receives information about the segments' net sales and assets on a monthly basis. Balance sheet items allocated to the segments include non-current and current operating assets and liabilities, including non-interest bearing liabilities and provisions. Operating assets and liabilities are items the segment uses in its operations or that may be reasonably allocated to the segments. Capital expenditure consists of additions of tangible and intangible assets including additions of financial leases and business acquisitions.

The measurement and recognition principles used in the internal management reporting comply with Posti's accounting principles. Transactions between the segments are carried out at market prices.

Mail, Parcel and Logistics Services

Postal Services (PS)

Postal Services is in charge of mail, press and marketing services as well as document sending and digitizing services. Mail Services is in charge of stamps, mail redirection services, Netposti, international postal cooperation and mail services offered to companies and consumers. Press Services provides newspaper, magazine and free distribution paper delivery services for business customers. Marketing Services provides addressed and unaddressed direct marketing services for companies as well as value-added services, such as register services, target groups, the Contact service, and printed products that can be ordered online. Posti Messaging provides digitizing services, electronic archiving and multi-channel solutions for sending documents and invoices.

Parcel and Logistics Services (PLS)

PLS is in charge of comprehensive supply chain solutions, parcel and eCommerce services, transport services for companies, as well as warehousing and supplementary services. PLS is the market leader in the B2C and B2B parcel business and in warehousing services in Finland. In transport services PLS is among the three largest operators in Finland.

Itella Russia

Itella Russia offers comprehensive logistics services to both Russian and international companies. Itella is the market leader in warehousing in Russia. In addition, Itella offers road, air, sea and rail freight services, customs clearance services and logistics services for online retailers. The activities also include Itella Connexions, which is one of the largest direct marketing specialists in Russia and MaxiPost which offers last-mile delivery services for eCommerce customers. MaxiPost was acquired in March 2016.

OpusCapita

OpusCapita focuses on global procurement, payments and cash management solutions with target to become a leading operator in global B2B procurement and payment ecosystem. OpusCapita operates in Finland, Scandinavia, Latvia, Poland, Germany, Switzerland and USA and its solutions are used globally.

Other and unallocated

In addition to operating segments, Posti has group headquarters, centralized support functions as well as real-estate company Posti Kiinteistöt which owns the facilities in Finland and offers facility management services to the businesses. These centralized Group functions and related corporate level costs including financing are reported under "Other and unallocated". Also the divested financial accounting outsourcing business for the period prior the divestment is included in this.

Adjusted EBITDA and adjusted operating result

In order to enhance the comparability between periods, Posti reports adjusted EBITDA and adjusted operating result, which exclude effects of significant items of income and expenses which are considered to incur outside of the ordinary course of business. These adjusting items are referred as special items. The chief operating decision maker assesses the performance of the segments primarily based on these performance measures. Special items include restructuring costs, significant impairment losses on assets, significant gains or losses on sale of shares, real-estates or business operations, changes in contingent purchase considerations originated from business combinations, and other material items outside of the ordinary course of business.

2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Seg- ments total	Other and un- allocated	Elimi- nations	Group total
External sales	1,447.5	119.1	62.5	1,629.0	18.0		1,647.0
Inter-segment sales	1.2	0.1	2.2	3.5	5.5	-9.0	
Net sales	1,448.7	119.1	64.7	1,632.5	23.5	-9.0	1,647.0
EBITDA	102.2	-14.4	-3.6	84.2	-0.6		83.7
Special items included in EBITDA:							
Personnel restructuring costs	3.8	0.3	0.7	4.9	0.1		5.0
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)				0.0	8.1		8.1
Onerous contracts		17.7		17.7	-1.1		16.6
Changes in contingent purchase considerations				0.0	2.5		2.5
Other	0.2		0.3	0.5	2.2		2.7
Special items included in EBITDA total	4.1	18.0	1.0	23.1	11.8		35.0
Adjusted EBITDA	106.3	3.7	-2.6	107.4	11.2		118.6
Operating result	49.3	-21.5	-35.9	-8.1	-19.4		-27.5
Special items included in operating result:							
Special items included in EBITDA	4.1	18.0	1.0	23.1	11.8		34.9
Impairment losses	7.0	0.0	26.9	33.9	1.1		35.0
Special items total	11.1	18.0	27.9	57.0	12.9		69.9
Adjusted operating result	60.4	-3.5	-7.9	48.9	-6.5		42.4
Financial income and expense							-9.4
Profit/loss for the period before taxes							-36.9
Assets	616.6	138.6	101.4	856.7	239.1	-2.9	1,092.9
Liabilities	383.7	29.4	12.9	426.0	177.2	-2.9	600.3

Capital expenditure	28.3	2.3	4.3	34.9	38.4	73.3
Depreciation and amortization	45.5	7.0	5.3	57.8	18.0	75.8
Impairment losses	7.5	0.2	26.9	34.6	0.8	35.4
Personnel at period-end	16,615	2,329	404	19,348	666	20,014
Personnel at period-end, FTE	13,605	2,281	392	16,278	655	16,932

2016, restated

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Seg- ments total	Other and un- allocated	Elimi- nations	Group total
External sales	1,414.2	104.6	60.4	1,579.2	28.4		1,607.6
Inter-segment sales	1.8	0.0	1.6	3.4	8.5	-11.9	
Net sales	1,416.0	104.6	62.0	1,582.7	36.8	-11.9	1,607.6
EBITDA	93.4	3.9	2.1	99.4	16.7		116.0
Special items included in EBITDA:							
Personnel restructuring costs	16.2	0.4	1.0	17.6	1.3		18.9
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-2.8			-2.8	-10.6		-13.4
Onerous contracts		-1.7		-1.7	1.6		0.0
Changes in contingent purchase considerations	2.7			2.7	1.4		4.1
Other	-0.6			-0.6	1.6		1.1
Special items included in EBITDA total	15.6	-1.3	1.0	15.3	-4.6		10.7
Adjusted EBITDA	109.0	2.6	3.1	114.7	12.0		126.7
Operating result	42.5	-2.7	-2.5	37.3	-6.6		30.7
Special items included in operating result:							
Special items included in EBITDA	15.6	-1.3	1.0	15.3	-4.6		10.7
Impairment losses	3.8		0.3	4.1	1.6		5.7
Special items total	19.4	-1.3	1.3	19.4	-3.0		16.4
Adjusted operating result	61.9	-4.0	-1.2	56.8	-9.7		47.1
Financial income and expense							-1.2
Profit/loss for the period before taxes							29.5
Assets	597.7	153.5	130.0	881.1	306.9	-2.4	1,185.6
Liabilities	356.3	23.0	8.6	387.9	191.7	-2.4	577.2

Capital expenditure	35.9	4.7	33.9	74.4	26.0	100.4
Depreciation and amortization	46.5	6.5	4.6	57.6	21.6	79.2
Impairment losses	4.4	0.0	0.0	4.4	1.7	6.1
Personnel at period-end	16,423	2,389	351	19,163	1,334	20,497
Personnel at period-end, FTE	14,508	2,377	343	17,228	1,291	18,519

2015, restated

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Seg- ments total	Other and un- allocated	Elimi- nations	Group total
External sales	1,437.7	118.8	56.2	1,612.7	36.4		1,649.1
Inter-segment sales	10.3	0.0	0.0	10.3	9.3	-19.7	
Net sales	1,448.0	118.9	56.2	1,623.0	45.8	-19.7	1,649.1
EBITDA	100.3	-8.3	5.8	97.8	49.5		147.2
Special items included in EBITDA:							
Personnel restructuring costs	7.1	0.6		7.7	0.7		8.4
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	1.2			1.2	-40.8		-39.6
Onerous contracts	0.7	11.7		12.4			12.4
Changes in contingent purchase considerations							
Other	0.9	0.1	0.1	1.1	-1.4		-0.3
Special items included in EBITDA total	10.0	12.4	0.1	22.5	-41.6		-19.1
Adjusted EBITDA	110.3	4.1	5.9	120.3	7.9		128.2
Operating result	52.7	-25.0	3.7	31.5	23.3		54.8
Special items included in operating result:							
Special items included in EBITDA	10.0	12.4	0.1	22.5	-41.6		-19.1
Impairment losses	2.1	7.5		9.6	2.3		11.9
Special items total	12.1	19.9	0.1	32.1	-39.3		-7.2
Adjusted operating result	64.9	-5.1	3.8	63.6	-16.0		47.6
Financial income and expense							-12.5
Profit/loss for the period before taxes							42.3
Assets	617.8	126.1	99.9	843.7	467.6	-3.0	1,308.3
Non-current assets classified as held for sale					3.6		3.6

Liabilities	336.9	27.0	3.9	367.7	363.0	-3.0	727.7
Liabilities associated with non-current assets classified as held for sale					1.0		1.0
Capital expenditure	42.8	2.9	1.7	47.4	19.4		66.8
Depreciation and amortization	45.3	9.2	2.1	56.6	23.9		80.5
Impairment losses	2.2	7.5	0.0	9.6	2.3		11.9
Personnel at period-end	17,278	2,646	302	20,226	1,372		21,598
Personnel at period-end, FTE	15,212	2,629	293	18,134	1,349		19,483

Net sales distribution of Mail, Parcel and Logistics Services

Net Sales, EUR million	2017	2016, restated	2015, restated
Mail & Marketing Services	630.2	651.9	683.8
Press Services	166.9	171.4	169.6
Parcel Services	287.5	276.7	274.9
Logistics Services	373.4	322.6	328.7
Other and eliminations	-9.3	-6.7	-9.1
Total	1,448.7	1,416.0	1,448.0

Geographical areas

The group operates in four geographical areas: Finland, Scandinavia, Russia and Other countries. The net sales of the geographical areas are determined by the geographical location of the Group's customer. Assets are presented according to their geographical location, and they include non-current assets except Group goodwill, deferred tax assets and financial instruments. Finland is the only individual country that generates a material part of the Group's net sales. The Group's customer base consists of a large number of customers over several market areas, and net sales to any single customer does not represent a significant part of the Group's net sales.

2017

EUR million	Finland	Other Nordic countries	Russia	Other count- ries	Total
Net sales	1,289.2	124.9	118.8	114.2	1,647.0
Non-current assets	290.7	3.1	98.0	24.0	415.8

2016

EUR million	Finland	Other Nordic countries	Russia	Other count- ries	Total
Net sales	1,261.9	133.2	104.6	107.7	1,607.6
Non-current assets	294.2	5.0	110.5	27.3	437.0

2015, restated

EUR million	Finland	Other Nordic countries	Russia	Other countries	Total
Net sales	1,264.1	140.4	118.5	126.1	1,649.1
Non-current assets	362.4	5.3	90.8	15.0	473.5

Revenue streams

EUR million	2017	2016	2015, restated
Sales of services	1,627.2	1,583.4	1,625.4
Sales of goods	9.7	14.6	13.5
Sales of licenses	10.1	9.7	10.2
Total	1,647.0	1,607.6	1,649.1

2. Acquired and divested businesses

Acquired businesses 2017

Posti acquired HR Hoiva Oy in January 2017. HR Hoiva Oy provides home care and personal assistance services for municipalities, joint municipal authorities and private customers. HR Hoiva's net sales in 2016 were approximately EUR 2.5 million. The acquisition cost was EUR 2.2 million, of which the contingent earn-out component recognized in liabilities amounted to EUR 1.0 million. The goodwill arising from the acquisition amounts to EUR 0.8 million. The goodwill is generated by the opportunities generated by the expansion to a new business area and geographically. The company has been renamed as Posti Kotipalvelut Oy in March.

Early-morning delivery of newspapers operated by Kaakon Viestintä transferred to Posti. Transfer of business became effective May 31, 2017 and concerned about 400 employees. As supported by Posti's strategy, the acquisition strengthened the services offered in early-morning delivery of newspapers and related business will expand to regions of Lappeenranta, Kotka, Kouvola, Mikkeli and Savonlinna. Purchase price was EUR 0.5 million. The acquisition did not have a material impact on the Group's income statement or balance sheet.

Posti Home Services acquired personal assistance business from SOL Henkilöstöpalvelut on June 30, 2017. The business offers services in the regions of Helsinki capital area, Kouvola, Kuusamo and Tornio. The business has about 200 employees. The purchase consideration EUR 1.2 million was paid in June and the acquisition did not have a material impact on the Group's income statement or balance sheet.

On July 13, 2017 OpusCapita acquired the Swiss Billexco AG which operates in e-invoicing markets. The acquisition strengthens the buyer-supplier network and expands geographical reach. Billexco is a portal for electronic invoice exchange in both business-to-business and business-to-government markets. Purchase price was EUR 0,2 million. Acquisition did not have a material effect on Group's income statement or balance sheet.

The assets and liabilities recognized as a result of the acquisition are as follows

Effect on assets	Acquired businesses total
EUR million	Fair value
Intangible assets	4.1
Property, plant and equipment	0.2
Deferred tax asset	0.0
Inventory	0.0
Receivables	0.5
Cash and cash equivalents	0.2
Effect on assets	5.1

Effect on liabilities**EUR million**

Deferred tax liability	0.4
Non-current liabilities	0.0
Trade payables and other liabilities	1.2
Effect on liabilities	1.5
Net assets acquired	3.5

Components of acquisition cost**EUR million**

Cash considerations	3.3
Earn-out consideration (estimate)	1.0
Total cost of acquisition	4.3
Fair value of net assets acquired	3.5
Goodwill	0.8

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

Purchase price paid in cash	3.1
Cash and cash equivalents of the acquired subsidiary	0.2
Cash flow	-2.9
Earn-out considerations paid for the earlier accounting period business acquisitions	-6.5
Cash flow total	-9.4

Business divestments in 2017

In September 2017, OpusCapita divested its Finance and Accounting Outsourcing business to Norwegian private equity investor Longship. The net sales of the business in 2016 was approximately EUR 30 million. In total 800 employees in 8 countries transferred to Longship. The transaction had a one-off negative impact, amounting to EUR 10.1 million, on the Group's result.

Acquired businesses 2016

The assets and liabilities recognized as a result of the acquisitions are as follows

Assets acquired

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

Liabilities acquired

EUR million					
Deferred tax liability	5.1	0.0	0.3	0.1	5.5
Interest-bearing liabilities	0.2	0.0	8.1	3.8	12.1
Trade payables and other liabilities	3.5	1.1	6.8	2.9	14.2
Liabilities acquired	8.7	1.1	15.2	6.8	31.9
Net assets acquired	12.1	0.0	-2.2	1.2	11.0

Components of purchase consideration

EUR million					
Purchase price	31.2	0.4	4.3	1.8	37.7
Contingent consideration	0.0	0.7	2.3	1.0	3.9
Total consideration	31.2	1.1	6.6	2.7	41.6
Fair value of net assets acquired	12.1	0.0	-2.2	1.2	11.0
Goodwill	19.2	1.1	8.8	1.6	30.6

Purchase consideration – cash outflow**EUR million**

Purchase price paid in cash	31.2	0.4	4.3	1.8	37.7
Cash and cash equivalents of the acquired subsidiary	3.0	0.0	0.9	0.0	4.0
Net outflow of cash – investing activities	-28.2	-0.4	-3.4	-1.7	-33.7
Earn-out considerations paid for the earlier accounting period business acquisitions					-3.1
Cash flow total					-36.8

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 goodwill arising from the acquisition totals EUR 1.2 million. The acquisition related transaction costs are included in other operating expenses in the income statement and in operating cash flow in the statement of cash flows.

jCatalog

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

The purchase consideration amounted to EUR 31.2 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses. The goodwill arising from the acquisition amounts to EUR 19.2 million. The goodwill is justified as the acquisition supports OpusCapita's strategy to build a global buyer-supplier ecosystem offering and expands its geographical reach.

Veine

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

The purchase consideration amounted to EUR 6.6 million, including a contingent earn-out component recognized as liabilities amounting to EUR 2.3 million. The acquisition related transaction costs are included in other operating expenses in the income statement and in operating cash flow in the statement of cash flows.

The goodwill totaling EUR 8.8 million represents the synergies in services and operations. The goodwill is justified as the acquisition supports Posti's strategy to grow in food logistics. Posti and Veine can together offer competitive and nationwide food logistics solutions.

Kovalainen

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

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

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

Business and subsidiary divestments in 2016

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

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

Acquired businesses 2015

Posti Group's subsidiary, OpusCapita Group, acquired Swedish companies Kredithanterarna and Svenska Fakturaköp on April 30, 2015. The acquisitions enable OpusCapita to further broaden its offer of Order-to-Cash products by cash management solutions. The companies add OpusCapita thorough knowledge of the Swedish market in their business segment.

The acquisition cost was EUR 5.8 million, of which the contingent earn-out component reconized in long-term liabilities is EUR 1.4 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses.

Goodwill arising from the acquisition, totaling EUR 3.6 million, was generated by the substantial synergies in Order-to-Cash services and the possibilities to enter other Nordic markets. Had the acquired business been combined in the consolidated financial statements as of the beginning of the 2015, the Group's net sales in 2015 would have been EUR 1.0 million higher and its results would have increased by EUR 0.2 million.

The assets and liabilities recognized as a result of the acquisition are as follows

Assets acquired

EUR million	Fair value
Intangible assets	2.5
Property, plant and equipment	0.0
Receivables	1.0
Cash and cash equivalents	0.4
Assets acquired	4.0

Assumed liabilities

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

Components of purchase consideration

EUR million	
Purchase price	4.4
Contingent consideration	1.4
Total consideration	5.8
Fair value of net assets acquired	2.2
Goodwill	3.6

Purchase consideration – cash outflow**EUR million**

Purchase price paid in cash	4.4
Cash and cash equivalents of the acquired subsidiary	0.4
Net outflow of cash – investing activities	-4.0

Business divestments in 2015

Posti Group divested its road freight business in Sweden, Norway and Denmark as well as its international freight operations in Finland to Danish Nordic Transport Group (NTG) on April 30, 2015. Also the shares of a subsidiary KH Fur Oy were sold. The divestment had a one-off negative impact on Group's result and cash flows.

3. Other operating income

EUR million	2017	2016	2015
Gains on disposals of property, plant and equipment	3.6	13.1	42.8
Rental income	5.6	5.5	5.7
Rents from investment property	1.9	1.9	1.7
Gains on sale of subsidiaries and businesses	0.0	3.0	3.6
Other items	4.3	2.6	3.7
Total	15.4	26.0	57.5

Gains on disposal of property, plant and equipment consists mainly of sale gains on buildings, real-estate and land. In 2016 Posti disposed of e.g. a Pennala logistics center located in Orimattila and in 2015 postal centers in Tampere, Kuopio and Oulu, as well as its warehouse in Tuusula. Rental income consists mainly of rents for the Group's buildings and apartments. Other items include services and sales of materials.

Gains on sale of subsidiaries and businesses 2016 include the disposal of OpusCapita business operations in Estonia, Latvia, and Lithuania, which served the local markets in the Baltic countries. In 2015 Posti disposed of road freight operations in Sweden, Norway and Denmark, as well as its international freight business in Finland.

4. Materials and services

EUR million	2017	2016	2015 restated
Production materials	17.8	20.5	21.1
Subcontracting and external services	206.0	170.0	170.4
Mail transport and delivery services	240.7	213.5	207.5
Freight and transport	43.3	43.7	36.4
Other production cost	0.2	1.0	2.1
Total	508.0	448.6	437.5

External services consist mainly of purchased subcontracting services for production such as freight, forwarding and transport services.

5. Employee benefits

EUR million	2017	2016	2015
Wages and salaries	564.3	584.8	606.9
Pensions (defined contribution plans)	93.6	95.9	98.4
Pensions (defined benefit plans)	0.1	0.3	0.4
Other social expenses	38.5	49.8	50.9
Total	696.6	730.8	756.5

Employee benefits

More detailed information on defined benefit pension plans can be found in [note 18](#).

Employee benefit expense includes EUR 5.0 million (2016: 18.9, 2015: 8.5) of personnel restructuring costs relating primarily to restructuring carried out in conjunction with the operational transformation and the Group's various profitability improvement programs.

Group's employees are involved in the Group's profit sharing scheme. In Finland, the annual profit bonuses are paid in cash to the Personnel Fund, the aim of which is to increase the employees' commitment to the long-term targets and to enhance interest in the Group's financial success. The profit share is determined on the basis of Group's result. The proposed profit share to be distributed for 2017 is EUR 0.6 million (2016: 1.6, 2015: 0.0).

The Group's experts and managers are involved in the cash-settled performance-based bonus scheme. The bonus is based on the Group's, the unit's and the team's financial indicators and on personal or team-specific performance indicators. Posti confirms annually the threshold values for these indicators.

Decisions concerning long-term incentive schemes are made by the Board of Directors on the recommendation of the Remuneration and Nomination Committee. Long-term incentive schemes are rolling 3-year programs, which are settled in cash. The schemes include the Executive Board as well as key employees per scheme named by the Board of Directors. The schemes have been implemented in accordance with the guidelines by the state-owner concerning the remuneration of executive management, issued on August 13, 2012.

For key management compensation, see [note 24](#).

6. Other operating expenses

EUR million	2017	2016	2015
Rents and leases	122.2	104.6	128.4
Voluntary employee expenses	15.3	16.4	17.1
Losses on disposal of businesses and property, plant and equipment	8.3	0.5	1.5
IT operating costs	70.2	67.4	64.2
Facility maintenance	36.5	38.4	42.4
Other production costs	41.2	37.1	36.0
Office, marketing and travel	41.8	40.1	42.1
Other operating items	38.7	33.6	33.7
Total	374.1	338.2	365.4

Other operating expenses include expenses on leased premises, vehicles and other equipment, voluntary personnel expenses, IT operating costs, facility maintenance expenses related to premises and vehicles and other operating expenses containing expenses related to fuels and lubricants and other production expenses, sales commissions paid to non-employees as well as other sales and marketing costs, administration, traveling and entertainment expenses. Rental expenses include EUR 17.7 (2016: -1.7, 2015: 12.4) million provisions for onerous leases.

Posti Group other operating expenses and employee benefits include EUR 5.6 million research and development costs (2016: 8.4, 2015: 8.3). Amortization on capitalized development costs and internally generated intangible rights amounted to EUR 3.4 million (2016: 5.5, 2015: 4.6).

Office expenses includes auditor fees as follows:

Auditor fees			
Audit	0.5	0.5	0.6
Tax advisory	0.0	0.0	0.0
Other services	1.1	0.3	0.1
Total	1.6	0.8	0.7

7. Depreciation, amortization and impairment losses

EUR million	2017	2016	2015
Amortization on intangible assets			
Development costs	1.5	1.4	0.9
Intangible rights	17.1	16.9	15.2
Total	18.6	18.3	16.1
Impairment losses on intangible assets			
Impairment losses on intangible rights	1.2	4.3	8.6
Impairment losses on goodwill	33.9	-	-
Total	35.1	4.3	8.6
Depreciation on tangible assets			
Buildings and structures	12.6	14.4	17.3
Investment properties	0.6	0.3	0.2
Machinery and equipment	31.6	32.2	33.6
Assets leased under finance lease	11.7	13.3	12.4
Other tangible assets	0.8	0.7	0.8
Total	57.2	61.0	64.4

Impairment losses on tangible assets			
Impairment losses on machinery and equipment	0.2	0.3	0.0
Impairment losses on land and water	-	-	0.3
Impairment losses on buildings	0.1	1.5	2.9
Impairment losses on other tangible assets	0.0	-	-
Total	0.3	1.8	3.3
Total depreciation, amortization and impairment losses	111.2	85.3	92.4

Goodwill is not amortized but is tested for impairment annually and whenever there are indications for impairment. As a part of OpusCapita's restructuring and reallocation of activities, the future outlook and cash flow projections for the CGU have been updated, which resulted in a write off of EUR 33,9 million in 2017.

As part of divestment of OpusCapita's financial administration outsourcing (FAO) business in 2017, an impairment loss of approximately EUR 0.8 million was recognized on customer portfolio. The fair value was based on the expected sales price (level 2 of the fair value hierarchy). Impairment losses on intangible assets in 2016 relate to capitalized development costs of OpusCapita's software products. In 2015, the majority of impairment losses relate to the customer portfolio of Itella Russia, which was booked to zero. The impairment loss was based on the decline in the recoverable amount of the assets (value in use).

More information about impairment testing of goodwill is presented in [note 10](#).

8. Financial income and expenses

Financial income

EUR million	2017	2016	2015
Dividend income	0.2	0.2	0.1
Interest income			
Financial assets at fair value through profit or loss	1.4	4.8	5.8
Loans and receivables	0.8	0.9	1.3
Assets held to maturity	0.3	0.7	0.6
Financial assets available-for-sale	-	-	0.0
Gains on disposal of financial assets at fair value through profit or loss	0.1	0.0	0.0
Exchange rate gains			
Interest-bearing receivables and liabilities	0.8	5.2	1.2
Currency derivatives, non-hedge accounting	0.2	0.3	3.6
Change in fair value of hedged loans	-	0.5	1.3
Total	3.8	12.7	13.9

Financial expense

EUR million	2017	2016	2015
Interest expense			
Financial liabilities at amortized cost	5.8	11.5	12.8
Financial liabilities at fair value through profit or loss	0.0	0.7	1.3
Other financial expenses on financial liabilities at amortized cost	0.6	0.7	0.8
Losses on disposal of financial assets at fair value through profit or loss	0.0	0.3	-
Changes in fair value of financial assets at fair value through profit or loss			
Bonds and money market investments	1.0	0.5	0.9
Interest rate derivatives, non-hedge accounting	-	1.9	1.0
Interest rate derivatives, hedge accounting	-	-	0.9
Exchange rate losses			
Interest-bearing receivables and liabilities	2.7	0.4	2.9
Currency derivatives, non-hedge accounting	0.4	0.3	2.8
Impairment on loans and receivables	2.6	-2.5	3.0
Total	13.1	13.9	26.4

9. Income tax

EUR million	2017	2016	2015 restated
Current tax expense	7.5	4.4	18.3
Taxes for previous years	0.1	-3.8	-0.1
Deferred tax	-0.2	5.7	-11.0
Total	7.4	6.3	7.2

Taxes for previous years recognized in 2016 related to tax decision in Finland. Additional information about uncertain tax positions are disclosed in Note 13. Posti Group's deferred taxes 2016 were significantly impacted by cumulative change in revenue recognition for prepaid services.

Reconciliation of tax charge at Finnish tax rate (20%)

Profit or loss before tax and associates' results	-36.9	29.5	42.3
Income tax at parent company's tax rate of 20%	-7.4	5.9	8.5
Difference in foreign subsidiaries tax rates	-0.4	-0.2	0.1
Non-deductible expenses and other differences	9.4	0.5	1.0
Tax-exempt income	-0.1	-2.5	-4.7
Adjustments in taxes from previous years	0.1	2.4	1.0
Effect of changes of tax rates on deferred tax	-	-	0.0
Unrecognized deferred tax asset on losses for the period	5.3	1.5	4.4
Changes in deferred tax assets for previous years' losses	0.5	-1.3	-3.1
Income tax	7.4	6.3	7.2
Effective tax rate	-20.0%	21.5%	17.0%

Effective tax rate in 2017 was significantly impacted by non-deductible expenses in taxation. Then largest non-deductible items included impairment loss recognized on OpusCapita's goodwill as well as loss on disposal of OpusCapita's financial accounting outsourcing business. Also provision for onerous leases in Russia, amounting to EUR 18.2 million, had a significant impact on the effective tax rate as no deferred tax was recognized relating to the provision.

10. Intangible assets

2017

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Cost January 1	276.8	250.5	37.6	9.4	297.5
Translation differences and other adjustments		-2.7			-2.7
Acquired businesses	0.9	4.1			4.1
Business divestments		-0.9			-0.9
Additions		5.7	0.2	7.5	13.3
Disposals		-3.3			-3.3
Transfers between items		0.2	-0.2	-0.1	0.0
Cost December 31	277.6	253.6	37.6	16.8	308.0
Accumulated amortization and impairment losses January 1	-63.1	-200.3	-33.2	-3.4	-236.8
Translation differences and other adjustments		2.4			2.4
Business divestments					0.0
Amortization for the financial period		-17.1	-1.5		-18.6
Impairments	-33.9	-1.2			-1.2
Accumulated amortization on disposals and transfers		3.1			3.1
Accumulated amortization and impairment losses December 31	-97.0	-213.1	-34.7	-3.4	-251.2
Carrying amount on January 1	213.7	50.2	4.4	6.1	60.7
Carrying amount on December 31	180.7	40.5	2.9	13.5	56.9

2016

EUR million	Goodwill	Intangible rights	Develop- ment costs	Advances paid and work in progress	Total other intangible assets
Cost January 1	249.1	219.4	30.3	15.2	264.9
Translation differences and other adjustments	-2.8	-0.3			-0.3
Acquired businesses	30.5	18.1	0.2		18.3
Business divestments					0.0
Additions		0.6	2.9	11.1	14.5
Disposals					0.0
Transfers between items		12.6	4.3	-16.9	0.0
Cost December 31	276.8	250.5	37.6	9.4	297.5
Accumulated amortization and impairment losses January 1	-63.1	-183.3	-27.5	-3.4	-214.2
Translation differences and other adjustments					0.0
Business divestments					0.0
Amortization for the financial period		-16.9	-1.4		-18.3
Impairments			-4.3		-4.3
Accumulated amortization on disposals and transfers					0.0
Accumulated amortization and impairment losses December 31	-63.1	-200.3	-33.2	-3.4	-236.8
Carrying amount on January 1	186.0	36.1	2.7	11.9	50.7
Carrying amount on December 31	213.7	50.2	4.4	6.1	60.7

2015

EUR million	Goodwill	Intangible rights	Develop-ment costs	Advances paid and work in progress	Total other intangible assets
Cost January 1	246.2	218.9	29.1	9.2	257.3
Translation differences and other adjustments	-0.2	-4.9			-4.9
Acquired businesses	3.1	2.6			2.6
Business divestments					0.0
Additions		8.4	0.1	8.1	16.6
Disposals		-6.7			-6.7
Transfers between items		1.0	1.1	-2.1	0.0
Cost December 31	249.1	219.4	30.3	15.2	264.9
Accumulated amortization and impairment losses January 1	-63.1	-168.9	-25.6	-3.4	-197.9
Translation differences and other adjustments		1.9			1.9
Business divestments					0.0
Amortization for the financial period		-15.2	-0.9		-16.1
Impairments		-7.6	-1.1		-8.6
Accumulated amortization on disposals and transfers		6.6			6.6
Accumulated amortization and impairment losses December 31	-63.1	-183.3	-27.5	-3.4	-214.2
Carrying amount on January 1	183.1	50.0	3.5	5.9	59.4
Carrying amount on December 31	186.0	36.1	2.7	11.9	50.7

Intangible rights include customer portfolios acquired in business combinations as well as licenses and applications.

Goodwill and impairment testing

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

The determination of impairments of goodwill and other intangible assets involves the use of estimates and is one of the critical accounting policies where the management makes estimates and judgments. This has been described in the accounting principles under the section "Critical accounting estimates and judgments in applying accounting policies."

Allocation of goodwill to the Group's cash-generating units (CGUs) is presented in the table below. Operating segment of each CGU is presented in brackets.

EUR million	2017	2016	2015
Postal Services (Postal Services)	63.6	44.1	44.1
OpusCapita (OpusCapita)	70.4	122.7	107.1
Parcel and Transportation Services (Parcel and Logistics Services)	32.7	32.7	21.8
Supply Chain Solutions (Parcel and Logistics Services)	12.9	12.9	12.9
MaxiPost (Itella Russia)	1.1	1.2	0.0
Total	180.7	213.7	186.0

The result of the goodwill impairment testing in 2017

Posti has performed the annual impairment tests for each cash-generating units containing goodwill. The Group does not have other intangible assets with indefinite useful life. Based on the tests, the Group recognized impairment of OpusCapita's goodwill in the amount of EUR 33.9 million. In conjunction with the restructuring of OpusCapita and the refocusing of its operations, the future outlook and cash flow forecasts of the cash generating unit have been updated. In 2016 and 2015 no impairment losses were recognized based on goodwill impairment tests.

Reallocation of goodwill

OpusCapita carried out significant restructuring measures during the financial year. OpusCapita's sending of documents and invoices as well as the digitizing operations in Finland were transferred to Posti's Postal Services business group effective from October 1, 2017. The Buyer-Supplier Ecosystem business continues as a unit of its own within OpusCapita segment and is a separate cash-generating unit. Following the reorganization the goodwill previously included in OpusCapita was reallocated between Postal Services and OpusCapita. The reallocation of goodwill was based on the relative fair values (level 3 of the fair value hierarchy) of the transferred businesses and as result of the reallocation EUR 18.4 million of the goodwill was allocated to Postal Services and EUR 70.4 million to OpusCapita.

Impairment testing and sensitivity analysis

The recoverable amount of the CGU's is based on the value-in-use method. The value-in-use is based on forecasted discounted cash flows. Cash flow forecasts are prepared for a five-year period and they are based on strategic plans. The forecasts and the assumptions about the development of the business environment are in line with the current business structure and approved by the management. The key assumptions influencing the cash flow forecasts are the long-term market growth, market positions and the profitability level. Investments are expected to be ordinary replacement investments. The tests were performed applying the euro-exchange rates of the foreign currencies on the testing date.

The terminal value beyond five years of cash-generating units is based on a moderate growth rate expectation of 1 % (2016: 1 %, 2017: 1 %) with the exception of Postal Services where the estimated terminal growth rate is -5% (2016: -5%, 2015: -5%) due to expected decline in paper delivery volumes and MaxiPost where the rate is 3% (2016: 3%, 2015: n/a) to reflect the higher inflation in Russia.

Weighted average cost of capital (WACC) before taxes determined for each CGU has been used as discount rate. Pre-tax discount rates reflect specific risks relating to the relevant CGUs. The discount rates increased slightly in comparison with previous year which is mainly attributable to higher risk-free interest-rate.

The key outcomes and the parameters used in testing

2017

	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services (after reallocation)	97	4.9	-5.0	7.6	4.4
OpusCapita (after reallocation)	22	2.5	1.0	9.5	8.6
Parcel and Transportation Services	375	3.7	1.0	7.4	5.8
Supply Chain Solutions	135	6.2	1.0	7.4	9.1
MaxiPost	2	0.6	3.0	13.4	5.1

2016

	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	299	8.3	-5.0	7.1	7.0
OpusCapita	64	5.4	1.0	9.3	7.6
Parcel and Transportation Services	127	2.0	1.0	7.0	2.6
Supply Chain Solutions	13	3.0	1.0	7.0	5.2
MaxiPost	3	1.8	3.0	14.5	11.7

2015

	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	460	8.6	-5.0	6.8	7.0
OpusCapita	172	6.4	1.0	8.2	8.2
Parcel and Transportation Services	296	1.1	1.0	7.2	2.6
Supply Chain Solutions	92	10.3	1.0	6.9	11.9

A sensitivity analysis was performed for those cash-generating units where the Group estimates that a reasonably possible change in the key assumptions could cause recognition of an impairment loss. The analysis was done by determining which key parameter values would produce a carrying amount that would equal the value-in-use. The parameters used in the analysis were the discount rate and the terminal year EBIT margin. The analysis was carried out by changing the values of a single parameter while leaving the others constant. The table below indicates the limits within which the carrying amount and value-in-use are equal.

	Discount rate, %	Terminal year EBIT margin, %
Postal Services	16.7	1.7
OpusCapita	11.3	6.5

The sensitivity analysis has not been prepared for other CGUs as the management has considered and assessed reasonably possible changes for key assumption and has not identified any instances that could cause the carrying amounts of the CGUs to exceed their recoverable amounts.

11. Investment property

EUR million	2017	2016	2015
Cost January 1	16.1	16.1	16.1
Disposals	-	-	-
Cost December 31	16.1	16.1	16.1
Accumulated depreciation and impairment losses January 1	-6.3	-5.7	-5.1
Depreciation for the period	-0.6	-0.6	-0.6
Accumulated depreciation and impairment losses December 31	-6.9	-6.3	-5.7
Carrying amount on January 1	9.7	10.3	11.0
Carrying amount on December 31	9.1	9.7	10.3

Investment property includes four properties that Posti has leased out to external parties. Two of the properties are land areas and two are buildings. On December 31, 2017, the fair value of investment property totaled EUR 15.1 (2016:15.1, 2015: 17.9) million. Fair values are based on an external real estate agents' appraisals. In 2017 rental income from investment property totaled EUR 1.9 (2016: 1.9, 2015: 1.7) million and maintenance charges amounted to EUR 0.9 (2016: 0.6, 2015: 0.5) million.

12. Property, plant and equipment

2017

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on January 1	63.9	390.5	462.8	12.8	9.2	939.2
Translation differences and other adjustments	-1.6	-9.6	-4.1	0.3	-0.2	-15.2
Acquired businesses			0.2			0.2
Additions	0.5		19.0	0.1	35.3	54.9
Disposals	-0.3	-5.9	-44.9			-51.1
Transfers between items		12.5	11.1		-23.5	0.0
Cost on December 31	62.4	387.5	444.1	13.1	20.8	927.9
Accumulated depreciation and impairment losses January 1	-0.5	-236.3	-332.2	-9.6	0.0	-578.7
Translation differences and other adjustments		3.7	3.6			7.4
Depreciation for the period		-12.6	-43.3	-0.8		-56.6
Impairment		-0.1	-0.2			-0.3
Accumulated depreciation on disposals and transfers		3.7	43.0			46.6
Accumulated depreciation and impairment losses December 31	-0.5	-241.6	-329.1	-10.4	0.0	-581.5
Carrying amount on January 1	63.4	154.2	130.6	3.1	9.2	360.5
Carrying amount on December 31	61.9	145.9	115.1	2.7	20.8	346.4

2016

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on January 1	55.8	423.4	427.5	13.6	20.1	940.4
Translation differences and other adjustments	4.3	25.3	10.7		0.5	40.7
Acquired businesses			8.1			8.1
Additions	7.5		9.1	0.5	26.9	44.0
Disposals	-3.7	-71.5	-17.5	-1.3		-94.1
Transfers between items		13.3	25.0		-38.3	0.0
Cost on December 31	63.9	390.5	462.8	12.8	9.2	939.2
Accumulated depreciation and impairment losses January 1	-0.4	-231.7	-292.9	-9.2	0.0	-534.3
Translation differences and other adjustments	-0.1	-8.7	-9.0			-17.8
Depreciation for the period		-14.0	-45.6	-0.7		-60.3
Impairment		-1.5	-0.3			-1.8
Accumulated depreciation on disposals and transfers		19.7	15.5	0.3		35.5
Accumulated depreciation and impairment losses December 31	-0.5	-236.3	-332.2	-9.6	0.0	-578.7
Carrying amount on January 1	55.4	191.6	134.6	4.4	20.1	406.0
Carrying amount on December 31	63.4	154.2	130.6	3.1	9.2	360.5

2015

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on January 1	66.8	547.1	419.9	12.5	10.5	1,056.9
Translation differences and other adjustments	-2.4	-9.4	-4.5		-0.2	-16.5
Additions		0.7	16.0	2.1	24.3	43.2
Disposals	-10.4	-115.1	-16.2	-1.5		-143.2
Transfers between items	1.8		12.3	0.5	-14.6	0.0
Cost on December 31	55.8	423.4	427.5	13.6	20.1	940.4
Accumulated depreciation and impairment losses January 1	-0.2	-264.5	-266.4	-9.4		-540.5
Translation differences and other adjustments	0.1	4.4	4.3			8.7
Depreciation for the period		-17.3	-46.0	-0.8		-64.2
Impairment	-0.3	-2.9				-3.2
Accumulated depreciation on disposals and transfers		48.6	15.2	1.0		64.8
Accumulated depreciation and impairment losses December 31	-0.4	-231.7	-292.9	-9.2		-534.3
Carrying amount on January 1	66.6	282.6	153.6	3.2	10.5	516.4
Carrying amount on December 31	55.4	191.6	134.6	4.4	20.1	406.0

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

2017

EUR million	Machinery and equipment
Cost on Dec 31	67.9
Accumulated depreciation Dec 31	-49.5
Carrying amount on Dec 31	18.4

2016

EUR million	Machinery and equipment
Cost on Dec 31	87.0
Accumulated depreciation Dec 31	-56.7
Carrying amount on Dec 31	30.4

2015

EUR million	Machinery and equipment
Cost on Dec 31	83.9
Accumulated depreciation Dec 31	-45.7
Carrying amount on Dec 31	38.2

In 2017, additions to assets leased under finance leases totaled EUR 0.3 million (2016: 5.9, 2015: 10.0).

13. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2017

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	Recorded through other comprehensive income	31 Dec
Unused tax losses	4.8	0.0		-0.4		4.4
Pension obligations	2.4			-0.1	0.1	2.4
Restructuring provision	2.6			-0.6		2.0
Impairment on real estate shares	2.0	-0.1		-0.7		1.1
Other temporary differences	1.8	0.1	-0.1	-0.9	0.2	1.1
Total	13.6	0.0	-0.1	-2.8	0.3	11.0

Deferred tax liabilities 2017

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	16.2	0.0	0.2	-2.1	14.2
Intangible and tangible assets	5.6			0.3	5.9
Accumulated depreciation in excess of plan	4.7			-1.2	3.5
Other temporary differences	0.1	-0.1		0.0	0.1
Total	26.6	-0.1	0.2	-3.0	23.7

Deferred tax assets 2016

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidi- aries	Recorded through profit or loss	Recorded through other compre- hensive income	31 Dec
Pension obligations	2.4				0.0	2.4
Unused tax losses	9.1	0.0		-4.2		4.8
Impairment on real estate shares	2.6			-0.6		2.0
Restructuring provision	3.3			-0.7		2.6
Change in revenue recognition for prepaid services	5.3			-5.3		0.0
Other temporary differences	0.7	0.2		0.8		1.8
Total	23.3	0.2	-	-10.0	0.0	13.6

Deferred tax liabilities 2016

EUR million	1 Jan	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Recorded through profit or loss	Other changes	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	10.1	2.2	5.5	-1.7		16.2
Intangible and tangible assets	4.4			1.2		5.6
Accumulated depreciation in excess of plan	7.5			-2.8		4.7
Other temporary differences	1.0	0.1		-1.0		0.1
Total	23.1	2.4	5.5	-4.3	-	26.6

Deferred tax assets 2015, restated

EUR million	1 Jan	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Recorded through profit or loss	Recorded through other compre- hensive income	Other changes	31 Dec
Pension obligations	3.2	0.0		0.0	-0.9		2.4
Unused tax losses	5.9	0.2	-0.4	3.5			9.1
Impairment on real estate shares	2.6						2.6
Restructuring provision	2.6	0.0		0.2		0.5	3.3
Change in revenue recognition for prepaid services	5.1			0.2			5.3
Other temporary differences	1.7	-0.1		-0.4		-0.5	0.7
Total	21.1	0.1	-0.4	3.5	-0.9	0.0	23.3

Deferred tax liabilities 2015, restated

EUR million	1 Jan	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Recorded through profit or loss	Other changes	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	15.4	-0.9	0.2	-4.7		10.1
Accumulated depreciation in excess of plan	10.9			-3.4		7.5
Other temporary differences	5.2	0.0	-0.1	0.5	-0.2	5.4
Total	31.6	-0.9	0.1	-7.5	-0.2	23.1

Deferred tax assets are recognized to the extent that it is probable that future taxable amounts will be available to utilize the underlying temporary differences and losses. Significant judgment is required to determine the amount that can be recognized. This judgment is described in the accounting principles under the section "Critical accounting estimates and judgments in applying accounting policies."

Deferred tax assets decreased during 2017 mostly due to decrease in restructuring provisions and sale of real estate shares. In 2016, deferred tax assets for unused tax losses decreased when the Finnish tax authorities accepted utilization of certain foreign tax losses in the Group's parent company. Simultaneously, the Group recognized deferred tax assets for unused tax losses in Scandinavia totaling EUR 3.2 million as profitability in the Scandinavian business improved in 2016. In 2015, previously unrecognized deferred tax assets on unused tax losses recognized amounted to EUR 9.2 (0.0) million.

On December 31, 2017, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 153.7 (2016: 153.0 2015: 139.9) million, mainly arising from businesses outside Finland. The majority of these losses do not expire.

The amount includes EUR 58.7 million of losses which the Finnish tax authorities have rejected. The rejected amounts relate to foreign tax losses and capital losses from foreign real estate entity sale. Posti has appealed the decisions and recognized only a minor amount of deferred tax assets for these losses. Processes were still ongoing at the financial statement date. A positive outcome of the disputes would decrease the Group's taxes by EUR 11.2 million. However, the probability of positive outcome is uncertain.

The Group has EUR 18.2 million of temporary differences in taxation, for which the Group has not recognized deferred tax asset. The amount relates to provisions for onerous leases in Russia which was recognized in the income statement in 2017.

14. Inventories

EUR million	2017	2016	2015
Materials and supplies	0.1	0.1	0.6
Goods	3.2	3.2	3.1
Advance payments for inventories	1.5	0.7	1.0
Total	4.8	4.0	4.7

Inventories include stamps, packaging materials, paper supplies which Posti sells in its service points, print paper and envelopes.

15. Trade and other receivables

EUR million	2017	2016	2015 restated
Finance lease receivables	-	-	0.1
Loan receivables	0.0	0.0	0.1
Trade receivables	236.1	225.5	190.8
Trade receivables from associated companies	0.2	0.3	0.6
Accrued income and prepayments	63.8	63.4	70.2
Other receivables	14.0	6.4	2.5
Total	314.2	295.6	264.3

More information on trade receivables is provided in [note 21 Financial instruments and financial risk management](#).

Other receivables mainly include credit card receivables from banks and financing companies.

The largest item under accrued income and prepayments includes EUR 31.1 million (2016: 29.6, 2015: 29.3) accrued terminal rate receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

16. Assets classified as held for sale and associated liabilities

Assets classified as held for sale

EUR million	2017	2016	2015
Property, plant and equipment	-	-	0.2
Other non-current assets	-	-	0.1
Trade and other receivables	-	-	1.5
Cash and cash equivalents	-	-	1.8
Total	-	-	3.6
Liabilities associated with assets classified as held for sale			
Trade payables and other liabilities	-	-	1.0
Total	-	-	1.0

OpusCapita operating companies serving the local markets in the Baltic states were sold in January 2016. The companies were classified as held for sale in 2015.

17. Equity

Shares and shareholders

EUR million	2017	2016	2015 restated
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	-0.8	0.1	0.1
Translation differences	-90.6	-83.5	-103.6
Retained earnings	370.9	479.2	474.0
Equity attributable to the shareholders of the parent company	492.3	608.4	583.2
Non-controlling interests	0.3	-	-
Total equity	492.6	608.4	583.2

Share capital

Posti Group Corporation has one class of ordinary shares. The total number of shares is 40,000,000 as of December 31, 2017, 2016 and 2015 which are all hold by the Finnish State. The shares do not have a nominal value. Posti Group Corporation's share capital amounts to EUR 70,000,000 for all periods presented. All issued shares have been paid in full.

General purpose reserve

The general purpose reserve amounts to EUR 142.7 million and includes reserves transferred from the share premium to the reserve. The reserve is included in the distributable funds of the Group's parent company.

Fair value reserve

Changes in the fair value of available-for-sale financial assets and valuation of derivatives hedging foreign currency risk and interest rate risk (cash flow hedge) are recognized in the fair value reserve.

Translation difference

Translation differences include the differences resulting from the translation of foreign units' financial statements and net investments in foreign currencies.

Consolidated statement of changes in equity contains additional information on changes in equity items.

Distributable funds

The distributable funds of the Group's parent company Posti Group Corporation:

EUR million	2017	2016	2015
General purpose reserve	142.7	142.7	142.7
Retained earnings	337.6	406.3	567.4
Total distributable funds	480.3	549.0	710.1

18. Pension liabilities

Main characteristics of the defined benefit pension plans

The Group applies several pension plans in different countries, managed according to the local regulations and practice effective in each country. The Group's defined benefit pension schemes are related to Finnish insured voluntary pension plans. The plans are voluntary plans supplementing statutory pensions. Funded plans are insurance policies and the assets of the plan are part of the investment assets of the insurance company. The insurance covers the old-age pension, and the level of benefits provided depends usually on the employee's salary level and the length of service.

The Group is exposed to the various risks of the defined benefit plans. As the discount rates applied in measuring the defined benefit obligation are determined based on yields of corporate bonds, the Group is exposed to the related interest-rate risk. Since the majority of plans entail life time benefits to the members, the increase in the life expectancy for pensioners increases the Group's liability. Certain plans are also adjusted to inflation and higher inflation increases the present value of the plan. The majority of the plan assets are not affected by the inflation; consequently higher inflation increases the deficit of the plan.

Defined benefit pension liabilities in the balance sheet

EUR million	2017	2016	2015
Present value of funded obligation	76.5	80.2	77.0
Fair value of plan assets	-64.7	-68.3	-65.4
Deficit	11.8	11.9	11.6

Defined benefit pension expenses in the income statement

Income statement	2017	2016	2015
EUR million	2017	2016	2015
Current service cost	0.0	0.0	0.1
Interest expense	0.1	0.3	0.3
Total	0.1	0.3	0.4

Statement of comprehensive income

EUR million	2017	2016	2015
Remeasurement gains (+) and losses (-)	-0.5	0.0	4.6

Changes in the present value of the pension obligation

EUR million	2017	2016	2015
Obligation at the beginning of the period	80.2	77.0	92.3
Current service cost	0.0	0.0	0.1
Interest expense	0.8	1.7	1.6
Paid benefits	-5.2	-5.3	-5.7
Disposed of in business combinations	-0.2	-	-
Actuarial gains (-) and losses (+) on changes in financial assumptions	2.5	8.4	-7.4
Actuarial gains (-) and losses (+) on changes in demographic assumptions	0.0	0.0	-2.7
Experience-based gains (-) and losses (+)	-1.7	-1.5	-1.0
Obligation at the end of the period	76.5	80.2	77.0

Changes in the fair value of the plan assets

EUR million	2017	2016	2015
Fair value of the plan assets at the beginning of the period	68.3	65.4	76.1
Interest income	0.7	1.4	1.3
Paid benefits	-5.2	-5.3	-5.7
Employer contributions	0.5	0.1	0.3
Actual return on plan assets less interest income	0.4	6.8	-6.6
Fair value of the plan assets at the end of the period	64.7	68.3	65.4

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.5 million. The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years.

Key actuarial assumptions and sensitivity analysis

	2017	2016	2015
Discount rate	0,84-1,45	1,01-1,51	2.25
Future pension increase expectation	1,8-2,1	1,7-1,9	1.7

EUR million	Change in assumption	Change in defined benefit liability			
		Increase in assumption		Decrease in assumption	
Discount rate	0.25%	-0.5	-4.3%	0.8	6.5%
Pension increase rate	0.25%	1.7	14.5%	-1.6	-14.0%

EUR million	Increase by one year		Decrease by one year	
Life expectancy at birth	1.1	9.0%	-1.0	-8.4%

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

19. Provisions

2017

EUR million	Restructuring provision	Provision for damage	Onerous contracts	Other	Total
Carrying amount on 1 Jan	13.1	0.0	4.4	0.3	17.8
Translation difference					0.0
Increase in provisions	1.7		17.3	0.2	19.2
Used provisions	-3.5		-3.0	-0.2	-6.7
Unused amounts reversed	-1.3		-1.4		-2.8
Carrying amount on 31 Dec	10.0	0.0	17.3	0.3	27.6

2016

EUR million	Restructuring provision	Provision for damage	Onerous contracts	Other	Total
Carrying amount on 1 Jan	14.8	0.0	9.8	2.6	27.3
Translation difference			2.5		2.5
Increase in provisions	4.5		5.2		9.7
Used provisions	-5.4		-7.7	-1.8	-14.9
Unused amounts reversed	-0.9		-5.4	-0.6	-6.9
Carrying amount on 31 Dec	13.1	0.0	4.4	0.3	17.8

2015

EUR million	Restructuring provision	Provision for damage	Onerous contracts	Other	Total
Carrying amount on 1 Jan	13.7	1.6	0.0	3.3	18.6
Translation difference					0.0
Increase in provisions	7.3		9.8	0.6	17.7
Used provisions	-1.1	-1.6		-1.3	-4.0
Unused amounts reversed	-5.1				-5.1
Carrying amount on 31 Dec	14.8	0.0	9.8	2.6	27.3

EUR million	2017	2016	2015
Long-term provisions	20.6	14.3	17.0
Short-term provisions	6.9	3.5	10.2
Total	27.6	17.8	27.3

Restructuring provisions

Restructuring provisions are primarily related to the statutory labor negotiations conducted in recent years. A significant portion of the long-term personnel expense provisions in the Group's Finnish companies is the employer's liability component within the unemployment insurance contribution towards the Unemployment Insurance Fund.

Onerous contracts

Majority of provisions for onerous contracts made in years 2015-2017 relate to Russian real-estate leases and customer agreements. Provisions have been recognized to the amount of expected obligations exceeding the income arising from the contracts during the years 2018-2020. The provisions are regularly reviewed as the amount of expected obligations are dependent on the anticipated costs for fulfilling the contracts which vary over time. The provisions are also dependent on the exchange rate of the Russian ruble against the US dollar and are based on assumption that the USD/RUB exchange rate is 60. In 2016, the Group also recognized a provision for OpusCapita's loss-making customer agreements.

20. Trade and other payables

Other non-current payables

EUR million	2017	2016	2015 restated
Advances received (deferred revenue)	14.0	16.8	16.6
Other liabilities	5.4	7.7	6.2
Derivative contracts	5.7	-	-
Other accrued expenses	5.7	6.1	4.1
Total	30.8	30.6	26.9

Current trade and other payables

EUR million	2017	2016	2015 restated
Derivative contracts	0.2	0.0	0.9
Trade payables	98.4	70.9	59.5
Advances received and deferred revenue	68.7	60.0	51.7
Accrued personnel expenses	113.6	119.2	125.0
Other accrued expenses and deferred income	60.4	53.0	47.9
Other liabilities	44.9	54.9	48.7
Current trade and other payables	386.2	358.1	333.7

Advances received includes deferred revenue for stamps, franking machines and prepaid envelopes held by the customer to be used in future periods. The amount has been determined using statistical models and surveys. The method has been described in more detail in the accounting policies in section "Revenue recognition." The total amount of non-current and current liability is EUR 25.9 (2016: 27.0, 2015: 28.3) million.

The most significant item within other accrued expenses and deferred income is estimated payables for terminal payments to other Postal administrations, totaling EUR 14.5 (2016: 19.1, 2015: 23.9) million. The remaining items comprise ordinary accruals of expenses.

21. Financial instruments and Financial risk management

Financial assets and liabilities

2017

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current									
Other non-current investments				3.5			3.5	3.5	3
Non-current receivables		1.4					1.4	1.4	2
Non-current financial assets		1.4		3.5			4.8	4.8	
Financial assets – current									
Trade and other receivables		282.9					282.9	282.9	
Equity fund investments				0.1			0.1	0.1	3
Currency derivatives	0.0						0.0	0.0	2
Money market investments	19.5						19.5	19.5	2
Investments in quoted bonds	13.9						13.9	13.9	1
Investments in unquoted bonds	4.3						4.3	4.3	2
Debt certificates			39.7				39.7	39.7	
Current financial assets	37.7	282.9	39.7	0.1			360.3	360.3	

Money market investments	37.5					37.5	37.5	2
Cash and bank		48.5				48.5	48.5	
Cash and cash equivalents	37.5	48.5				86.0	86.0	
Total financial assets	75.2	332.8	39.7	3.5		451.2	451.2	
Financial liabilities – non-current								
Loans from financial institutions				59.9		59.9	60.1	2
Finance lease liabilities				9.8		9.8	9.8	2
Other				0.8		0.8	0.8	2
Non-current borrowings				70.5		70.5	70.8	
Interest-rate derivatives					0.9	0.9	0.9	2
Equity derivatives	4.8					4.8	4.8	3
Other non-current financial liabilities	4.8				0.9	5.7	5.7	
Financial liabilities – current								
Commercial papers				40.0		40.0	40.0	
Finance lease liabilities				9.5		9.5	9.5	
Other	0.0					0.0	0.0	
Current borrowings	0.0			49.5		49.5	49.5	

Foreign currency derivatives	0.2		0.1	0.2	0.2	2
Trade payables and other liabilities		155.8		155.8	155.8	
Other current financial liabilities	0.2	155.8	0.1	156.0	156.0	
Total financial liabilities	5.0	275.8	0.9	281.7	282.0	

2016

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current									
Other non-current investments				6.1			6.1	6.1	3
Non-current receivables		2.6					2.6	2.6	2
		2.6		6.1			8.7	8.7	
Financial assets – current									
Trade and other receivables		267.7					267.7	267.7	
Equity fund investments				0.2			0.2	0.2	3
Currency derivatives	0.0						0.0	0.0	2
Money market investments	43.5						43.5	43.5	2
Investments in quoted bonds	25.5						25.5	25.5	1
Investments in unquoted bonds	8.8						8.8	8.8	2
Debt certificates			54.7				54.7	54.7	
Current financial assets	77.9	267.7	54.7	0.2			400.5	400.5	

Money market investments	11.5				11.5	11.5	2
Cash and bank		70.5			70.5	70.5	
Cash and cash equivalents	11.5	70.5			82.0	82.0	
Total financial assets	89.3	340.9	54.7	6.3	491.3	491.3	
Financial liabilities – non-current							
Finance lease liabilities				19.4	19.4	19.4	2
Other				0.4	0.4	0.4	2
Non-current borrowings				19.8	19.8	19.8	
Financial liabilities – current							
Bonds				99.9	99.9	103.7	1
Finance lease liabilities				12.3	12.3	12.3	
Other				0.2	0.2	0.2	
Current borrowings				112.3	112.3	116.1	
Foreign currency derivatives	0.0				0.0	0.1	2
Trade payables and other liabilities				121.0	121.0	121.0	
Other current financial liabilities	0.0			121.0	0.0	121.1	121.1
Total financial liabilities	0.0			253.1	0.0	253.1	257.0

2015

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current									
Other non-current investments				6.2			6.2	6.2	3
Non-current receivables		1.5					1.5	1.5	2
		1.5		6.2			7.7	7.7	
Financial assets – current									
Trade and other receivables		228.3					228.3	228.3	
Equity fund investments				0.2			0.2	0.2	3
Interest-rate derivatives	1.9						1.9	1.9	2
Currency derivatives	0.1						0.1	0.1	2
Money market investments	81.4						81.4	81.4	2
Investments in quoted bonds	35.8						35.8	35.8	1
Investments in unquoted bonds	9.7						9.7	9.7	2
Debt certificates			95.0				95.0	95.0	
	128.9	228.3	95.0	0.2			452.3	452.3	
Money market investments	42.0						42.0	42.0	2
Cash and bank		88.1					88.1	88.1	

Cash and cash equivalents	42.0	88.1			130.1	130.1	
Total financial assets	170.9	317.9	95.0	6.4	590.2	590.2	
Financial liabilities – non-current							
Bonds				99.8	99.8	104.1	2
Finance lease liabilities				26.4	26.4	26.4	2
Other				0.5	0.5	0.5	2
Non-current borrowings				126.7	126.7	131.0	
Financial liabilities – current							
Bonds				150.4	150.4	154.0	1
Finance lease liabilities				13.2	13.2	13.2	
Other				0.0	0.0	0.0	
Current borrowings				163.6	163.6	167.2	
Foreign currency derivatives	0.0				0.0	0.0	2
Electricity derivatives	0.9				0.9	0.9	1

Trade payables and other liabilities		107.7	107.7	107.7
Other current financial liabilities	0.9	107.7	108.6	108.6
Total financial liabilities	0.9	398.0	398.9	406.9

As at December 31, 2015 assets classified as held for sale contained cash and banks EUR 1.8 million. Additional information can be found in note 16. Assets classified as held for sale and associated liabilities.

Hierarchy levels

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

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

Level 3: Fair values are based on other data than verifiable market data regarding the asset or liability.

Investments in money market instruments are measured at fair value by employing the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 1) or a price based on observable market information such as interest yield and issuer's credit spread (Level 2). The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers. Posti is not able to provide a description of the valuation techniques and the inputs used in the fair value measurement of investments in equity funds due to the fact that inputs are not developed by Posti but a third party when measuring fair value. The fair values of the loans from financial institutions and finance lease liabilities are calculated by discounting the forecast cash flows with the market rates on the reporting date. The fair values of bonds are based on market quotes on the reporting date. The fair value of currency forward contracts is calculated by valuing forward contracts at the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts with the market interest rate curves on the reporting date. Due to the short-term nature of the trade and other current receivables and trade payables and other current liabilities, their carrying amount is considered to be the same as their fair value. The fair values of electricity derivatives are based on the quoted market prices on the reporting date.

No transfers between fair value hierarchy levels were made during 2017, 2016 or 2015. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

Reconciliation of Level 3 financial assets**2017**

EUR million	Shares and investments in equity funds	Equity derivatives - liabilities	Total
Carrying amount 1 Jan	6.3	-	6.3
Profits and losses			
In income statement	-2.6	-	-2.6
In other comprehensive income	-0.1	-	-0.1
Additions	-	-4.8	-4.8
Exercises	0.0	-	0.0
Carrying amount 31 Dec	3.5	-4.8	-1.3
Total profits and losses recognized on assets held at the end of the reporting period			
In financial income and expenses	-2.6	-	-2.6

2016

EUR million	Shares and investments in equity funds	Equity derivatives - liabilities	Total
Carrying amount 1 Jan	6.4	-	6.4
Profits and losses			
In other comprehensive income	0.0	-	0.0
Exercises	-0.1	-	-0.1
Carrying amount 31 Dec	6.3	-	6.3
Total profits and losses recognized on assets held at the end of the reporting period			
In financial income and expenses	0.0	-	0.0

2015

EUR million	Shares and investments in equity funds	Equity derivatives - liabilities	Total
Carrying amount 1 Jan	6.2	-	6.2
Profits and losses			
In income statement	0.0	-	0.0
In other comprehensive income	-0.1	-	-0.1
Additions	0.4	-	0.4
Exercises	0.0	-	0.0
Carrying amount 31 Dec	6.4	-	6.4
Total profits and losses recognized on assets held at the end of the reporting period			
In financial income and expenses	0.0	-	0.0

Financial risk management

Principles of risk management

The target of financial risk management is to secure adequate and competitive financing for executing the Group's operative businesses and strategy and to minimize the effects of market risks in Group's financial results, financial position and cash flows. The Group aims to identify risk concentrations and hedge against them to necessary extent. The Group's business involves financial risks, such as market, liquidity, credit and counterparty risks. Of Group's commodity risks, the price risk related to electricity is monitored actively, and managed with price secured electricity products. The Group discontinued using electricity derivatives in 2016.

Risk management organization

Group Treasury is responsible for the centralized management of financing and financial risks in line with the treasury policy approved by the Board of Directors. Group Treasury is responsible for the entire Group's currency, interest rate, liquidity and refinancing risk management in close co-operation with the business operations. The business operations are responsible for the identification, management and reporting of the financial risks associated with their operations to Group Treasury. Credit risk related to customer receivables is managed by the sales organizations of the business operations. Posti's real-estate function is responsible for managing the price risk of electricity.

Market risks

Foreign Currency risk

The goal of currency risk management is to reduce the Group's currency risk to an optimal level as well as improve the transparency of profitability and predictability of financial results. The Group's transaction risk primarily consists of currency-denominated receivables, payables and commitments. The key principle is to achieve full hedging against the transaction risks related to the balance sheet. Unhedged exposure is permitted within the limits specified in the Group's treasury policy. Loans granted by the parent company to subsidiaries are primarily in the subsidiary's domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. On the balance sheet date, Posti Group had external currency derivatives with a nominal value of EUR 13.4 (2016: 8.0, 2015: 8.6) million used to hedge against the currency risk associated with loans, receivables and commitments. The Group is exposed also to translation risk in connection with net investments in subsidiaries outside the euro zone. The objective of translation risk management is to ensure exchange rate fluctuations do not cause any material changes in the Group's gearing. On the balance sheet date, the Group did not hedge against translation risk in any of the foreign net investments.

Due to high volatility of the ruble, the Group has taken the development of the Russian ruble and ruble markets under particular observation. As defined in the Group's treasury policy, equity investments in Russian subsidiaries are not hedged. Due to high hedging costs the Group has for the time being ceased hedging of the ruble-denominated receivables of the parent company and the local operative transaction risk has been hedged according to prevailing market conditions. In 2017 Itella Russia's USD denominated lease payments have been hedged from time to time with 3–6 months time horizon. The average size of individual hedges have been 3.6 MUSD. The Group has applied hedge accounting to the currency derivatives hedging Itella Russia's USD denominated lease payments.

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

2017	EUR-companies					RUB-companies	
	EUR million	RUB	SEK	NOK	PLN	USD	USD
Trade receivables and payables		-	-2.7	0.0	-0.2	0.1	0.0
Loans and bank accounts*		22.0	-5.1	-2.0	1.0	0.1	0.0
Derivatives**		-	5.1	2.0	-1.0	0.0	3.0
Open position		22.0	-2.7	-0.1	-0.2	0.2	3.0

2016	EUR-companies					RUB-companies	
	EUR million	RUB	SEK	NOK	PLN	USD	USD
Trade receivables and payables		0.5	-1.8	-0.1	-	5.3	-0.1
Loans and bank accounts*		29.0	-0.9	-1.9	1.2	0.2	0.0
Derivatives**		-	0.9	1.9	-1.1	-	3.4
Open position		29.5	-1.8	-0.1	0.0	5.5	3.3

2015 EUR million	EUR-companies					RUB-companies
	RUB	SEK	NOK	PLN	USD	USD
Trade receivables and payables	0.1	-2.7	-0.3	0.0	3.0	0.2
Loans and bank accounts*	14.8	-2.6	0.8	1.6	0.4	0.0
Derivatives**	-	2.6	-1.2	-1.5	-	-
Open position	14.8	-2.7	-0.7	0.1	3.4	0.2

* Includes cash and cash equivalents, interest-bearing receivables and liabilities

** Including derivatives for hedging purposes

The sensitivity analysis on currency risk is based on balance sheet items denominated in other than functional currencies of the group companies on the balance sheet date. The analysis includes solely the currency risks related to the financial instruments. Based on the analysis, strengthening of the euro by 10 per cent against all other currencies would have an impact of EUR -0.8 (2016: -3.9, 2015: -1.7) million on the Group's profit before tax. Correspondingly, the strengthening of the USD against RUB by 10 per cent would have an impact of EUR +0.3 (2016: +0.3, 2015: 0.0) million on the Group's profit before tax.

Major translation risk positions on the balance sheet date

Net investment

EUR million	RUB	SEK	NOK	PLN
2017	76.4	27.0	4.4	7.2
2016	99.7	25.1	7.2	7.1
2015	83.0	18.4	5.6	6.9

The net investment positions have been unhedged on each balance sheet date presented.

Interest rate risk

The Group is exposed to interest rate risks through its investments and interest-bearing liabilities. The goal of interest rate risk management is to minimize financing costs and decrease the uncertainty that interest rate movements cause for the Group's financial result. According to the treasury policy the interest rate risk of the debt portfolio is managed by balancing the proportion of the floating and fixed rate debt in the debt portfolio, taking into account the number, the maturity and the value of the debt instruments as well as the market conditions. The proportion of the fixed interest rate debt is to be at minimum 20 % of the debt portfolio, including the interest rate derivatives. The interest rate risk of the interest bearing financial assets is managed by investing the assets into different investment classes, interest periods and maturities. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged through interest rate swaps, interest rate options and forward rate agreements.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 120.0 (2016: 132.1, 2015: 290.3) million and interest-bearing receivables to EUR 163.4 (2016: 215.1, 2015: 353.8) million. On the balance sheet date, the Group had long-term floating rate loan 60.0 million euros and short-term fixed rate loan 40.0 million euros. The floating rate loan was fully hedged to fixed rate by an interest-rate swap. The Group has applied hedge accounting to the interest-rate swap hedging the loan.

The EUR 100.0 million bond issued in 2011 was paid off in its entirety on December 2017.

Interest-bearing receivables and debt according to interest rate fixing

2017

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Interest-bearing receivables	-152.2	-11.2		-163.4
Loans from financial institutions	59.9			59.9
Commercial papers	40.0			40.0
Finance lease liabilities	9.5	9.7	0.0	19.3
Other liabilities	0.8			0.8
Net debt	-42.0	-1.4	0.0	-43.4
Impact of interest-rate swaps	-60.0		60.0	0.0
Total	-102.0	-1.4	60.0	-43.4

2016

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Interest-bearing receivables	-192.2	-20.8	-1.6	-214.6
Bonds	99.9			99.9
Finance lease liabilities	12.3	19.2	0.2	31.6
Other liabilities	0.2	0.4		0.6
Net debt	-79.9	-1.3	-1.4	-82.5
Impact of interest-rate swaps				
Total	-79.9	-1.3	-1.4	-82.5

2015

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Interest-bearing receivables	-319.3	-33.0	-1.5	-353.8
Bonds	150.4	99.8		250.2
Finance lease liabilities	13.2	26.3		39.5
Other liabilities	0.0	0.5		0.6
Net debt	-155.7	93.6	-1.5	-63.6
Impact of interest-rate swaps	0.0			0.0
Total	-155.7	93.6	-1.5	-63.6

The sensitivity analysis on interest rate risk includes interest-bearing receivables and liabilities as well as interest rate derivatives. An increase of 1 percentage point in the interest rates at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR +0.5 (2016: +0.1, 2015: -0.1) million and equity by EUR +3.9 (2016: +0.1, 2015: -0.1) million before taxes.

Electricity price risk

The electricity price risk management aims to reduce the volatility in Group's profit and cash flows caused by electricity price fluctuations. The Group employs price-secured electricity products to reduce the price risk related to electricity procurement. Until July 2016 the Group utilized standardized listed electricity derivatives as hedging instruments to reduce this risk. The derivatives were used for hedging purposes only, but hedge accounting as defined in the IFRS was not applied.

Derivative contracts

2017

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	10.3	-0.2	0.0	-0.2
Currency forward contracts, hedge accounting	3.1	-0.1	-	-0.1
Interest rate swaps, hedge accounting	60.0	-0.9	-	-0.9
Equity derivatives, written put option	-	-4.8	-	-4.8

2016

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	4.6	0.0	0.0	0.0
Currency forward contracts, hedge accounting	3.4	0.0	-	0.0

2015

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	8.6	0.0	0.1	0.0
Interest rate swaps, non-hedge accounting	70.0	1.9	1.9	
Electricity forwards, non-hedge accounting	2.5	-0.9		-0.9

Offsetting of financial instruments

Derivative assets	2017	2016	2015
Derivative assets, reported as gross amount	0.0	0.0	2.0
Related derivative liabilities subject to master netting agreements	0.0	0.0	0.0
Net amount	0.0	0.0	1.9

Derivative liabilities	2017	2016	2015
Derivative liabilities, reported as gross amount	1.1	0.1	0.9
Related derivative assets subject to master netting agreements	0.0	0.0	0.0
Net amount	1.1	0.0	0.9

Derivative agreements are subject to offsetting in the case of default, insolvency or bankruptcy of the counterparty. Derivative agreements have not been offset in the balance sheet.

Terminal due assets	2017	2016	2015
Terminal due assets, reported as gross amount	69.8	67.0	51.7
Related terminal due liabilities subject to offsetting rules	56.9	52.6	38.0
Net amount	12.8	14.4	13.7

Terminal due liabilities	2017	2016	2015
Terminal due liabilities, reported as gross amount	80.1	63.0	52.1
Related terminal due assets subject to offsetting rules	56.9	52.6	38.0
Net amount	23.2	10.4	14.1

Terminal dues related to international mail are subject to offsetting rules defined in international multilateral contracts, such as Universal Postal Convention. Terminal dues have not been offset in the balance sheet. Terminal due assets are included in balance sheet line trade and other receivables and contain invoiced and accrued receivables as well as advances paid. Terminal due liabilities are included in balance sheet lines trade and other payables and advances received and contain invoiced and accrued payables as well as advances received. Advances paid and received are not included in financial assets and liabilities.

Liquidity risk

The liquidity and refinancing risk means that the Group's liquidity reserve is insufficient to cover the Group's commitments and investment possibilities or that the cost of the refinancing or additional financing need is exceptionally high. The Group places a considerable emphasis on accurate cash management and liquidity planning in order to minimize liquidity risks generated by large daily fluctuations in the Group's cash flows. In addition to cash and cash equivalents, the Group aims to secure sufficient financing in all circumstances, and has as financial reserves, a syndicated credit facility (committed) of EUR 150.0 million, maturing in 2019, and a non-binding commercial paper program of EUR 200.0 million. In addition the Group has a committed, undrawn credit facility of EUR 60.0 million, maturing in 2022.

On the balance sheet date, the Group had liquid funds and an unused committed credit facility of EUR 333.7 (2016: 309.9 , 2015: 408.8) million. Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 160.0 (2016: 200.0, 2015: 200.0) million.

EUR million	2017	2016	2015
Cash and cash equivalents	86.0	82.0	130.1
Money market investments and investments in bonds	37.7	77.9	128.8
Liquid funds	123.7	159.9	258.9

Contractual cash flows from financial liabilities and derivatives including interest payments

2017

EUR million	2018	2019	2020	2021	2022–	Total
Loans from financial institutions	0.4	0.4	0.4	0.4	60.9	62.4
Commercial papers	40.0					40.0
Finance lease liabilities	9.9	9.6	0.2	0.0	0.0	19.8
Other liabilities					0.8	0.8
Trade payables and other liabilities	155.8					155.8
Derivatives:						
Interest rate derivatives (net settled)	0.4	0.4	0.4	0.4	1.1	2.7
Currency derivatives, cash flows payable	13.4					13.4
Currency derivatives, cash flows receivable	-13.2					-13.2
Equity derivatives, cash flows payable				4.8		4.8
Total	206.7	10.4	1.0	5.6	62.8	286.6

2016

EUR million	2017	2018	2019	2020	2021–	Total
Bonds	104.6					104.6
Finance lease liabilities	13.0	18.8	0.6	0.2	0.2	32.8
Other liabilities	0.2	0.4				0.5
Trade payables and other liabilities	121.0					121.0
Derivatives:						
Currency derivatives, cash flows payable	8.0					8.0
Currency derivatives, cash flows receivable	-7.9					-7.9
Total	238.9	19.2	0.6	0.2	0.2	259.1

2015

EUR million	2016	2017	2018	2019	2020–	Total
Bonds	161.2	104.6				265.8
Finance lease liabilities	14.2	27.1	0.1	0.0	0.2	41.6
Other liabilities	0.0	0.5				0.6
Trade payables and other liabilities	107.7					107.7
Derivatives:						
Interest rate derivatives (net settled)	-2.2					-2.2
Currency derivatives, cash flows payable	8.6					8.6
Currency derivatives, cash flows receivable	-8.6					-8.6
Electricity derivatives	0.7	0.2				0.9
Total	281.7	132.4	0.1	0.0	0.2	414.4

Finance lease liabilities are in fact secured liabilities since, in default of payment, rights to the leased property transfer back to the lessor. Other loans have no security.

Credit and counterparty risk

Pursuant to authorizations given by the Board of Directors, the Group invests its liquid funds in debt instruments and bonds issued by companies, banks and states with good creditworthiness, as well as bank deposits. Posti Group makes derivative contracts only with solvent banks and credit institutions. The book value of investments and derivative contracts corresponds to the maximum amount of the associated credit risk. Financing operations did not incur any credit losses during the financial year.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The book value of trade receivables corresponds to the maximum amount of the credit risk associated with them. Trade receivables include EUR 34.5 (2106: 33.0, 2015: 22.5) million terminal due receivables subject to offsetting rules, i.e. the Group has a right to offset related terminal due liabilities and advances received. More than 180 days overdue receivables consist of terminal due receivables, which are subject to minor credit risk due to offsetting rules. Credit losses recognized were EUR 1.0 (2016: 1.0, 2015: 0.7) million.

Aging of trade receivables

EUR million	2017	2016	2015
Not yet due	200.4	199.3	164.8
1-30 days overdue	24.4	19.0	21.4
31-60 days overdue	2.4	2.0	3.0
61-90 days overdue	0.8	1.0	1.6
91-180 days overdue	0.8	1.9	0.0
181-365 days overdue	7.1	2.3	0.0
Total	236.1	225.5	190.8

Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group's ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on a regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2017, 2016 and 2015. The Group's loan agreements do not contain financial covenants.

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

Net debt	2017	2016	2015, restated
Interest-bearing liabilities	120.0	132.1	290.3
Cash and cash equivalents	86.0	82.0	130.1
Investments in maturities over 3 months	37.7	77.9	128.8
Debt certificates	39.7	54.7	95.0
Total	-43.4	-82.5	-63.6
Equity ratio, %	48.8	54.9	46.9
Gearing, %	-8.8	-13.6	-10.9

Reconciliation of net debt

EUR million		Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	Jan 1, 2017	100.4	31.6	132.1	159.9	54.7	-82.5
Cash flows		0.3	-12.7	-12.4	-34.5	-15.0	37.2
Business acquisitions		0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate changes		0.0	0.0	0.0	-0.7	0.0	0.7
Other non-cash items		0.0	0.3	0.3	-1.0	0.0	1.2
Carrying amount on	Dec 31, 2017	100.7	19.3	120.0	123.7	39.7	-43.4
Fair value on	Dec 31, 2017	101.0	19.3	120.3			

EUR million		Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	Jan 1, 2016	250.8	39.5	290.3	258.8	95.0	-63.6
Cash flows		-159.6	-11.6	-171.2	-100.2	-40.3	-30.7
Business acquisitions		9.8	2.2	12.1	1.0	0.0	11.1
Effect of exchange rate changes		0.1	0.0	0.1	0.8	0.0	-0.7
Other non-cash items		-0.7	1.4	0.7	-0.5	0.0	1.2
Carrying amount on	Dec 31, 2016	100.4	31.6	132.1	159.9	54.7	-82.5
Fair value on	Dec 31, 2016	104.3	31.6	135.9			

Borrowings

EUR million		Borrowings	on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	Jan 1, 2015	251.6	43.9	295.5	184.5	12.0	98.9
Cash flows		4.3	-12.2	-8.0	75.4	83.0	-166.3
Business acquisitions		-3.5	0.0	-3.5	0.0	0.0	-3.5
Effect of exchange rate changes		0.0	0.0	0.0	-0.3	0.0	0.3
Other non-cash items		-1.5	7.9	6.3	-0.9	0.0	7.1
Carrying amount on	Dec 31, 2015	250.8	39.5	290.3	258.9	95.0	-63.6
Fair value on	Dec 31, 2015	258.1	39.5	297.7			

22. Lease agreements

Finance leases

Finance lease liabilities: minimum lease payments

EUR million	2017	2016	2015
Less than 1 year	9.9	13.0	14.2
1-5 years	9.9	19.6	27.1
More than 5 years	0.0	0.2	0.2
Minimum lease payments total	19.8	32.8	41.6
Future interest expenses	-0.5	-1.1	-2.1
Total	19.3	31.6	39.5

Present value of minimum lease payments

EUR million	2017	2016	2015
Less than 1 year	9.5	12.3	13.2
1-5 years	9.7	19.2	26.4
More than 5 years	0.0	0.2	-
Total	19.3	31.6	39.6

Finance leases consist mainly of leased transport equipment. Duration of leasing contracts is typically 3-10 years.

Finance lease receivables: minimum lease income

EUR million	2017	2016	2015
Less than 1 year	0.0	0.0	0.1
1-5 years	0.0	0.0	0.1
Minimum lease income	0.0	0.0	0.2
Future interest income	0.0	0.0	-0.0
Total	0.0	0.0	0.2

Maturity of finance lease receivables

EUR million	2017	2016	2015
Less than 1 year	0.0	0.0	0.1
1-5 years	0.0	0.0	0.1
Total	0.0	0.0	0.2

The group sold the building which was leased out under a financial lease in 2016.

Operating leases

Maturity of minimum lease payments

EUR million	2017	2016	2015
Less than 1 year	56.0	76.3	71.5
1-5 years	118.8	155.4	154.7
More than 5 years	79.5	95.0	79.5
Total	254.3	326.8	305.7

The income statement includes EUR 122.2 (2016: 104.6, 2015: 128.4) million expenses for operating lease agreements. The Group has leased e.g. premises, office equipment and vehicles. The lease period for office equipment and vehicles varies between 2 and 5 years and that for premises until 12 years.

Maturity of minimum lease payment receivables

EUR million	2017	2016	2015
Less than 1 year	2.1	1.6	2.0
1-5 years	1.8	0.5	0.9
More than 5 years	1.8	1.9	1.9
Total	5.7	4.0	4.8

The Group leases out premises in its possession. The notice period of leases generally varies between 1 and 12 months, few leases having a notice period from 1 to 4 years. The lease of Kirjekyyhky's site will expire in 2050.

23. Pledges, commitments and other contingent liabilities

EUR million	2017	2016	2015
Pledges given for own behalf:			
Bank guarantees	6.7	3.9	6.0
Guarantees	4.2	4.2	3.9
Pledges	0.2	0.2	0.9
Total	11.1	8.3	10.9

Litigation

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

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

The claims were rejected in their entirety by a decision of the Helsinki District Court on September 18, 2015, and by a decision of the Helsinki Court of Appeal on September 14, 2017. Of the six plaintiffs that appealed the District Court's decision to the Court of Appeal, one decided to take no further legal action. Five of the plaintiffs have requested the Supreme Court for leave to appeal. The total amount of the compensations claimed by the five plaintiffs is approximately EUR 99 million, and the interest claimed amounted to approximately EUR 61 million on December 31, 2017.

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.

Investment commitments

Posti began the construction of a new freight terminal during 2017. As at December 31, 2017 the related unpaid investment commitment amounted to EUR 4.6 million.

Other contingent liabilities

In accordance with the environmental permit, the Group is subject to environmental liability regarding the cleanup of land of Pohjois-Pasila building lots. The liability amounts to approximately EUR 19.9 million and it will be realized if the construction in the building lots begins.

24. Related party transactions

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. Posti's related parties include the Company's subsidiaries, associates and joint operations as well as the Company's sole shareholder, the State of Finland. Related parties also include the members of the Board of Directors of the Company, the President & CEO, the Executive Board of Posti and the management team members of the business groups, the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party.

The key management consists of the members of the Board of Directors, President & CEO and members of the Executive Board. No financial loans have been granted to the key management. Business transactions with entities identified as a related party, such as associates and other state-owned companies, are carried out on market terms and conditions. Posti did not have significant business transactions with the key management or their related parties during the periods presented. Posti has business relations with the government-related entities. During the periods presented, Posti did not carry out any business transactions with these entities that were individually or collectively significant quantitatively or qualitatively.

Transactions with related parties

The following transactions with related parties consist of transactions with the associated companies:

EUR million	2017	2016	2015
Net sales	1.9	2.5	2.5
Trade receivables and other receivables	0.2	0.3	0.6

Salaries and fees of the management

EUR million	2017	2016	2015
President & CEO	0.8	0.7	0.6
Executive Board (excl. CEO)	3.1	2.2	2.1
Board of Directors	0.3	0.4	0.3
Supervisory Board	0.0	0.0	0.0
Total	4.2	3.3	3.0

The management's pension commitments

Persons appointed to the Executive Board after 2012 are not within any supplementary pension plans. Persons who have been appointed earlier than this are within a defined contribution pension scheme, and their retirement age is in accordance with the Employees Pensions Act (TyEL).

EUR million	2017	2016	2015
Pensions – Defined contribution plans	0.2	0.2	0.2
Pensions – Defined benefit plans	0.0	0.0	0.0

The Board of Directors' salaries and fees

EUR thousand	2017	2016	2015
Markku Pohjola (chairman)*	44.2	-	-
Eero Hautaniemi*	27.6	-	-
Arto Hiltunen**	14.7	63.6	52.8
Petri Järvinen	40.2	45.0	33.6
Petri Kokko	38.4	44.4	33.0
Jussi Kuutsa*****	-	46.8	33.6
Kirsi Nuotto***	40.2	45.0	26.4
Päivi Pesola*****	-	14.2	36.6
Marja Pokela	40.2	46.8	33.6
Arja Talma****	39.6	33.3	
Riitta Savonlahti****	-	-	7.8
Suvi-Anne Siimes	41.9	45.0	33.6
Total	327.0	384.1	291.0

* Board member from 27 March 2017

** Board member until 27 March 2017

*** Board member from 18 March 2015

**** Board member until 18 March 2015

***** Board member from 23 March 2016

***** Board member until 23 March 2016

***** Board member until 31 December 2016

25. Group companies

The Group's parent company is Posti Group Corporation.

Subsidiaries Dec 31, 2017	Group's holding %	Country
Billexco AG	100	Switzerland
Flexo Kymppi Oy	80	Finland
Flexo Palvelut Oy	80	Finland
Flexo Ykkönen Oy	80	Finland
Global Mail FP Oy	100	Finland
Itella Estonia OÜ	100	Estonia
Itella Logistics SIA	100	Latvia
Itella Logistics UAB	100	Lithuania
Itella Services OÜ	100	Estonia
NLC International Corporation Ltd	100	Cyprus
OOO Itella	100	Russia
OOO Itella Connexions	100	Russia
OOO Itella Express	100	Russia
OOO KapstroyMontazh	100	Russia
OOO MaxiPost	100	Russia
OOO NLC-Bataisk	100	Russia
OOO NLC-Ekaterinburg	100	Russia
OOO NLC-Samara	100	Russia
OOO RED-Krekshino	100	Russia
OOO Rent-Center	100	Russia
OOO Terminal Lesnoy	100	Russia
OOO Terminal Sibir	100	Russia
OpusCapita AB	100	Sweden
OpusCapita AS	100	Norway
OpusCapita Competence Center OÜ	100	Estonia
OpusCapita Competence Center SIA	100	Latvia
OpusCapita GmbH	100	Germany
OpusCapita Group Oy	100	Finland

OpusCapita Kredithanterarna AB	100	Sweden
OpusCapita s.r.o.	100	Slovakia
OpusCapita Software GmbH	100	Germany
OpusCapita Software Inc.	100	USA
OpusCapita Solutions AB	100	Sweden
OpusCapita Solutions AS	100	Norway
OpusCapita Solutions Oy	100	Finland
OpusCapita Solutions Sp. z o.o.	100	Poland
OpusCapita Sp. z o.o.	100	Poland
Posti Global Oy	100	Finland
Posti Kiinteistöt Oy	100	Finland
Posti Kotipalvelut Oy	100	Finland
Posti Kuljetus Oy	100	Finland
Posti Oy	100	Finland
Posti Palvelut Oy	100	Finland
Posti Scandinavia AB	100	Sweden
Svenska Fakturaköp AB	100	Sweden

Associated companies Dec 31, 2017**Group's holding %****Country**

BPO4U AB	50	Sweden
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26. Events after the reporting period

Jani Jolkkonen, SVP, ICT and Digitalization and member of the Executive Board, left Posti on January 10, 2018.

On January 15, 2018, Posti announced it will initiate its first sourcing procedure on the five-day delivery of universal service letters in areas not covered by early-morning newspaper delivery. The use of competitive bidding stems from the Postal Act reforms set to take effect in the beginning of July 2018.

The arbitration committee stipulated by the collective agreement for the mail communications and logistics industry issued a decision on February 1, 2018, on a general increase of 1.31% to the industry's collective agreement. The increase will apply retrospectively from November 1, 2017.

Parent Company's Financial Statements, FAS

Income Statement of the Parent Company

EUR	Note	2017	2016
Net sales	1	12,505,785.55	11,322,161.77
Other operating income	2	110,303.47	799,578.38
Materials and services	3	-2,806.78	-4,689.38
Personnel expenses	4	-5,811,528.67	-10,371,681.37
Depreciation, amortization and impairment losses	5	-1,122,294.14	-1,085,094.86
Other operating expenses	6	-16,830,780.92	-15,558,220.01
Operating profit/loss		-11,151,321.49	-14,897,945.47
Financial income and expenses	8	-35,404,318.18	-149,514,688.78
Profit/loss before appropriations		-46,555,639.67	-164,412,634.25
Group contributions	9	43,947,000.00	28,500,000.00
Profit/loss before income tax		-2,608,639.67	-135,912,634.25
Income tax	10	-6,062,446.03	-7,269,848.95
Profit/loss for the financial period		-8,671,085.70	-143,182,483.20

Balance Sheet of the Parent Company

EUR	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	11	1,923,405.70	2,498,200.72
Tangible assets	12	2,016,184.74	2,016,633.56
Investments	13	576,430,731.19	594,115,671.14
Total non-current assets		580,370,321.63	598,630,505.42
Current assets			
Non-current receivables	14	94,150,372.49	97,263,571.33
Current receivables	15	72,169,105.10	55,127,618.37
Current investments	16	114,900,887.02	144,227,058.16
Cash and bank		2,858,474.91	13,816.36
Total current assets		284,078,839.52	296,632,064.22
Total assets		864,449,161.15	895,262,569.64

EQUITY AND LIABILITIES

Equity	17		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		-707,410.11	88,688.32
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		346,260,090.22	549,442,573.42
Profit/loss for the financial period		-8,671,085.70	-143,182,483.20
Total equity		549,585,356.34	619,052,540.47
Provisions	18	326,561.41	675,856.90
Liabilities			
Non-current	20	72,261,643.82	6,148,486.04
Current	21	242,275,599.58	269,385,686.23
Total liabilities		314,537,243.40	275,534,172.27
Total equity and liabilities		864,449,161.15	895,262,569.64

Cash Flow Statement of the Parent Company

EUR	2017	2016
Cash flow from operations		
Profit/loss before appropriations	-46,555,639.67	-164,412,634.25
Adjustments:		
Depreciation and amortization	1,122,294.14	1,085,094.86
Gains or losses on disposal of fixed assets	25,321.11	1,363,391.44
Financial income (-) and expense (+)	1,804,318.18	-9,317,845.84
Impairment losses on non-current investments	33,600,000.00	158,832,534.62
Other adjustments	-519,529.16	-574,500.77
Cash flow before change in working capital	-10,523,235.40	-13,023,959.94
Interest-free current receivables, increase (-), decrease (+)	-1,491,952.00	-6,258,705.31
Interest-free non-current receivables, increase (-), decrease (+)	-182,015.53	106,507.61
Inventories, increase (-), decrease (+)	-2,056.00	4,386.96
Interest-free current liabilities, increase (+), decrease (-)	-600,298.00	1,252,486.20
Interest-free non-current liabilities, increase (+), decrease (-)	-596,503.15	2,029,882.61
Change in working capital	-2,872,824.68	-2,865,441.93
Cash flow from operating activities before financial items and taxes	-13,396,060.08	-15,889,401.87
Interests paid	-5,214,118.30	-12,529,507.63
Interests received	5,917,872.85	9,566,978.65
Other financial items	-585,394.84	630,990.33
Income tax paid	-4,877,859.00	-15,621,385.37
Cash flow from financial items and taxes	-4,759,499.29	-17,952,924.02

Cash flow from operating activities (A)	-18,155,559.37	-33,842,325.89
Investments in tangible and intangible assets	-547,571.41	-1,163,624.27
Proceeds from sale of tangible and intangible assets	0.00	0.00
Other investments	-8,778,320.46	-2,500.00
Proceeds from sale of other investments	10,280.00	4,958,977.54
Loans granted	-18,665,836.60	-48,982,813.77
Repayments of loan receivables	17,719,914.79	22,501,839.66
Dividends received	156,161.00	192,416.00
Cash flow from investing activities (B)	-10,105,372.68	-22,495,704.84
Increases in current loans	64,671,662.02	0.00
Repayment of current loans	-99,881,255.73	-64,641,007.62
Increases in non-current loans	59,863,435.98	0.00
Repayment of non-current loans	0.00	-149,698,500.00
Dividends paid	-60,000,000.00	-18,000,000.00
Group contributions received and paid	28,500,000.00	111,700,000.00
Cash flow from financing activities (C)	-6,846,157.73	-120,639,507.62
Change in cash and cash equivalents (A+B+C)	-35,107,089.78	-176,977,538.35
Change in group cash pool	8,625,577.19	56,604,306.64
Cash and cash equivalents received in merger	0.00	0.00
Change in cash and cash equivalents	-26,481,512.59	-120,373,231.71
Cash and cash equivalents at the beginning of the financial period	144,240,874.52	264,614,106.23
Cash and cash equivalents at the end of the financial period	117,759,361.93	144,240,874.52

Accounting Policies

Posti Group Corporation has prepared its financial statements in accordance with Finnish accounting and company legislation.

Revenue recognition and net sales

Major part of Posti Group Corporation's revenues consists of management and administration services rendered to Posti Group's subsidiaries. Revenue is recognized when the service is rendered as agreed. Net sales derive from revenue based on the sale services net of indirect taxes and exchange rate differences.

Other operating income

Other operating income includes capital gains on sale of assets and income other than generated by the sale of services.

Valuation of fixed assets

Tangible and intangible assets are carried at historical acquisition cost less accumulated depreciation.

Fixed assets are depreciated on a straight-line basis according to plan. The depreciations are based on expected useful lives, starting from the time items are in use. The common expected useful lives in Posti Group Corporation are as follows:

Immaterial rights and other long-term expenses 3–5 years

Machinery and equipment 3–5 years

Land and water are not subject to depreciation.

Non-current investments are valued at their original acquisition cost. If it is probable that the future revenue on the investment is permanently smaller than the acquisition cost, the difference is recognized as an impairment loss.

Leasing

Lease payments are expensed in the income statement and leased assets are not included in the fixed assets.

Cash in hand and at banks

Cash in hand and at banks include bank accounts and other cash equivalents.

Pension schemes

Posti Group Corporation's statutory pension coverage is provided by Ilmarinen Mutual Pension Insurance Company. Supplementary pension coverage (for those in the long-time service for Post and Telecommunications) is provided by OP Life Assurance Company Ltd.

Provisions

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

Income taxes

Income tax includes tax calculated on the profit for the current financial year as well as tax adjustments for previous financial years.

Deferred taxes are calculated using the tax rate effective on the balance sheet date. A deferred tax asset is recognized to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilized.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into euros at the exchange rate quoted on the transaction date.

Receivables and liabilities in foreign currencies are translated into euros using the average exchange rate quoted on the balance sheet date by the European Central Bank. The exchange rate gains or losses arising from the business operations are recognized as adjustments of net sales and purchases. The exchange rate gains and losses arising from financial instruments are included in the financial income and expenses.

Financial assets and liabilities

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

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

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

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

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

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

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

Derivative contracts and hedge accounting

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

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

Certain derivative instruments while entered into for risk management purposes do not qualify hedge accounting. These contracts have been classified as held for trading and changes in their fair value are recognized through profit or loss, and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

The fair values of derivatives are determined on the basis of the market values of similar derivatives or standard valuation models. The fair value of currency forward contracts is the market quotation on the balance sheet date and the fair value of interest-rate swaps is the present value of future interest cash flows.

1. Net sales by geographical location

	2017	2016
Finland	11,493,159.00	10,550,621.80
Russia	1,012,626.55	771,539.97
Total	12,505,785.55	11,322,161.77

2. Other operating income

	2017	2016
Gains on sale of intangible and tangible assets	0.00	629,442.43
Rental income	64,750.21	64,211.47
Other operating income	45,553.26	105,924.48
Total	110,303.47	799,578.38

3. Materials and services

	2017	2016
Purchases during the financial period	2,652.64	3,301.34
External services	154.14	1,388.04
Total	2,806.78	4,689.38

4. Personnel expenses

	2017	2016
Wages and salaries	6,305,655.16	9,929,167.40
Pension expenses	-430,679.75	88,870.56
Other social expenses	-63,446.74	353,643.41
Total	5,811,528.67	10,371,681.37
Management remuneration		
President and CEO	782,193.56	668,902.00
Executive Board (excl. CEO)	1,222,772.94	913,524.05
Board of Directors	327,046.77	384,153.23
Supervisory Board	20,900.00	25,193.65
Total	2,352,913.27	1,991,772.93
Average number of personnel during the financial period		
Administrative employees	53	55
Total	53	55

5. Depreciation, amortization and impairment losses

	2017	2016
Intangible rights	1,121,246.72	1,082,088.00
Machinery and equipment	1,047.42	3,006.86
Total	1,122,294.14	1,085,094.86

6. Other operating expenses

	2017	2016
Rents and leases	476,663.74	575,095.32
Losses on sale of fixed assets	25,321.11	1,992,833.87
Personnel related costs	318,977.60	236,861.53
Travelling expenses	133,279.29	123,351.89
Marketing expenses	797,559.95	740,539.65
Entertainment expenses	64,440.80	25,498.15
Facility maintenance expenses	3,169.64	13,126.37
Office and administrative expenses	5,128,097.88	3,686,552.08
IT operating costs	8,602,127.34	6,951,260.28
Other operating expenses	1,281,143.57	1,213,100.87
Total	16,830,780.92	15,558,220.01

7. Auditors' remuneration

	2017	2016
Audit	201,266.29	157,167.31
Tax advisory	9,340.00	13,406.11
Other services	1,009,415.22	269,289.63
Total	1,220,021.51	439,863.05

8. Financial income and expenses

Financial income	2017	2016
Dividend income	156,161.00	192,416.00
Interest income		
Financial assets at fair value through profit or loss	1,391,354.14	4,845,837.34
Loans and receivables	3,277,902.07	5,762,352.44
Assets held to maturity	261,092.93	735,916.86
Other financial income from Group companies	1,458,357.03	1,286,775.83
Gains on disposal of financial assets at fair value through profit or loss	73,357.50	33,285.84
Exchange rate gains		
Interest-bearing receivables and liabilities	890,013.48	7,343,792.52
Currency derivatives, non-hedge accounting	227,487.96	292,102.90
Change in fair value of loans	0.00	539,259.54
Total	7,735,726.11	21,031,739.27
Financial expense		
Interest expense		
Financial liabilities at amortized cost	5,048,070.81	10,547,512.47
Financial liabilities at fair value through profit or loss	30,125.79	740,366.27
Other financial expenses on financial liabilities at amortized cost	585,393.84	687,239.86
Losses on disposal of financial assets at fair value through profit or loss	370.00	333,720.00
Changes in fair value of financial assets at fair value through profit or loss		
Bonds and money market investments	951,377.41	515,136.36
Interest rate derivatives, non-hedge accounting	0.00	1,897,236.73
Exchange rate losses		
Interest-bearing receivables and liabilities	3,245,392.33	407,210.37
Currency derivatives, non-hedge accounting	405,621.01	283,320.66
Impairment on loans and receivables	32,873,693.10	155,134,685.33
Total	43,140,044.29	170,546,428.05

	2017	2016
Change in fair value of investments recognized in the fair value reserve loss (-), gain (+)	-126,726.00	25,454.00
of which deferred tax	25,345.20	-5,090.80
Change in fair value of hedging interest rate derivatives recognized in the fair value reserve loss (-), gain (+)	-868,397.00	-
of which deferred tax	173,679.40	-

9. Group contributions

	2017	2016
Group contributions received	44,000,000.00	28,500,000.00
Group contributions distributed	-53,000.00	0.00
Total	43,947,000.00	28,500,000.00

10. Income tax

	2017	2016
Income tax on group contributions	8,789,400.00	5,700,000.00
Income tax on business activities	-2,868,056.94	-1,858,840.27
Income tax from previous years	-9,788.20	-3,821,614.59
Change in deferred tax assets	150,891.17	7,250,303.81
Total	6,062,446.03	7,269,848.95

11. Intangible assets

Intangible rights	2017	2016
Cost 1 Jan	25,584,485.15	25,763,723.84
Additions	546,972.81	70,719.39
Disposals	-1,748.95	-249,958.08
Transfers between items	1,092,904.88	0.00
Cost 31 Dec	27,222,613.89	25,584,485.15
Accumulated amortization 1 Jan	24,179,189.31	23,347,059.39
Accumulated amortization on disposals	-1,227.84	-249,958.08
Amortization for the financial period	1,121,246.72	1,082,088.00
Accumulated amortization 31 Dec	25,299,208.19	24,179,189.31
Book value 31 Dec	1,923,405.70	1,405,295.84
Prepayments		
Cost 1 Jan	3,571,858.14	2,478,953.26
Additions	0.00	1,092,904.88
Disposals	0.00	0.00
Transfers between items	-1,092,904.88	0.00
Cost 31 Dec	2,478,953.26	3,571,858.14
Accumulated impairment 1 Jan	2,478,953.26	2,478,953.26
Impairment	0.00	0.00
Accumulated impairment 31 Dec	2,478,953.26	2,478,953.26
Book value 31 Dec	0.00	1,092,904.88
Total intangible assets	1,923,405.70	2,498,200.72

12. Tangible assets

Land and water	2017	2016
Cost 1 Jan	891,396.01	891,396.01
Cost 31 Dec	891,396.01	891,396.01
Book value 31 Dec	891,396.01	891,396.01
Machinery and equipment		
Cost 1 Jan	76,654.54	76,654.54
Additions	598.60	0.00
Cost 31 Dec	77,253.14	76,654.54
Accumulated depreciation 1 Jan	75,020.12	72,013.26
Depreciation for the financial period	1,047.42	3,006.86
Accumulated depreciation 31 Dec	76,067.54	75,020.12
Book value 31 Dec	1,185.60	1,634.42
Other tangible assets		
Cost 1 Jan	1,189,127.90	1,189,127.90
Cost 31 Dec	1,189,127.90	1,189,127.90
Accumulated depreciation 1 Jan	65,524.77	65,524.77
Accumulated depreciation 31 Dec	65,524.77	65,524.77
Book value 31 Dec	1,123,603.13	1,123,603.13
 Total tangible assets	 2,016,184.74	 2,016,633.56

13. Investments

Shares in Group companies	2017	2016
Cost 1 Jan	960,367,664.19	964,154,191.07
Additions	15,950,140.05	2,637,243.77
Disposals	0.00	-6,423,770.65
Cost 31 Dec	976,317,804.24	960,367,664.19
Accumulated impairment losses 1 Jan	400,372,787.46	241,990,659.54
Impairment losses	31,000,000.00	158,793,529.59
Reversals of impairments	0.00	-411,401.67
Book value 31 Dec	544,945,016.78	559,994,876.73
Other shares and holdings		
Cost 1 Jan	6,242,383.71	6,609,762.48
Disposals	-282,955.18	-367,378.77
Cost 31 Dec	5,959,428.53	6,242,383.71
Accumulated impairment losses 1 Jan	632,589.30	869,968.07
Impairment losses	2,600,000.00	40,000.00
Reversal of impairment losses	-247,875.18	-277,378.77
Book value 31 Dec	2,974,714.41	5,609,794.41
Receivables from Group companies		
Capital loan receivables		
Cost 1 Jan	28,511,000.00	28,511,000.00
Cost 31 Dec	28,511,000.00	28,511,000.00
Accumulated impairment losses 1 Jan	0.00	0.00
Book value 31 Dec	28,511,000.00	28,511,000.00
Total investments	576,430,731.19	594,115,671.14

14. Non-current receivables

Receivables from Group companies	2017	2016
Loan receivables	92,928,590.43	95,388,643.96
Total	92,928,590.43	95,388,643.96
Receivables from others		
Loan receivables	0.00	861,122.19
Other receivables	184,662.47	2,646.94
Deferred tax assets	1,037,119.59	1,011,158.24
Total	1,221,782.06	1,874,927.37
Total non-current receivables	94,150,372.49	97,263,571.33

15. Current receivables

Receivables from Group companies	2017	2016
Trade receivables	10,828,573.20	9,298,994.75
Loan receivables	1,005,709.19	407,402.82
Interest receivables	11,195,843.11	10,284,392.87
Other receivables	10,234.95	2,379.09
Prepayments and accrued income	44,083,458.25	28,561,389.17
Total	67,123,818.70	48,554,558.70
Receivables from others		
Trade receivables	-201.81	53,222.89
Loan receivables	151,369.14	0.00
Other receivables	65,672.15	1,090,106.83
Prepayments and accrued income	4,828,446.92	5,429,729.95
Total	5,045,286.40	6,573,059.67
Total current receivables	72,169,105.10	55,127,618.37
Key items in prepayments and accrued income		
Interest receivables	591,876.97	1,032,493.89
Income tax receivable	558,606.94	1,592,303.06
Other prepayments and accrued income	3,677,963.01	2,804,933.00
Total	4,828,446.92	5,429,729.95

16. Financial instruments and financial risk management

2017

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current									
Other non-current investments				3.0			3.0	3.0	3
Non-current receivables		93.1					93.1	93.1	
Non-current financial assets		93.1		3.0			96.1	96.1	
Financial assets – current									
Trade and other receivables		23.8					23.8	23.8	
Equity fund investments				0.1			0.1	0.1	3
Currency derivatives	0.0						0.0	0.0	2
Money market investments	19.5						19.5	19.5	2
Investments in quoted bonds	13.9						13.9	13.9	1
Investments in unquoted bonds	4.3						4.3	4.3	2
Debt certificates			39.7				39.7	39.7	
Current financial assets	37.7	23.8	39.7	0.1			101.2	101.2	
Money market investments	37.5						37.5	37.5	2
Cash and bank		2.9					2.9	2.9	
Cash and cash equivalents	37.5	2.9					40.3	40.3	

Total financial assets	75.2	119.7	39.7	3.0		237.6	237.6	
Financial liabilities – non-current								
Loans from financial institutions					59.9	59.9	60.1	
Non-current borrowings					59.9	59.9	60.1	
Interest-rate derivatives						0.9	0.9	0.9
Equity derivatives	4.8					4.8	4.8	3
Other non-current financial liabilities	4.8					0.9	5.7	5.7
Financial liabilities – current								
Commercial papers					40.0	40.0	40.0	
Liabilities to Group companies					196.0	196.0	196.0	
Foreign currency derivatives	0.2					0.2	0.2	2
Trade and other payables					2.5	2.5	2.5	
Current borrowings	0.2				238.4	238.6	238.6	
Total financial liabilities	5.0				298.3	0.9	304.1	304.4

2016

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current									
Other non-current investments				5.6			5.6	5.6	3
Non-current receivables		96.3					96.3	96.3	
		96.3		5.6			101.9	101.9	
Financial assets – current									
Trade and other receivables		22.3					22.3	22.3	
Equity fund investments				0.2			0.2	0.2	3
Currency derivatives	0.0						0.0	0.0	2
Money market investments	43.5						43.5	43.5	2
Investments in quoted bonds	25.5						25.5	25.5	1
Investments in unquoted bonds	8.8						8.8	8.8	2
Debt certificates			54.7				54.7	54.7	
	77.9	22.3	54.7	0.2			155.0	155.0	
Current financial assets									
Money market investments	11.5						11.5	11.5	2
Cash and bank		0.0					0.0	0.0	
	11.5	0.0					11.5	11.5	
Cash and cash equivalents									

Total financial assets	89.3	118.5	54.7	5.8		268.4	268.4
Financial liabilities – current							
Bonds					99.9	99.9	102.1
Liabilities to Group companies					50.3	50.3	50.3
Currency derivatives	0.0					0.0	0.0
Trade and other payables					2.1	2.1	2.1
Current borrowings	0.0				152.3	152.3	154.5
Total financial liabilities	0.0				152.3	152.3	154.5

The financial risk management of the company has been described on the [Note 21](#) of the consolidated financial statements. The Company follows the Group's treasury policy and risk management principles.

17. Equity

	2017	2016
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	70,000,000.00	70,000,000.00
Fair value reserve 1 Jan	88,688.32	68,325.12
Profit or loss at fair value, other current investments	-796,098.43	20,363.20
Fair value reserve 31 Dec	-707,410.11	88,688.32
Restricted equity total	69,292,589.89	70,088,688.32
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	142,703,761.93	142,703,761.93
Retained earnings 1 Jan	406,260,090.22	567,442,573.42
Dividend distribution	-60,000,000.00	-18,000,000.00
Retained earnings 31 Dec	346,260,090.22	549,442,573.42
Profit/loss for the financial year 31 Dec	-8,671,085.70	-143,182,483.20
Total unrestricted equity	480,292,766.45	548,963,852.15
Total equity	549,585,356.34	619,052,540.47
Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	346,260,090.22	549,442,573.42
Profit/loss for the financial period	-8,671,085.70	-143,182,483.20
Total	480,292,766.45	548,963,852.15

18. Provisions

	2017	2016
Pension provision	297,183.00	305,620.00
Restructuring provision	29,378.41	370,236.90
Total	326,561.41	675,856.90

19. Deferred tax assets and liabilities

Deferred tax assets	2017	2016
From provision	65,312.07	135,171.38
From impairments	68,939.86	118,517.86
From temporary differences	497,334.00	497,333.76
Other items	405,533.66	260,135.24
Total	1,037,119.59	1,011,158.24
Deferred tax liabilities	2017	2016
Valuation to fair value	0.00	22,172.08
Total	0.00	22,172.08

20. Non-current liabilities

	2017	2016
Loans from financial institutions	59,863,435.98	0.00
Deferred tax liability	0.00	22,172.08
Interest-rate derivatives, hedge accounting	868,397.03	0.00
Other non-current liabilities	11,529,810.81	6,126,313.96
Total	72,261,643.82	6,148,486.04

21. Current liabilities

Amounts owed to Group companies	2017	2016
Trade payables	-138,926.23	100,759.91
Interest liabilities	130,486.94	80,707.88
Other liabilities	196,027,195.37	162,666,443.87
Accruals and deferred income	0.00	66,191.17
Total	196,018,756.08	162,914,102.83
Amounts owed to others		
Bonds	0.00	99,881,255.73
Trade payables	1,744,115.57	1,177,454.71
Commercial papers	39,996,378.15	0.00
Other liabilities	1,894,987.04	1,585,872.46
Accruals and deferred income	2,621,362.74	3,827,000.50
Total	46,256,843.50	106,471,583.40
Total current liabilities	242,275,599.58	269,385,686.23

Key items in other liabilities		
Payroll and related social costs	207,172.30	209,369.41
VAT-liability	1,477,281.04	1,317,770.14
Other liabilities	210,533.70	58,732.91
Total	1,894,987.04	1,585,872.46
Key items in accruals and deferred income		
Payroll and related social costs	1,910,210.48	2,904,773.69
Accrued interests	105,737.60	291,438.36
Other accruals and deferred income	605,414.66	630,788.45
Total	2,621,362.74	3,827,000.50
Interest-bearing liabilities		
Non-current liabilities	59,863,435.98	0.00
Current liabilities	74,983,219.25	150,189,191.11
Total	134,846,655.23	150,189,191.11

22. Pledged assets, commitments and other liabilities

Pledges given for Group companies	2017	2016
Guarantees	226,982,368.00	257,896,481.00
Total	226,982,368.00	257,896,481.00
Pledges given for others		
Guarantees		
Others	0.00	0.00
Total	0.00	0.00
Lease contracts unpaid amounts		
Payable within one year	69,106.57	120,726.82
Payable in later years	98,427.06	85,156.05
Total	167,533.63	205,882.87
Rental liabilities	815.00	815.00
Other commitments	26,424.00	26,424.00
Derivative contracts		
Currency forward contracts		
Fair value	-168,846.28	-22,766.52
Nominal value	10,281,984.28	4,569,869.96
Interest rate swaps		
Fair value	-868,397.03	0.00
Nominal value	60,000,000.00	0.00

Derivative instruments are used for hedging the foreign exchange rate risk and interest rate risk and they are valued at the market rates available on the balance sheet date. Currency forward contracts are used to hedge against currency-denominated receivables and payables. Generally, transaction positions arising from subsidiary financing are hedged fully. A company's long-term variable-interest loan has been converted to fixed-interest loan with an interest-rate swap.

Litigation

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

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

The claims were rejected in their entirety by a decision of the Helsinki District Court on September 18, 2015, and by a decision of the Helsinki Court of Appeal on September 14, 2017. Of the six plaintiffs that appealed the District Court's decision to the Court of Appeal, one decided to take no further legal action. Five of the plaintiffs have requested the Supreme Court for leave to appeal. The total amount of the compensations claimed by the five plaintiffs is approximately EUR 99 million, and the interest claimed amounted to approximately EUR 61 million on December 31, 2017.

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

23. Shares and holdings of Posti Group Corporation

Company name and domicile

Group companies	Number of shares	Ownership (%)	Book value
Global Mail FP Oy, Helsinki	4,200	99.92	122,838,632.95
OpusCapita Group Oy, Helsinki	1,868	100.00	79,975,397.77
OpusCapita Solutions, Helsinki	1,000	100.00	3,500.00
Posti Scandinavia AB, Stockholm	4,000	100.00	1,781.31
Itella Logistics SIA, Riga	20	100.00	616,752.45
Itella Logistics UAB, Vilnius	1,000	100.00	918,147.59
Itella Services OÜ, Tallinn	1	100.00	2,500.00
Posti Kiinteistöt Oy, Helsinki	103,488	100.00	192,730,895.55
Posti Palvelut Oy, Helsinki	500	100.00	102,500.00
Posti Kotipalvelut Oy, Helsinki	100	100.00	2,282,320.46
Flexo Palvelut Oy, Helsinki	80	80.00	4,810,000.00
NLC International Corporation, Limassol	3,844	100.00	1.00
Posti Oy, Helsinki	2,538,295	100.00	106,659,037.70
Posti Global Oy, Helsinki	999	99.90	34,003,550.00
Total			544,945,016.78
Other companies			
As. Oy Raison Keskuslähiö, Raisio	6,350	9.77	33,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
Cooperative Vereininging IPC, Amsterdam	5	0.05	6,040.80
East Office of Finnish Industries Oy, Helsinki	1		10,000.00
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Vierumäki Golf Oy, Helsinki	7	0.06	61,516.41
Oy Samlink Ab, Espoo	8,590	5.88	2,400,067.20
Golfsarfvik	1		28,560.00
Total			2,974,714.41

Board of Directors' proposal

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2017, the parent company's distributable funds total EUR 480,292,766.45 of which the loss for the financial year accounts for EUR 8,671,085.70 .

No material changes in the company's financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 13(2) of the Finnish Limited Liability Companies Act, affect the proposed distributable profits.

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 27,000,000.00 to be distributed. In addition, the Board of Directors proposes an extra dividend of EUR 13,000,000. The total dividend distribution would be EUR 40,000,000 and EUR 440,292,766.45 would be retained in the shareholders' equity.

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

Helsinki, 28 February 2018

Markku Pohjola
Chairman

Heikki Malinen
President & CEO

Eero Hautaniemi

Petri Järvinen

Petri Kokko

Kirsi Nuotto

Marja Pokela

Suvi-Anne Siimes

Arja Talma

Our auditor's report has been issued today.

Helsinki, 28 February 2018

PricewaterhouseCoopers Oy
Authorized Public Accountants

Merja Lindh
Authorized Public Accountant

Statement by the Supervisory Board

At its meeting today, the Supervisory Board of Posti Group Corporation has considered the Board of Directors' Report, Financial Statements and the Auditors' Report for 2017 of Posti Group Corporation.

The Supervisory Board proposes to the 2018 Annual General Meeting that the Income Statement and Balance Sheet for 2017 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 15 March 2018

Markku Rossi

Chairman of the Supervisory Board

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