



POSTI GROUP CORPORATION'S FINANCIAL STATEMENTS RELEASE, FEBRUARY 13, 2020 AT 9:00 A.M. (EET)

# Posti Group Corporation's Financial Statements Release 2019



# Strike had a significant negative impact on Q4/2019 and on full-year results

## Posti Group Corporation's Financial Statements Release

### October–December

#### Financial highlights

- The Group's net sales decreased by 6.6% to EUR 392.9 (420.8) million.
- The Group's adjusted EBITDA decreased to 35.0 EUR (36.4) million, share of net sales 8.9% (8.7%) increased. The adoption of IFRS 16 improved the adjusted EBITDA by EUR 11.9 million. The Group's EBITDA decreased to EUR 32.8 (33.7) million, share of net sales 8.4% (8.0%) increased. The adoption of IFRS 16 improved EBITDA by EUR 11.9 million.
- The adjusted operating result decreased and amounted to EUR 5.4 (20.5) million, or 1.4% (4.9%) of net sales. The adoption of IFRS 16 improved adjusted operating result by EUR 0.9 million.
- The operating result decreased and amounted to EUR -2.8 (16.5) million, representing -0.7% (3.9%) of net sales. The adoption of IFRS 16 improved operating result by EUR 0.9 million.
- Posti has adopted IFRS 16 Leases -standard on its effective date of January 1, 2019 prospectively, thus the previous periods are not restated.

#### Operational highlights

- Service Sector Employers Palta and the Finnish Post and Logistics Union PAU accepted the settlement proposed by the National Conciliator on a new collective agreement for the postal sector on November 27, 2019. A settlement was also reached on the separate matter concerning Posti's parcel sorting personnel. The term of the new collective agreement between Palta and PAU ends on January 31, 2022. The two-year settlement reached between Palta and PAU will help increase flexibility needed by Posti, in shift planning, for example.
- The Finnish Post and Logistics Union PAU's strike began on November 11 and continued until November 27. The strike concerned some of Posti's services and hindered the delivery of mail. Delivery of printed items—such as letters, magazines and advertisements—was disrupted and delayed, sometimes for weeks, due to the strike. Early-morning newspaper delivery was not affected by the strike. A significant portion of Posti's annual results is normally made during the fourth quarter. The strike had a significant negative impact on Posti's results.
- Posti has succeeded in making changes in line with its strategy, which has strengthened the shift in net sales towards eCommerce and Logistics. Parcel and eCommerce and Logistics Solutions (EUR 200.3 million) was more than Postal Services (EUR 171.1 million) in net sales.
- The parcel volume of Finland and the Baltic countries decreased -1 % (6%), while the number of addressed letters decreased by -24% (-10%) in Finland. Mail items covered by the universal service obligation accounted for only 6.7% (7.6%) of all Posti's mail items. Christmas greetings are still part of the Finnish Christmas tradition, but especially due to the strike, the volumes declined strongly by 30%.
- Posti has significantly expanded its parcel locker network. At the end of December, the total number of Posti's parcel lockers were 1,673. The growth has been rapid; the number of Posti's parcel lockers has increased by over 8.3% in October-December 2019.
- The quality of postal deliveries has been poor in certain specific areas during the fourth quarter due to shortage of staff and recruitment challenges as well as the strike organized by PAU. Corrective actions are in place to recruit delivery staff.

## Year 2019

### Financial highlights

- The Board of Directors proposes a dividend of EUR 29.8 million, or a dividend of EUR 0.75 per share.
- As a result of the strike Posti did not reach full year guidance. According to the guidance, the group's net sales of continued operations, excluding possible new acquisitions and divestments, was expected to increase from 2018 driven by Transval acquisition. The Group's adjusted operating result, of continued operations, was expected to increase from 2018 due to Transval acquisition and transition to IFRS 16 accounting principles. However, group's net sales remained flat and adjusted operating result decreased because of the strike in Q4/2019.
- The Group's net sales increased by 0.3% to EUR 1,564.6 (1,559.3) million.
- The Group's adjusted EBITDA increased to EUR 155.1 (110.8) million, or 9.9% (7.1%) of net sales. The adoption of IFRS 16 improved the adjusted EBITDA by EUR 48.2 million.
- The Group's EBITDA increased to EUR 140.6 (104.5) million, or 9.0% (6.7%) of net sales. The adoption of IFRS 16 improved the EBITDA by EUR 48.2 million
- The adjusted operating result decreased to EUR 39.0 (47.0) million, or 2.5% (3.0%) of net sales. The adoption of IFRS 16 improved the adjusted operating result by EUR 3.9 million.
- The operating result decreased and amounted to EUR 18.5 (39.3) million, representing 1.2% (2.5%) of net sales. The adoption of IFRS 16 improved the operating result by EUR 3.9 million.
- Posti has adopted IFRS 16 Leases -standard on its effective date of January 1, 2019 prospectively, thus the previous periods are not restated.

### Operational highlights

- The parcel volume of Finland and the Baltic countries increased by 7% (10%), while the number of addressed letters decreased by 16% (9%) in Finland. Mail items covered by the universal service obligation accounted for only 4.0% (4.6%) of all Posti's mail items.
- Posti's structural transformation continued:
  - Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy in January 2019 and it was included in Posti's reporting in February 2019.
  - Posti divested OpusCapita Solutions in March 2019 and the OpusCapita segment is presented as discontinued operations.
  - In September 2019, Posti acquired E-Log Services Oy, the owner of Pakettikauppa.fi, which offers parcel and e-commerce services.
  - At the end of 2019, Posti sold part of its temperature-controlled transport business.

### Outlook for 2020

Net sales in 2020, excluding possible new acquisitions and divestments, is expected to remain on par with the previous year. The Group's adjusted operating result in 2020 is expected to increase from the previous year.

## Key figures of Posti Group

	10-12 2019	10-12 2018	1-12 2019	1-12 2018
Net sales*, EUR million	392.9	420.8	1,564.6	1,559.3
Adjusted EBITDA*, EUR million	35.0	36.4	155.1	110.8
Adjusted EBITDA margin*, %	8.9	8.7	9.9	7.1
EBITDA*, EUR million	32.8	33.7	140.6	104.5
EBITDA margin*, %	8.4	8.0	9.0	6.7
Adjusted operating result*, EUR million	5.4	20.5	39.0	47.0
Adjusted operating result margin*, %	1.4	4.9	2.5	3.0
Operating result*, EUR million	-2.8	16.5	18.5	39.3
Operating result margin*, %	-0.7	3.9	1.2	2.5
Result for the period*, EUR million	-4.1	14.1	14.1	34.6
Return on equity (12 months), %			4.3	0.1
Return on capital employed (12 months), %			4.5	1.3
Net debt, EUR million			164.3	-31.3
Net debt / adjusted EBITDA			1.0x	-0.3x
Equity ratio, %			40.0	48.6
Adjusted free cash flow			78.0	29.9
Gross capital expenditure*, EUR million	39.7	16.0	133.7	62.1
Personnel, end of period*			20,468	18,185
Personnel on average*, FTE	16,036	15,868	16,569	16,425
Earnings per share, basic, EUR	-0.10	0.36	0.47	0.02
Dividend per share, EUR			0.75**	0.71
Dividends, EUR million			29.8**	28.4

\* Continuing operations

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

## Turkka Kuusisto, President and CEO

The last quarter of 2019 was dominated by the strike of the Finnish Post and Logistics Union PAU. As the fourth quarter traditionally contributes a significant portion to Posti's annual results, the strike had a significant impact on our annual results. Group's financial results up to the third quarter were indicating a strong financial year. However, since the Q4 net sales and results were substantially impacted by the strike, we did not reach our full-year guidance. According to our guidance, our net sales and adjusted operating result of continuing operations were expected to increase. However, our net sales remained flat and our adjusted operating result decreased.

In the fourth quarter, we also saw the dropping of Christmas Card volumes by more than 30% from the previous year. As the Christmas Cards have traditionally been a significant contributor to the Postal Services' annual results, the negative volume development and the effect of the strike will put additional pressure on Postal Services cost structure in the future.

However, I am very pleased that we finally achieved a settlement and industrial peace in November 2019 after difficult negotiations and a long strike. Posti has been negotiating with PAU since last spring to find solutions that would secure Posti's competitiveness and jobs in the ongoing major industry transformation.



Despite some regional quality issues, mainly in the capital area, Postal Services recovered well from the strike and the overall performance during the year was very good. Many actions have been implemented to pro-actively find solutions to meet customer needs and at the same time streamline the cost structure.

Parcel and eCommerce suffered the most from the strike. Our customers pro-actively moved their volumes away from the Posti network, already before the strike. This caused major revenue loss and, as an outcome, the net sales of Parcel and eCommerce remained on same level as the previous year. Now we need to work hard to restore the customer confidence on all levels.

If we look at the whole year, very good results were achieved on the Parcel & eCommerce side: the number of Parcel Lockers grew strongly and we now have a network of almost 1,700 lockers around Finland. In addition, we opened Box, a shop focused on eCommerce, in the center of Helsinki. On a number of occasions during the year, the OmaPosti app was the most downloaded app. In addition to everything else, our sales performed well especially in Sweden and we secured several large online retailers as customers. From here we can move forward with great confidence.

In our strategy, we have defined that we want to shift the focus of our business from postal services toward parcels, eCommerce and logistics. If we look at our net sales in 2019, we can see that the implementation of this strategy is progressing well. In 2019, Parcel and eCommerce and Logistics Solutions already brought over 50% of our net sales. The acquisition of Transval Group in the beginning of 2019 was a big contributing factor in this development. In 2019, Transval contributed about EUR 100 million in net sales and strategically strengthened Posti's offering in the logistics area. In our Freight and Grocery business we made good effort to improve our overall efficiency and operations during 2019.

Our Russian operations closed the year with a strong fourth quarter. During 2019 we have taken many steps forward to strengthen the performance in Itella Russia while the overall market environment continues to be challenging.

Posti's strategy has been updated for 2020-2022. Our goal is to be the winner of eCommerce and the most reliable partner in logistics outsourcing as well as keep the mail relevant. We will develop customer-oriented services by utilizing data and intelligent technology. We are still seeking growth especially in Parcel and eCommerce and Logistics, where we see great potential for Posti in the future. With these renewals, we aim to ensure the competitiveness of traditional postal services for as long as possible. One of our key goals is to remove emissions from our services by 2030. It is time to step up our climate gear and lead towards carbon free solutions.

We want to continue to strengthen all aspects of our customer offering, to improve our quality and to work together as one company. I want to thank our customers who trusted us in 2019. Additionally, I want to express my sincerest thanks to our employees.

## APPENDICES

Posti Group's Financial Statements Release (PDF)

## FINANCIAL CALENDAR

January–March: Thursday, April 29, 2020

January–June: Wednesday, August 6, 2020

January–September: Wednesday, October 29, 2020

## FURTHER INFORMATION

Turkka Kuusisto, President and CEO and Tom Jansson, CFO  
Tel. +358 20 452 3366 (MediaDesk)

## DISTRIBUTION

Key media

[www.posti.com/financials](http://www.posti.com/financials)

## IMAGES AND LOGOS

[www.posti.com/media](http://www.posti.com/media)

*Posti is the leading postal and logistics service company in Finland. Our core business includes postal services, parcels, freight and logistics solutions. We have the widest network coverage in Finland, and we visit about three million households and companies every weekday. We have operations in eight countries. Our net sales in 2019 amounted to almost EUR 1.6 billion and we have approximately 21,000 employees. [www.posti.com](http://www.posti.com).*

## Market situation and business environment, January–December 2020

The peak of the cycle in the Finnish economy is now over and economic growth is temporarily losing momentum. Although growth for the 2020 year is still good, there are clear signs of a slowdown. According to the Bank of Finland the Finnish GDP is expected to grow just 0.9% in 2020. Thereafter, the pace of growth will pick up slightly to 1.1% in 2021 and 1.3% in 2022.

The economic outlook is also reflected in Finnish consumers' expectations. There has been a considerable decline in consumer confidence. The slower growth in consumption is a consequence of an increased awareness of the prevailing risks coupled with precautionary savings, says the Bank of Finland in its economic outlook published in December 2019.

The e-commerce markets have continued their growth. Finnish consumers estimate that they will make more online purchases in the future than they do now. Almost one fifth (18%) of the respondents estimate that they will buy everything or almost everything online in 2025. Over half (60%) of Finnish online shoppers say free delivery motivates them to buy more online. This information comes from Kantar TNS's 2019 online shopping survey commissioned by Posti. It provides a comprehensive overview of the current state of online shopping in Finland.

In 2019, half of Finns aged 16-89 had bought something online in the last three months, according to a survey published by Statistics Finland. Online shopping is more common in the Greater Helsinki area and in larger cities with over 80,000 inhabitants than in smaller and less populated municipalities.

In Russia, large-scale state-led investment projects are expected to progress more rapidly between 2020 and 2021, which will slightly increase economic growth, especially in 2020. According to the Bank of Finland (BOFIT Forecast for Russia), Russian GDP is forecast to grow by 1.8% this year. During the 2021, the growth is expected to remain at the level of 1.6%.

## Net sales and profit performance

### October–December 2019

The number of working days in the fourth quarter was 62 (62), same as in the previous year. The number of working days affects the Group's net sales and result. The Group's net sales decreased by 6.6% to EUR 392.9 (420.8) million. The strike has affected Posti's production, volumes and net sales very negatively. Net sales decreased by 8.2% in Finland and increased by 9.0% in other countries. International operations accounted for 10.7% (9.2%) of net sales.

The strike heavily impacted on the net sales of the Mail, Parcel and Logistics Services segment. Within the segment, the decline in volumes had a negative effect on net sales particularly in Postal Services and in Parcel and eCommerce. However, Logistics Solutions net sales increased by 20.8%. Growth in net sales was primarily attributable to the Transval acquisition completed during the first quarter.

Net sales decreased in Itella Russia by 15.5% largely due to the restructuring actions of the warehouses as well as divestment of Connexions in 2018.

The Group's adjusted EBITDA decreased to EUR 35.0 (36.4) million, but the share of net sales 8.9% (8.7%) increased. EBITDA decreased to EUR 32.8 (33.7) million, but the share of net sales 8.4% (8.0%) increased. The adoption of IFRS 16 improved the EBITDA by EUR 11.9 million. The adjusted operating result decreased to EUR 5.4 (20.5) million, or 1.4% (4.9%) of net sales, as a result of strike that negatively affected to the result of the Mail, Parcel and Logistics Services segment. The adoption of IFRS 16 improved the adjusted operating result by EUR 0.9 million.

Special items affected the operating result negatively by EUR 8.2 (4.0) million. The special items include EUR 6.0 million costs of impairments and EUR 2.2 million for other items reported as special items. The operating result was EUR -2.8 (16.5) million, or -0.7% (3.9%) of net sales.

Operations under the universal service obligation amounted to EUR 40.1 (52.5) million, or 10.2% (12.5%) of the Group's net sales and 6.7% (7.6%) of delivery volumes.



## January–December 2019

The number of working days in January-December was 251 (251), the same as in the previous year. The number of working days affects the Group's net sales and result. The Group's net sales increased by 0.3% to EUR 1,564.6 (1,559.3) million. Net sales grew by 0.4% in Finland and declined by 0.2% in other countries. International operations accounted for 9.5% (9.6%) of net sales.

The increase in net sales was attributable especially to the positive development of the Logistics Solutions business group, driven primarily by the Transval acquisition completed during the first quarter. Net sales in Postal Services continued to decline because of the decreased volumes. In Parcel and eCommerce, the net sales increased steadily during the Q1-Q3/2019 but the strike in Q4/2019 decreased net sales for the whole year to a flat level.

Net sales decreased in Itella Russia by 20.3% largely due to the restructuring actions of the warehouses and divestment of MaxiPost and Connexions in 2018.

The Group's adjusted EBITDA increased to EUR 155.1 (110.8) million, 9.9% (7.1%) of net sales. EBITDA increased to EUR 140.6 (104.5) million, 9.0% (6.7%) of net sales. The adoption of IFRS 16 improved the EBITDA by EUR 48.2 million. The adjusted operating result ended up being EUR 39.0 (47.0) million, or 2.5% (3.0%) of net sales affected negatively by the strike that weakened the result of the Mail, Parcel and Logistics Services segment. The adoption of IFRS 16 positively affected to the result performance.

Special items affected the operating result negatively for January-December by EUR 20.5 (7.7) million. The special items included EUR 6.4 million in personnel restructuring costs, EUR 6.0 million in costs of impairments and EUR 8.1 million for other items reported as special items.

The operating result was EUR 18.5 (39.3) million, or 1.2% (2.5%) of net sales. The adoption of IFRS 16 improved the operating result by EUR 3.9 million.

Operations under the universal service obligation amounted to EUR 115.2 (135.0) million, or 7.4% (8.7%) of the Group's net sales and 4.0% (4.6%) of delivery volumes.

## Mail, Parcel and Logistics Services

### October–December 2019

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

- Addressed letters: -24% (-10%)
- Parcels in Finland and the Baltics: -1% (6%)
- Freight volumes\* measured in waybills: -10% (4%)

\* The reported figure for freight excludes food logistics



The net sales of Mail, Parcel and Logistics Services decreased to EUR 370.1 (393.9) million. Net sales are itemized below.

**Net sales of Mail, Parcel and Logistics Services:**

<b>Net sales, EUR million</b>	<b>10–12 2019</b>	<b>10–12 2018</b>	<b>Change</b>
Postal Services	171.1	203.1	-15.7%
Parcel and eCommerce	105.2	113.4	-7.2%
Logistics Solutions	95.1	78.7	20.8%
Other and eliminations	-1.3	-1.3	
<b>Total</b>	<b>370.1</b>	<b>393.9</b>	<b>-6.0%</b>

The Finnish Post and Logistics Union PAU organized a strike in November. The strike caused delays in deliveries and affected volumes especially in Postal Services and Parcel and eCommerce.

The Postal Services net sales decrease was driven by a strike negatively affecting to the volumes. The full year net sales are strongly influenced by the last quarter of the year and especially by the Christmas season. Christmas greetings are still part of the Finnish Christmas tradition, but especially due to the strike, the volumes declined strongly. 15 million Christmas cards were sent this year in Finland compared to 23 million Christmas cards in 2018.

Due to the strike, the delivery of printed materials, such as letters, magazines and advertisements was interrupted in November. In some cases, the delays lasted for weeks. A lot of Christmas-related advertising mail is normally sent during the fourth quarter. This year, the volume of advertising mail decreased, which also contributed to the fall in net sales. The strike also had a negative effect on the volumes of corporate letters.

The fourth quarter is normally the most important quarter of the year for the results of Parcel and eCommerce operations. Even though Posti was able to deliver parcels according to the promised schedule during the strike, many of Posti's e-commerce customers took the precaution of preparing for the strike by transferring parcel delivery to Posti's competitors. Consumer customers also preferred delivery by Posti's competitors during the strike due to uncertainty about the delivery speed of parcels delivered by Posti. The actions of both business and consumer customers had a negative effect on parcel volumes and through that to net sales. The total number of parcels delivered by Posti in Finland and the Baltic countries decreased to 13.9 (14.0) million parcels. The figure does not include letter-like e-commerce items.

The number of parcels going through Posti Parcel Lockers grew by 40%. At the end of December, Posti had 1,673 parcel lockers compared to 1,002 in 2018. Posti aims to increase the number of parcel lockers to 4,000 by the end of 2022. By increasing the number of parcel lockers, Posti can meet consumers' needs and tackle the challenges posed by the rapid growth in e-commerce.

Net sales in Logistic Solutions developed positively thanks to the Transval acquisition. In Logistics Solutions, the development was positive for the logistics outsourcing. Domestic freight, measured in waybills, decreased also because of the strike.

In order to improve Logistic Solutions profitability, Posti sold its temperature-controlled transport, terminal and warehousing services as a business transfer in Vantaa, Lempäälä, Seinäjoki, Turku and Mikkeli during the fourth quarter. In food transport services, Posti will concentrate on a smaller selection of services, such as brewery logistics and the delivery of meals to homes and municipal institutions as well as services including the delivery of bakery products, dried foods and food purchased from online stores.

The adjusted EBITDA of Mail, Parcel and Logistics Services decreased to EUR 23.5 (32.9) million, and the share of the net sales 6.3% (8.4%) decreased. EBITDA decreased to EUR 24.0 (32.8) million. The adjusted operating result decreased to EUR 0.8 (22.7) million, and the share of the net sales decreased to 0.2% (5.8%). This is mainly due to the strike which negatively affected to the net sales.

Special items affected the operating result for the fourth quarter by EUR 3.5 (1.3) million. The special items included EUR 4.0 million in costs of impairments. The operating result decreased to EUR -2.7 (21.4) million.

## January–December 2019

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

- Addressed letters: -16% (-9%)
- Parcels in Finland and the Baltics: 7% (10%)
- Freight volumes\* measured in waybills: -2% (3%)

\* The reported figure for freight excludes food logistics

The net sales of Mail, Parcel and Logistics Services increased to EUR 1,482.2 (1,457.2) million. Net sales are itemized below.

### Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	1–12 2019	1–12 2018	Change
Postal Services	683.9	737.8	-7.3%
Parcel and eCommerce	407.7	407.6	0.0%
Logistics Solutions	396.7	316.7	25.4%
Other and eliminations	-6.1	-4.6	
<b>Total</b>	<b>1,482.2</b>	<b>1,457.2</b>	<b>1.7%</b>

In Postal Services, net sales decreased because of mail volume decline in January–September and accelerated in October–December because of the strike organized by The Finnish Post and Logistics Union PAU.

The negative volume development has been compensated by price, product and delivery speed changes. At the beginning of the year, changes were made to the pricing and delivery speeds of letter items for business customers. The prices of letter items were increased and regional changes to pricing and delivery speeds were also made in 2019. The delivery speed of ordinary consumer letters changed at the end of the first quarter. Even though letter volumes have decreased, measures such as these, have allowed Posti to stabilize net sales as well as manage production costs strictly in Q1-Q3. The net sales was strongly influenced by the last quarter of the year and especially by the Christmas season. The Postal Services net sales in Q4 decreased and the downward trend was driven by a strike which negatively impacted to the volumes.

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 50.3 (47.2) million parcels. The figure does not include letter-like e-commerce items. For the first three quarters the volume growth was on a positive level, and the volume development speeded up especially in August and September, but the strike in Q4 slowed down the volume development. Despite the strike, the volume development was still stronger than in the comparison period. Posti has gained new e-commerce customers, and at the same time many previous customers have been able to further increase sales through their online stores. The volume of small parcels from Asia, such as from Chinese online stores, have remained at a high-level. Also, the number of parcels going through Posti Parcel Lockers has been able to increase in every quarter in 2019. All in all, the number grew by 40% in 2019.

Net sales increased by 25.4% in Logistic Solutions primarily because of the Transval acquisition, completed during the first quarter. Development in freight volumes, measured in waybills, has decreased compared to the previous year. The trend is similar to that of the whole Finnish market, where freight volumes have started to decline in the second quarter of 2019. Also, the strike organized by PAU negatively influenced to the volumes.



The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 135.2 (95.6) million, 9.1% (6.6%) of net sales. EBITDA increased to EUR 126.2 (96.0) million. The adjusted operating result decreased to EUR 43.4 (53.9) million, 2.9% (3.7%) of net sales.

Special items affected the operating result for January–December by EUR 13.0 (0.8) million. The special items included EUR 6.0 million in personnel restructuring costs, EUR 4.0 million in costs of impairments and EUR 3.0 million for other items reported as special items. The operating result decreased to EUR 30.4 (53.0) million.

## **Itella Russia**

### **October–December 2019**

Itella Russia's net sales measured in local currency decreased by 21.1%. Reported euro-denominated net sales decreased by 15.5% to EUR 23.0 (27.2) million. Net sales decreased in Contract Logistic and Road Transport but increased in Air & Sea. Net sales decrease in Contract Logistics was driven by closing of the warehouses as net sales in remaining locations increased. The divestment of Connexions in Q4/2018 decreased the net sales. According to its strategy, Itella Russia is focusing on its core businesses, such as contract logistics and transportation.

The adjusted EBITDA was EUR 5.1 (3.2) million, 22.0% (11.7%) of net sales. EBITDA was EUR 1.9 (-1.1) million.

The average fill rate for warehouses in Moscow was 91.7% (89.0%), while in other regions it was 71.9% (56.7%). The fill rates were affected by the closing of the warehouses, such as Yekaterinburg and Krekshino ABC.

The adjusted operating result increased and was EUR 2.7 (1.7) million. The adjusted operating result was positively impacted by the closure of unprofitable warehouses. The operating result was EUR -0.5 (-2.6) million.

### **January–December 2019**

Itella Russia's net sales measured in local currency decreased by 22.0%. Reported euro-denominated net sales decreased by 20.3% to EUR 82.8 (103.9) million. Net sales decreased in Contract Logistic, in Road Transport and in Air & Sea. Net sales were affected by the closing of the unprofitable warehouses, weak market for transport services and the divestment of Maxipost in Q2/2018 and Connexions in Q4/2018.

The adjusted EBITDA was EUR 13.9 (8.6) million, 16.8% (8.3%) of net sales. EBITDA was EUR 10.4 (4.9) million. The EBITDA improvement was mainly driven by the adoption of IFRS 16.

The average fill rate for warehouses in Moscow was 79.4% (87.1%), while in other regions it was 55.9% (67.4%). The fill rates were affected by the closing of the warehouses, such as Yekaterinburg, Bataisk and Krekshino ABC.

The adjusted operating result was EUR 3.4 (2.6) million. The adjusted operating result was driven by restructuring and optimization measures taken primarily during the second quarter. The result was positively impacted by the Contract Logistic business. It benefited from the closure of unprofitable sites and optimization of customer portfolio. The operating result was EUR -0.1 (-1.2) million.

### Key figures for segments, continuing operations

EUR million	10-12 2019	10-12 2018	1-12 2019	1-12 2018
<b>Net sales</b>				
Mail, Parcel and Logistics Services	370.1	393.9	1,482.2	1,457.2
Itella Russia	23.0	27.2	82.8	103.9
Other and unallocated	0.4	1.0	2.0	4.2
Intra-Group sales	-0.6	-1.4	-2.5	-6.0
<b>Posti Group</b>	<b>392.9</b>	<b>420.8</b>	<b>1,564.6</b>	<b>1,559.3</b>
<b>Net sales change-%</b>				
Mail, Parcel and Logistics Services	-6.0 %	-2.3 %	1.7 %	0.6 %
Itella Russia	-15.5 %	-17.5 %	-20.3 %	-12.8 %
<b>Posti Group</b>	<b>-6.6 %</b>	<b>-7.0 %</b>	<b>0.3 %</b>	<b>-5.3 %</b>
<b>Adjusted EBITDA</b>				
Mail, Parcel and Logistics Services	23.5	32.9	135.2	95.6
Itella Russia	5.1	3.2	13.9	8.6
Other and unallocated	6.5	0.3	6.0	6.5
<b>Posti Group</b>	<b>35.0</b>	<b>36.4</b>	<b>155.1</b>	<b>110.8</b>
<b>Adjusted EBITDA, %</b>				
Mail, Parcel and Logistics Services	6.3 %	8.4 %	9.1 %	6.6 %
Itella Russia	22.0 %	11.7 %	16.8 %	8.3 %
<b>Posti Group</b>	<b>8.9 %</b>	<b>8.7 %</b>	<b>9.9 %</b>	<b>7.1 %</b>
<b>EBITDA</b>				
Mail, Parcel and Logistics Services	24.0	32.8	126.2	96.0
Itella Russia	1.9	-1.1	10.4	4.9
Other and unallocated	6.9	2.0	4.0	3.5
<b>Posti Group</b>	<b>32.8</b>	<b>33.7</b>	<b>140.6</b>	<b>104.5</b>
<b>EBITDA, %</b>				
Mail, Parcel and Logistics Services	6.5 %	8.3 %	8.5 %	6.6 %
Itella Russia	8.4 %	-4.1 %	12.6 %	4.8 %
<b>Posti Group</b>	<b>8.4 %</b>	<b>8.0 %</b>	<b>9.0 %</b>	<b>6.7 %</b>

### Key figures for segments, continuing operations

EUR million	10-12 2019	10-12 2018	1-12 2019	1-12 2018
<b>Adjusted operating result</b>				
Mail, Parcel and Logistics Services	0.8	22.7	43.4	53.9
Itella Russia	2.7	1.7	3.4	2.6
Other and unallocated	1.9	-3.9	-7.8	-9.5
<b>Posti Group</b>	<b>5.4</b>	<b>20.5</b>	<b>39.0</b>	<b>47.0</b>

<b>Adjusted operating result, %</b>				
Mail, Parcel and Logistics Services	0.2 %	5.8 %	2.9 %	3.7 %
Itella Russia	11.7 %	6.3 %	4.1 %	2.5 %
<b>Posti Group</b>	<b>1.4 %</b>	<b>4.9 %</b>	<b>2.5 %</b>	<b>3.0 %</b>
<b>Operating result</b>				
Mail, Parcel and Logistics Services	-2.7	21.4	30.4	53.0
Itella Russia	-0.5	-2.6	-0.1	-1.2
Other and unallocated	0.4	-2.3	-11.8	-12.5
<b>Posti Group</b>	<b>-2.8</b>	<b>16.5</b>	<b>18.5</b>	<b>39.3</b>
<b>Operating result, %</b>				
Mail, Parcel and Logistics Services	-0.7 %	5.4 %	2.0 %	3.6 %
Itella Russia	-2.0 %	-9.4 %	-0.1 %	-1.2 %
<b>Posti Group</b>	<b>-0.7 %</b>	<b>3.9 %</b>	<b>1.2 %</b>	<b>2.5 %</b>

## Financial position and investments

The consolidated cash flow from operating activities was EUR 126.3 (79.8) million. The cash flow from investing activities was EUR -79.3 (-28.1) million and cash flow from financing activities EUR -98.8 (-30.6) million which includes the dividend payment of EUR 28.4 (40.0) million. The adoption of IFRS 16 changed the presentation of statement of cash flows. The payments of lease liabilities had a EUR 44 million positive impact on the cash flow from operating activities as they are presented as cash flow from financing activities.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flows amounted to EUR 106.2 (63.4) million.

At the end of December, liquid assets amounted to EUR 141.7 (131.0) million, and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 321.0 (129.7) million. The net debt totaled EUR 164.3 (-31.3) million. Interest-bearing liabilities and, therefore, also net debt increased significantly due to the adoption of IFRS 16. The equity ratio was 40.0% (48.6%) the decrease is primarily due to the initial application of IFRS 16.

## Research and development

Research and development expenditure related to research and development activities in 2019 amounted to EUR 3,4 (4,7) million, or 0.2% (0.3%) of the Group's total operating expenses.

Posti will continue to invest in digital services, increased automation and improving the competitiveness of our core business.

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

Posti will make major investments to prepare for growth in e-commerce. Posti will measurably expand its parcel locker network. Posti will quadruple the number of Posti parcel lockers within the next few years.

## Share capital and shareholding

At Posti, the Finnish State exercises the shareholder's decision-making power. The State's direct ownership of Posti Group Corporation is 50.1%, with 49.9% of the shares owned by the Finnish State Business Development Company (Vake Oy). Posti Group Corporation's 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.

## Governance and auditors

### Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 25, 2019.

In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 28.4 million based on the result in 2018. The dividend was paid on March 28, 2019.

The meeting adopted the 2018 financial statements and discharged the members of the Supervisory Board, Board of Directors and President and CEO from liability.

It was decided that the Board of Directors is to be composed of nine members. The following continued as members of the Board of Directors: Eero Hautaniemi, M.Sc. (Econ.); Frank Marthaler (Lic.oec. HSG); Markku Pohjola, B.Sc. (Econ.); Suvi-Anne Siimes, Licentiate of Political Science, (Econ.); Per Sjödel B.Sc (econ) and Arja Talma, M.Sc. (Econ.) eMBA. Pertti Miettinen continued as an employee representative\* (\*pilot started in 2018).

Anna Martinkari and Minna Pajumaa B.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.

Posti Group Corporation's Extraordinary General Meeting (EGM) was held in Helsinki on October 2, 2019. Until the end of the next Annual General Meeting, the EGM elected the members of the Supervisory Board, the Chairman and vice-chairman.

MP Aki Lindén (Social Democratic Party); MP Paula Werning (Social Democratic Party); MP Kimmo Kiljunen (Social Democratic Party); MP Ari Tornainen (Centre Party); MP Eeva Kalli (Centre Party); MP Mia Laiho (National Coalition Party), MP Veronica Rehn-Kivi (Swedish People's Party); MP Mari Rantanen (Finns Party); MP Atte Harjanne (The Greens); MP Pia Lohikoski (Left Alliance) and MP Sari Essayah (Christian Democrats) were elected as new members of the Supervisory Board.

MP Rami Lehto (Finns Party) will continue as member of the Supervisory Board. Aki Lindén was elected as the Chairman of the Supervisory Board and Atte Harjanne as the Vice Chairman.

## The authorized public accountancy firm

PricewaterhouseCoopers Oy (PwC), a firm of authorized public accountants, was elected as Posti Group Corporation's auditor, with Authorized Public Accountant Mikko Nieminen as the principal auditor.

## Changes in management

SVP Sari Helander, the Head of Logistics Solution and member of Executive Board at Posti Group, left as of April 24, 2019.

Heikki Malinen, President and CEO of Posti Group Corporation, resigned from his position as of October 1, 2019. Malinen has acted as President and CEO of Posti Group Corporation since 2012.

The Board of Directors of Posti Group Corporation appointed Turkka Kuusisto (M.Sc. Eng.), previously SVP, Parcel and eCommerce, as interim President and CEO, as of October 1, 2019. Kuusisto has been a member of the Group's Leadership Team since 2016.

## Employees

The Group's personnel	10-12 2019	10-12 2018	1-12 2019	1-12 2018
Personnel at period-end*			20,468	18,185
Personnel on average, FTE*/**	16,036	15,868	16,569	16,425

\*Continuing operations

\*\*Full time equivalent personnel on average

Personnel at the end of the period was:

- Finland: 18,307 (15,542) employees
- Other countries of operation: 2,161 (2,643) employees

The Group's personnel expenses amounted to EUR 672.7 (648.2) million, up 3.8% from the previous year. The personnel expenses included EUR 6.4 (1.0) million in restructuring costs. Excluding restructuring costs, the personnel expenses increased by 2.9% year-on-year.

The Uusi polku (New path) program December 31, 2019:

- Applications: 557
- Approved: 213

Launched at the beginning of 2014, the Uusi polku (New path) program offers personnel not only financial support, but also training and support for job seeking, as well as support for retraining or starting a business.

## Cooperation negotiations

The cooperation negotiations concerning both administration and service production started on January 29, 2019. According to a preliminary estimate, the personnel reduction need was a maximum of 236 employees. Cooperation negotiations ended on March 21, 2019. In administration, the reduction need **reduced** to 59 employees and in service production to 13 employees.

Posti announced on April 15, 2019 that it is planning a reorganization of work concerning the administration and supervisory positions of the Postal Services production due to the decline in mail volumes. According to a preliminary estimate, the reduction need is a maximum of 244 permanent employees, of which 120 are in Postal services. Cooperation negotiations ended on June 4, 2019. The reduction need reduced to 94 employees.

Posti announced on April 15, 2019 that it will update its retail network and close some of its own shops. Cooperation negotiations ended on June 4, 2019. Posti will close 18 of its own shops by March 2021. The personnel reduction need reduced to 108 employees (124 permanent employees at the beginning of the negotiations).

The cooperation negotiations in Food Logistic started on August 5, 2019. Cooperation negotiations ended on November 13, 2019. The reduction need was eight employees.

## Strategy and its implementation in 2019

The postal sector is in a transformation of historic proportions, and in 2019 Posti have continued determined efforts to transform Posti. Posti have had a strong focus on improving quality and the customer experience. According to its` strategy for 2018-2020 Posti has seeked profitable growth from its core business operations, especially parcels, e-commerce and related solutions, end-to-end logistics solutions ranging from transport to in-house logistics and new services.

Posti's transformation has also been implemented through various mergers and acquisitions. Posti has acquired new businesses, in areas within or close to its core competences, targeting to generate profitable growth. Further, Posti has divested businesses that do not belong to its core competencies or that do not meet the company's profitability requirements.

The implementation of this strategy is progressing well. Parcel and eCommerce and Logistics Solutions already brought over 50% of the Group's net sales. Net sales increased primarily because of the Transval acquisition, completed during the first quarter. The acquisition was a step in Posti's logistics services growth strategy; as a result of the acquisition Posti became a significant operator in logistics outsourcing solutions in Finland, according to its` strategy for 2018-2020.

In 2019, Posti sold OpusCapita Solutions Oy, its fully owned subsidiary. The divestment was also in line with Posti Group's strategy to focus on Postal, Parcel & E-commerce and Logistics services.

During the year 2019, Posti sold part of its temperature-controlled transport business. In food transport services, Posti concentrates on brewery logistics and the delivery of meals to homes and municipal institutions as well as services such as the delivery of food purchased from online stores.

Posti's IT renewal is an important part of Posti's transformation and a natural continuum in the implementation of Posti's ICT strategy. Posti chose technology company Infosys Ltd as one of its main partners for the development of digitalization and IT services in May 2019. As part of the partnership, Posti has outsourced some of its IT operations to Infosys. Through this engagement Infosys has driven the modernisation of Posti's IT applications and infrastructure, helping it move to a flexible IT service model that will strengthen Posti's ability to respond to changes in customer needs with agility.

Posti's long-term financial targets are:

- Adjusted operating result margin of 4%
- Net debt / Adjusted EBITDA less than 2.0x
- Strict management of free cash flow





## Acquisitions, divestments and changes in corporate structure

Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy on January 25, 2019. The acquisition was announced in September 2018. The acquisition was a step in Posti's logistics services growth strategy; as a result of the acquisition Posti has become a significant operator in logistics outsourcing solutions in Finland.

Posti divested OpusCapita Solutions Oy to a fund managed by Providence Equity Partners L.L.C (Providence). The closing of the transaction took place on March 31, 2019. The divestment was in line with Posti Group's strategy.

Posti Ltd, Alma Media Kustannus Oy and Alma Manu Oy agreed on June 20, 2019 on a business transfer and a delivery service agreement under which Alma Manu Oy's early-morning delivery operations published by Alma Media Kustannus were transferred to Posti on January 1, 2020. Posti expanded its early-morning delivery because Posti's strategy is to have a strong presence in the publication delivery.

Posti divested a Russian real-estate company OOO Ekaterinburg in August 2019. According to its strategy, Itella Russia is focusing on its core businesses, such as contract logistics and transportation.

Posti acquired E-Log Services Oy, the owner of Pakettikauppa.fi on September 20, 2019. The company offers parcel and e-commerce services. Through the transaction, Posti will accelerate the development of its services and customer experience in small and medium-sized online stores.

Posti and Esa Kuokka Oy signed a business acquisition agreement on September 30, 2019, under which Posti sold food and temperature-regulated logistics and temperature-regulated warehouse business in Lempäälä and Vantaa to Esa Kuokka Oy. The transaction was completed on November 1, 2019.

Posti and Huhtala Logistics Oy signed an agreement in November 2019, under which Posti sold its temperature-controlled food transport business in Seinäjoki – along with the customer solutions, the property used for producing the services and the related contracts – to Huhtala Logistics Oy. The sale proceeded on December 1, 2019, when the 22 Posti employees producing the services transferred to Huhtala Logistics Oy as existing employees.

## Regulatory environment

Posti executed its second mandatory tendering procedure based on the Postal Act amendment, which became effective on July 1, 2018. The mandatory tendering procedure covers the five-day delivery of universal service letters in areas not covered by the early-morning newspaper delivery, which is based on commercial agreements. The areas subject to the tendering procedure are based on a decision issued by The Finnish Transport and Communications Agency. The tendering covered more than 1,800 areas. Only one other company besides Posti submitted a tender as part of the competitive tendering process that began in February 2019 and continued until April 2019. Posti won the competitive tendering process in all tendered areas.

## Legal proceedings

The company has some pending legal proceedings related to its normal operations, but none of them, separately or collectively, has a material impact.

## Business risks

Fast changing customer behavior and increasing competition combined with uncertainties related to availability of workforce form a challenging risk environment in all Posti's main markets postal, parcel & eCommerce delivery and logistics outsourcing. Faster than expected mail decline forms the largest single risk item. In addition, Posti's business is dependent on the general economic conditions, and their developments in Finland and in the surrounding countries.

Posti is executing a comprehensive business transformation to adapt to the changing business environment and customer needs. The success of the chosen transformation strategy, including realization of the related growth and efficiency improvements, includes several uncertainties such as dependency on a few large customers and partners, risks especially related to the labour market negotiations and the Posti ICT-systems ja -infrastructure reliability, security and cost efficiency related risks. Due to Posti history it operates a complex service, process and related ICT systems architecture. This may not fully meet the requirements of Posti's current or planned new businesses or support them. Given the increased importance of cyber security and other data related risks in Posti Group's operations and risk portfolio, the Company has recently increased its focus and competences within the area.

Other risks related to strategy execution include, among others, potential challenges in acquisition and divestments, and integration of possibly acquired businesses, general reputation management and the risk of general compliance in a complex regulatory requirement.

The Government Programme of the Finnish government includes the objective of revising the postal act and the objective of securing newspaper delivery in low-density areas. The regulation should be renewed to support the Posti services transformation. However, there is no certainty of stability, nor predictability for adoption of the additional needed amendments, in the legal environment as to the postal regulation in Finland or the legislation in general in other countries, Russia in particular. The sanctions imposed by the US and EU on a number of Russian persons, entities and activities may also have an adverse impact on Posti's overall operations. In Finland, Posti tends to be subject to a number of antitrust reviews and investigations on a continuous basis.

## Outlook for 2020

Net sales in 2020, excluding possible new acquisitions and divestments, is expected to remain on par with the previous year. The Group's adjusted operating result in 2020 is expected to increase from the previous year.

The Group's business is characterized by seasonality. Net sales and operating result 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.

## Events after the review period

Alma Media's early-morning delivery operations in Pirkanmaa and Satakunta has been transferred to Posti in an acquisition between Posti, Alma Media Kustannus Oy and Alma Manu Oy as of January 1, 2020.

The Board of Directors of Posti Group Corporation has appointed Turkka Kuusisto, (b. 1979, M.Sc. Eng.) as President and CEO of Posti Group Corporation as of February 6, 2020.

## **Board of Directors' proposal for the distribution of profit**

In the financial statements, the parent company's distributable funds total EUR 324,185 985.29, of which the loss for the financial year 2019 is EUR 81,937,530.05.

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 29.8 million, or a dividend of EUR 0.745 per share will be distributed.

Helsinki, February 11, 2020

Posti Group Corporation  
Board of Directors

## APPENDICES

Calculation of key figures  
Financial statement release tables

## Calculation of key figures

In addition to IFRS-based performance measures, Posti Group discloses alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows and in the notes disclosures. Management believes that adjusted performance measures provide 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.

EBITDA*		Operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA*		EBITDA excluding special items.
Adjusted operating result*		Operating result excluding special items.
Special items*		Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations, changes in contingent purchase considerations originated from business combinations, costs for strategic key projects and other material items outside of ordinary course of business.
Gross capital expenditure*		Additions to intangible assets and property, plant and equipment including additions to right-of-use assets as well as business acquisitions comprising of total amount of purchase considerations.
Equity ratio, %	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on equity, %	100 x	$\frac{\text{Result for the period (12 months rolling)}}{\text{Total equity (average of opening and closing balance of the previous 12 months)}}$
Return on capital employed, %	100 x	$\frac{\text{Operating result (12 months rolling)}}{\text{Capital employed (average of opening and closing balance of the previous 12 months)}}$
Capital employed		Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt		Interest bearing borrowings - liquid funds - debt certificates.
Net debt / adjusted EBITDA		$\frac{\text{Net debt}}{\text{Adjusted EBITDA (12 months rolling)}}$
Interest-bearing borrowings		Non-current and current interest-bearing borrowings and lease liabilities.
Liquid funds		Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE*		Full time equivalent personnel on average.
Adjusted free cash flow		Cash flow from operating activities as presented in the consolidated statement of cash flows less purchase of intangible assets and property, plant and equipment as presented in the consolidated statement of cash flows and less cash flow impacts of personnel restructuring costs and costs of strategic key projects.

\* Continuing operations

## Financial statement release tables January-December 2019

### Condensed consolidated Income Statement and Consolidated Statement of Comprehensive Income

#### Condensed consolidated income statement

##### Continuing operations

EUR million	10-12 2019	10-12 2018	1-12 2019	1-12 2018
<b>Net sales</b>	<b>392.9</b>	<b>420.8</b>	<b>1,564.6</b>	<b>1,559.3</b>
Other operating income	5.0	6.0	19.3	22.3
Materials and services	-125.9	-133.9	-482.9	-500.6
Employee benefits	-157.8	-168.7	-672.7	-648.2
Other operating expenses	-81.5	-90.5	-287.8	-328.3
Depreciation and amortisation	-28.5	-15.9	-114.9	-63.6
Impairment losses	-7.1	-1.2	-7.2	-1.6
<b>Operating result</b>	<b>-2.8</b>	<b>16.5</b>	<b>18.5</b>	<b>39.3</b>
Finance income	1.8	1.6	11.9	8.0
Finance expenses	-2.6	-2.6	-13.9	-8.5
<b>Result before income tax</b>	<b>-3.6</b>	<b>15.6</b>	<b>16.5</b>	<b>38.9</b>
Income tax	-0.5	-1.5	-2.4	-4.2
<b>Result for the period from continuing operations</b>	<b>-4.1</b>	<b>14.1</b>	<b>14.1</b>	<b>34.6</b>
Result for the period from discontinued operations	0.0	0.2	4.9	-33.9
<b>Result for the period</b>	<b>-4.1</b>	<b>14.3</b>	<b>19.0</b>	<b>0.7</b>
<b>Result for the period attributable to</b>				
Parent company shareholders	-4.1	14.3	19.0	0.8
Non-controlling interest	0.0	0.0	0.0	-0.1
<b>Earnings per share (EUR per share)</b>				
Group total	-0.10	0.36	0.47	0.02
Continuing operations	-0.10	0.35	0.35	0.87
Discontinued operations	0.00	0.01	0.12	-0.85

As Posti currently has no dilutive instruments outstanding, diluted earnings per share is the same as basic earnings per share.

#### Condensed consolidated Statement of Comprehensive Income

<b>Result for the period</b>	<b>-4.1</b>	<b>14.3</b>	<b>19.0</b>	<b>0.7</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit or loss:</b>				
Changes in the fair value of financial assets at fair value through other comprehensive income				0.0
Change in fair value of cash flow hedges	0.4	0.0	-0.8	0.1
Translation differences	1.4	-2.3	10.4	-10.2
Income tax relating to these items	-0.1	0.0	0.2	0.0
<b>Items that will not be reclassified to profit or loss:</b>				
Remeasurements of post-employment benefit obligations	2.2	1.4	1.1	1.6
Income tax relating to these items	-0.4	-0.3	-0.2	-0.3
<b>Comprehensive income for the period</b>	<b>-0.7</b>	<b>13.2</b>	<b>29.6</b>	<b>-8.1</b>
<b>Comprehensive income attributable to</b>				
Parent company shareholders	-0.7	13.2	29.6	-8.1
Non-controlling interest	0.0	0.0	0.0	-0.1

## Condensed consolidated Balance Sheet

### Assets

EUR million	Dec 31, 2019	Dec 31, 2018
<b>Non-current assets</b>		
Goodwill	151.9	147.4
Other intangible assets	58.5	57.0
Investment property	3.7	3.9
Property, plant and equipment	314.0	327.6
Right-of-use assets	190.5	0.0
Other non-current investments	1.0	3.5
Non-current receivables	0.3	1.3
Deferred tax assets	8.8	9.2
<b>Total non-current assets</b>	<b>728.7</b>	<b>549.8</b>
<b>Current assets</b>		
Inventories	4.6	3.7
Trade and other receivables	299.7	288.2
Current income tax receivables	4.6	2.2
Current financial assets	101.9	54.7
Cash and cash equivalents	54.9	106.6
<b>Total current assets</b>	<b>465.7</b>	<b>455.3</b>
<b>Total assets</b>	<b>1,194.4</b>	<b>1,005.1</b>
<b>Equity and liabilities</b>		
<b>EUR million</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
<b>Equity attributable to the shareholders of the parent company</b>		
Share capital	70.0	70.0
General purpose reserve	142.7	142.7
Fair value reserve	-1.3	-0.7
Translation differences	-90.3	-100.7
Retained earnings	323.8	332.4
<b>Total shareholders' equity</b>	<b>444.9</b>	<b>443.7</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	20.6	19.8
Non-current interest-bearing borrowings	122.4	119.7
Non-current interest-bearing lease liabilities	146.8	0.4
Other non-current payables	6.9	10.3
Advances received	13.6	14.2
Non-current provisions	4.8	9.9
Defined benefit pension plan liabilities	8.0	10.0
<b>Total non-current liabilities</b>	<b>323.1</b>	<b>184.4</b>
<b>Current liabilities</b>		
Current interest-bearing borrowings	6.5	0.0
Current interest-bearing lease liabilities	45.3	9.5
Trade and other payables	296.2	278.7
Advances received	67.4	77.0
Current income tax liabilities	0.7	0.5
Current provisions	10.2	11.3
<b>Total current liabilities</b>	<b>426.4</b>	<b>377.0</b>
<b>Total liabilities</b>	<b>749.5</b>	<b>561.4</b>
<b>Total equity and liabilities</b>	<b>1,194.4</b>	<b>1,005.1</b>

## Condensed consolidated Statement of Cash Flows

EUR million	1-12 2019	1-12 2018
<b>Result for the period</b>	<b>19.0</b>	<b>0.7</b>
Adjustments to cash flow	111.1	99.4
Change in net working capital	8.1	-13.8
<b>Cash flow before financial items and income tax</b>	<b>138.2</b>	<b>86.3</b>
Financial items (net)	-5.4	-1.0
Income tax paid	-6.5	-5.5
<b>Cash flow from operating activities</b>	<b>126.3</b>	<b>79.8</b>
Purchase of intangible assets	-22.2	-19.2
Purchase of property, plant and equipment	-34.2	-39.2
Proceeds from sale of intangible and tangible assets	4.9	1.5
Business acquisitions, net of cash acquired	-49.8	-5.0
Proceeds from business disposals less cash and cash equivalents	67.6	5.6
Cash flow from financial assets	-46.6	22.4
Cash flow from other investments	1.1	5.8
<b>Cash flow from investing activities</b>	<b>-79.3</b>	<b>-28.1</b>
Repayment of current loans	-14.2	-40.0
Increases in non-current loans		59.0
Repayment of non-current loans	-0.9	
Payments of lease liabilities	-55.2	-9.6
Dividends paid	-28.4	-40.0
<b>Cash flow from financing activities</b>	<b>-98.8</b>	<b>-30.6</b>
<b>Change in cash and cash equivalents</b>	<b>-51.8</b>	<b>21.1</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>106.6</b>	<b>86.0</b>
Effect of exchange rates changes	0.1	-0.5
<b>Cash and cash equivalents at the end of the period</b>	<b>54.9</b>	<b>106.6</b>

### Reconciliation of adjusted free cash flow

Cash flow from operating activities	126.3	79.8
Purchase of intangible assets and property, plant and equipment	-56.4	-58.4
<b>Free cash flow from operations</b>	<b>69.9</b>	<b>21.4</b>
Cash flow impact of personnel restructuring costs	8.1	5.3
Cash flow impact of strategic project costs		3.2
<b>Adjusted free cash flow</b>	<b>78.0</b>	<b>29.9</b>

*Group statement of cash flows includes both continuing and discontinued operations.*

## Consolidated Statement of Changes in Equity

EUR million	Attributable to the owners of the parent company						Non-controlling interests	Total equity
	General share capital	purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total		
<b>Jan 1, 2019</b>	<b>70.0</b>	<b>142.7</b>	<b>-0.7</b>	<b>-100.7</b>	<b>332.4</b>	<b>443.7</b>		<b>443.7</b>
<b>Comprehensive income</b>								
Result for the period					19.0	19.0		19.0
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			-0.6			-0.6		-0.6
Translation differences				10.4		10.4		10.4
Remeasurements of post-employment benefit obligations, net of tax					0.9	0.9		0.9
<b>Comprehensive income for the period</b>			<b>-0.6</b>	<b>10.4</b>	<b>19.8</b>	<b>29.6</b>		<b>29.6</b>
<b>Transactions with equity holders</b>								
Dividends paid					-28.4	-28.4		-28.4
<b>Dec 31, 2019</b>	<b>70.0</b>	<b>142.7</b>	<b>-1.3</b>	<b>-90.3</b>	<b>323.8</b>	<b>444.9</b>		<b>444.9</b>
<b>Jan 1, 2018</b>	<b>70.0</b>	<b>142.7</b>	<b>-0.8</b>	<b>-90.6</b>	<b>370.9</b>	<b>492.3</b>	<b>0.3</b>	<b>492.6</b>
Change in accounting policies IFRS 9 and IFRS 15			0.0		-0.7	-0.7		-0.7
<b>Jan 1, 2018, restated</b>	<b>70.0</b>	<b>142.7</b>	<b>-0.7</b>	<b>-90.6</b>	<b>370.2</b>	<b>491.6</b>	<b>0.3</b>	<b>491.9</b>
<b>Comprehensive income</b>								
Result for the period					0.8	0.8	-0.1	0.7
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			0.1			0.1		0.1
Translation differences				-10.2		-10.2		-10.2
Remeasurements of post-employment benefit obligations, net of tax					1.2	1.2		1.2
<b>Comprehensive income for the period</b>			<b>0.1</b>	<b>-10.2</b>	<b>2.0</b>	<b>-8.1</b>	<b>-0.1</b>	<b>-8.1</b>
<b>Transactions with equity holders</b>								
Acquisition of non-controlling interest					0.2	0.2	-0.2	0.0
Dividends paid					-40.0	-40.0		-40.0
<b>Dec 31, 2018</b>	<b>70.0</b>	<b>142.7</b>	<b>-0.7</b>	<b>-100.7</b>	<b>332.4</b>	<b>443.7</b>	<b>0.0</b>	<b>443.7</b>

### Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 25, 2019. The Annual General Meeting decided to distribute a dividend of EUR 28.4 million based on the result for the year 2018.



## Notes

### 1. Accounting Policies

The financial statement release has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this financial statement release, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2018 except for the adoption of new standard IFRS 16 Leases effective as of January 1, 2019. Other amendments to IFRS standards effective as of 1 January 2019 had no impact on consolidated income statement or balance sheet. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The financial statement release is unaudited.

### Application of new or amended IFRS standards

#### IFRS 16 Leases - impact of adoption

Posti has adopted IFRS 16 leases -standard on its effective date January 1, 2019 prospectively, thus the previous periods are not restated. The standard has affected primarily the accounting by lessees and as a result Posti has recognized almost all leases on balance sheet. The standard has removed the current distinction between operating and financing leases and requires recognition of a right-of-use asset (the right to use the leased item) and a lease liability representing obligation to make lease payments. The standard requires Posti to distinguish between service contracts and lease contracts.

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 has a significant impact on components of Posti's consolidated financial statements. Operating lease expense recorded on a straight-line basis has been replaced with interest and depreciation, so key metrics like operating result and EBITDA have changed. The amount of right-of-use assets and respective lease liabilities in the balance sheet has increased, which had an impact on balance sheet-based performance indicators, such as the net debt.

Posti's balance sheet for IFRS 16 is essentially based on lease contracts for real estates. For these contracts an annual rent increase is typical. Numerically, the most of the Posti's lease contracts are related to leasing of vehicles in which the rent amount typically remains constant during the lease contract term.

Cash flow from operating activities is higher as cash payments for the principal portion of the lease liability are classified within cash flow from financing activities and only the payments that reflect interest will continue to be presented as operating cash flows.

Posti's preparations for the implementation of the new standard have included the definition of accounting policies and management judgments, planning and developing the accounting processes, tools and related controls as well as training of finance organization and communication.

The standard requires management to apply judgment regarding the accounting treatment of leases. For leases that have been classified as operating leases under IAS 17, the lease liability have been recognized at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Where the rate is not available, Posti uses its incremental borrowing rate. Posti defines the rate separately for each significant geographical area, contract term and asset type.

Posti makes use of the relief exemptions provided by the standard for leases for which the underlying asset is of low value and short-term leases (12 months or less). Also part of rental contracts for premises, where Posti and the lessor both have termination options within 12 months or less, are classified as short-term leases. In case the contract includes termination or extension option, Posti considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Some lease contracts were treated as onerous leases as in the statement of financial position immediately before the date of adoption of IFRS 16 and a related provision has been recognized. Posti has chosen to rely on the earlier assessment made according to IAS 37. Judgement has been used to determine the amount of right-of-use assets in relation to the amount of provisions recognized in the balance sheet.

## Balance sheet reconciliation at 1 January 2019

### EUR million

Operating lease obligation Dec 31, 2018	218.2
Minimum lease payments on finance lease liabilities Dec 31, 2018	10.1
<b>Total lease obligation before adjustments Jan 1, 2019</b>	<b>228.3</b>
Relief exemption for short-term and low value leases	-6.9
Service components	-1.2
Other items*	8.3
Gross lease liabilities Jan 1, 2019	228.5
Discounting	-10.7
<b>Lease liabilities Jan 1, 2019</b>	<b>217.9</b>

Of which:

Present value of finance lease liabilities at 31 December 2018	10.0
Additional lease liabilities due to IFRS 16 adoption at 1 January 2019	207.9

\*Other items consist of e.g. IFRS 16 capitalization of longer rent term periods than has been earlier presented in operating lease obligations.

The lease liabilities were discounted as at 1 January 2019 and the weighted average incremental borrowing discount rate was 2.1%.

## Adjustment of IFRS 16 opening balances at 1 January 2019

### Assets

EUR million	Dec 31, 2018	IFRS 16 addition	Jan 1, 2019
Property, plant and equipment	318.1	-	318.1
Right-of-use assets	-	207.9	207.9
		207.9	

In addition to the information in table above, the IAS 17 property, plant and equipment EUR 9.5 million which were recognized in balance sheet as per 31.12.2018 are combined together with right-of-use assets.

### Equity and liabilities

#### EUR million

Retained earnings	332.4	-	332.4
Non-current lease liabilities	-	161.1	161.1
Current lease liabilities	-	46.8	46.8
		207.9	

In addition to the information in table above, the IAS 17 borrowings EUR 10.0 million which were recognized in balance sheet as per 31.12.2018 are combined together with above presented lease liability items.

## 2. Foreign exchange rates

Average rate	1-12 2019	1-12 2018
RUB	72.4593	74.0551
SEK	10.5867	10.2567
NOK	9.8497	9.6006
Closing rate	Dec 31, 2019	Dec 31, 2018
RUB	69.9563	79.7153
SEK	10.4468	10.2548
NOK	9.8638	9.9483

### 3. Operating segments

The Group's business is characterized by seasonality. Net sales and operating result of the segments do not accrue 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.

Posti's reportable segments consist of four operating segments: Postal Services, Parcel and eCommerce, Logistics Solutions and Itella Russia. Postal Services, Parcel and eCommerce and Logistics Solutions operating segments have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services.

Postal Services is in charge of mail, press and marketing services as well as document sending and digitizing services. Parcel and eCommerce and Logistics Solutions are in charge of comprehensive supply chain solutions, parcel and eCommerce services, transport services for companies, as well as warehousing and supplementary services. Itella Russia offers comprehensive logistics services to both Russian and international companies.

Majority of Group's net sales is derived from Finland. Geographical distribution of net sales is presented in Note 4. Net sales by geographical location. Mail, Parcel and Logistics services include Postal Services and Parcel and eCommerce with diverse customer base including private, corporate and public customers as well as foreign postal administrations. Services are mainly short-term services. Logistics Solutions serve corporate customers with long-term contracts. Itella Russia operates in Russia offering services to Russian and international corporate customers.

10-12  
2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	369.9	23.0	392.9	0.0		392.9
Inter-segment sales	0.2		0.2	0.4	-0.6	
<b>Net sales</b>	<b>370.1</b>	<b>23.0</b>	<b>393.2</b>	<b>0.4</b>	<b>-0.6</b>	<b>392.9</b>
<b>EBITDA</b>	<b>24.0</b>	<b>1.9</b>	<b>25.9</b>	<b>6.9</b>		<b>32.8</b>
<b>Special items included in EBITDA:</b>						
Personnel restructuring costs	-1.0		-1.0	0.0		-1.1
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	0.5		0.5			0.5
Onerous contracts		2.7	2.7			2.7
Other		0.5	0.5	-0.5		0.0
<b>Special items included in EBITDA total</b>	<b>-0.5</b>	<b>3.2</b>	<b>2.6</b>	<b>-0.5</b>		<b>2.2</b>
<b>Adjusted EBITDA</b>	<b>23.5</b>	<b>5.1</b>	<b>28.5</b>	<b>6.5</b>		<b>35.0</b>
<b>Operating result</b>	<b>-2.7</b>	<b>-0.5</b>	<b>-3.1</b>	<b>0.4</b>		<b>-2.8</b>
<b>Special items included in operating result:</b>						
Special items included in EBITDA	-0.5	3.2	2.6	-0.5		2.2
Impairment losses	4.0		4.0	2.0		6.0
<b>Special items total</b>	<b>3.5</b>	<b>3.2</b>	<b>6.6</b>	<b>1.5</b>		<b>8.2</b>
<b>Adjusted operating result</b>	<b>0.8</b>	<b>2.7</b>	<b>3.5</b>	<b>1.9</b>		<b>5.4</b>
Financial income and expense						-0.8
Income tax						0.5
<b>Result for the period from continuing operations</b>						<b>-4.1</b>
Result for the period from discontinued operations						0.0
<b>Result for the period</b>						<b>-4.1</b>

10-12  
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	393.5	27.2	420.8	0.0		420.8
Inter-segment sales	0.4	0.0	0.4	1.0	-1.4	
Net sales	<b>393.9</b>	<b>27.2</b>	<b>421.2</b>	<b>1.0</b>	<b>-1.4</b>	<b>420.8</b>
<b>EBITDA</b>	<b>32.8</b>	<b>-1.1</b>	<b>31.7</b>	<b>2.0</b>		<b>33.7</b>
<b>Special items included in EBITDA:</b>						
Personnel restructuring costs	-0.6	0.1	-0.5	0.0		-0.4
Onerous contracts	0.9	2.9	3.7			3.7
Other				0.0		0.0
<b>Special items included in EBITDA total</b>	<b>0.1</b>	<b>4.3</b>	<b>4.4</b>	<b>-1.6</b>		<b>2.8</b>
<b>Adjusted EBITDA</b>	<b>32.9</b>	<b>3.2</b>	<b>36.1</b>	<b>0.3</b>		<b>36.4</b>
<b>Operating result</b>	<b>21.4</b>	<b>-2.6</b>	<b>18.9</b>	<b>-2.3</b>		<b>16.5</b>
<b>Special items included in operating result:</b>						
Special items included in EBITDA	0.1	4.3	4.4	-1.6		2.8
Impairment losses	1.2	0.0	1.2			1.2
<b>Special items total</b>	<b>1.3</b>	<b>4.3</b>	<b>5.6</b>	<b>-1.6</b>		<b>4.0</b>
<b>Adjusted operating result</b>	<b>22.7</b>	<b>1.7</b>	<b>24.4</b>	<b>-3.9</b>		<b>20.5</b>
Financial income and expense						-1.0
Income tax						1.5
<b>Result for the period from continuing operations</b>						<b>14.1</b>
Result for the period from discontinued operations						0.2
<b>Result for the period</b>						<b>14.3</b>

1-12  
2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	1,481.4	82.8	1,564.3	0.3		1,564.6
Inter-segment sales	0.8		0.8	1.7	-2.5	
Net sales	<b>1,482.2</b>	<b>82.8</b>	<b>1,565.0</b>	<b>2.0</b>	<b>-2.5</b>	<b>1,564.6</b>
<b>EBITDA</b>	<b>126.2</b>	<b>10.4</b>	<b>136.6</b>	<b>4.0</b>		<b>140.6</b>
<b>Special items included in EBITDA:</b>						
Personnel restructuring costs	6.0		6.0	0.5		6.4
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	0.5	-0.1	0.5	-1.7		-1.3
Onerous contracts		1.6	1.6			1.6
Other	2.5	1.9	4.4	3.3		7.7
<b>Special items included in EBITDA total</b>	<b>9.0</b>	<b>3.5</b>	<b>12.5</b>	<b>2.1</b>		<b>14.5</b>
<b>Adjusted EBITDA</b>	<b>135.2</b>	<b>13.9</b>	<b>149.1</b>	<b>6.0</b>		<b>155.1</b>
<b>Operating result</b>	<b>30.4</b>	<b>-0.1</b>	<b>30.3</b>	<b>-11.8</b>		<b>18.5</b>
<b>Special items included in operating result:</b>						
Special items included in EBITDA	9.0	3.5	12.5	2.1		14.5
Impairment losses	4.0		4.0	2.0		6.0
<b>Special items total</b>	<b>13.0</b>	<b>3.5</b>	<b>16.5</b>	<b>4.0</b>		<b>20.5</b>
<b>Adjusted operating result</b>	<b>43.4</b>	<b>3.4</b>	<b>46.8</b>	<b>-7.8</b>		<b>39.0</b>
Financial income and expense						-2.0
Income tax						2.4
<b>Result for the period from continuing operations</b>						<b>14.1</b>
Result for the period from discontinued operations						4.9
<b>Result for the period</b>						<b>19.0</b>

1-12  
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	1,455.4	103.9	1,559.2	0.1		1,559.3
Inter-segment sales	1.8	0.0	1.8	4.2	-6.0	
Net sales	<b>1,457.2</b>	<b>103.9</b>	<b>1,561.1</b>	<b>4.2</b>	<b>-6.0</b>	<b>1,559.3</b>
<b>EBITDA</b>	<b>96.0</b>	<b>4.9</b>	<b>100.9</b>	<b>3.5</b>		<b>104.5</b>
<b>Special items included in EBITDA:</b>						
Personnel restructuring costs	0.7	0.3	1.0	0.0		1.0
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-2.0	1.3	-0.7	-1.7		-2.4
Onerous contracts	0.9	2.0	2.9			2.9
Changes in contingent purchase considerations	-0.2		-0.2			-0.2
Other	0.3		0.3	4.7		5.0
<b>Special items included in EBITDA total</b>	<b>-0.3</b>	<b>3.7</b>	<b>3.3</b>	<b>3.0</b>		<b>6.3</b>
<b>Adjusted EBITDA</b>	<b>95.6</b>	<b>8.6</b>	<b>104.2</b>	<b>6.5</b>		<b>110.8</b>
<b>Operating result</b>	<b>53.0</b>	<b>-1.2</b>	<b>51.8</b>	<b>-12.5</b>		<b>39.3</b>
<b>Special items included in operating result:</b>						
Special items included in EBITDA	-0.3	3.7	3.3	3.0		6.3
Impairment losses	1.2	0.2	1.4			1.4
<b>Special items total</b>	<b>0.8</b>	<b>3.8</b>	<b>4.7</b>	<b>3.0</b>		<b>7.7</b>
<b>Adjusted operating result</b>	<b>53.9</b>	<b>2.6</b>	<b>56.5</b>	<b>-9.5</b>		<b>47.0</b>
Financial income and expense						-0.5
Income tax						4.2
<b>Result for the period from continuing operations</b>						<b>34.6</b>
Result for the period from discontinued operations						-33.9
<b>Result for the period</b>						<b>0.7</b>

**Net sales of Mail, Parcel and Logistics Services**

EUR million	10-12 2019	10-12 2018	1-12 2019	1-12 2018
Postal Services	171.1	203.1	683.9	737.8
Parcel and eCommerce	105.2	113.4	407.7	407.6
Logistics Solutions	95.1	78.7	396.7	316.4
Other and eliminations	-1.3	-1.3	-6.1	-4.6
<b>Total</b>	<b>370.1</b>	<b>393.9</b>	<b>1,482.2</b>	<b>1,457.2</b>

Dec 31, 2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
Assets	868.0	113.2	981.2	214.2	-1.0	<b>1,194.4</b>
Liabilities	358.3	23.1	381.4	369.1	-1.0	<b>749.5</b>
Capital expenditure	97.1	2.7	99.8	33.9		<b>133.7</b>
Depreciation and amortization	91.5	10.4	102.0	12.9		<b>114.9</b>
Impairment losses	4.3	0.1	4.4	2.8		<b>7.2</b>
Personnel, end of period	18,588	1,255	19,843	625		<b>20,468</b>
Personnel on average, FTE	14,577	1,307	15,884	685		<b>16,569</b>

Dec 31, 2018

EUR million						
Assets	607.3	113.1	720.3	292.8	-8.0	<b>1,005.1</b>
Liabilities	348.9	26.8	375.7	193.7	-8.0	<b>561.4</b>
Capital expenditure	33.6	2.2	35.8	26.4		<b>62.1</b>
Depreciation and amortization	41.6	6.0	47.6	16.0		<b>63.6</b>
Impairment losses	1.4	0.2	1.6	0.0		<b>1.6</b>
Personnel, end of period	15,746	1,734	17,480	705		<b>18,185</b>
Personnel on average, FTE	13,769	1,960	15,729	696		<b>16,425</b>

#### 4. Net sales by geographical location

EUR million	10-12 2019	10-12 2018	1-12 2019	1-12 2018
Finland	328.0	348.7	1,311.8	1,270.8
Other Nordic countries	19.1	22.0	81.8	95.1
Russia	22.8	27.0	82.4	103.0
Other countries	23.0	23.0	88.5	90.4
<b>Total</b>	<b>392.9</b>	<b>420.7</b>	<b>1,564.6</b>	<b>1,559.3</b>

Disaggregated information on the net sales is presented in the note 3. Operating segments.

#### 5. Acquired and divested businesses and discontinued operations

##### Discontinued operations

Posti Group Corporation completed the divestment of OpusCapita Solutions Oy, its fully owned subsidiary, during the first quarter. Following the divestment OpusCapita-segment is presented as discontinued operation and also comparison periods have been restated respectively. Discontinued operations generated total result of EUR 4.9 (-33.6) million during the financial period.

##### Result for the period from discontinued operations

EUR million	10-12 2019	10-12 2018	1-12 2019	1-12 2018
Net sales	0.0	17.4	16.3	62.1
Sale profit net of sale costs	0.0		4.5	
Other operating income	0.0	0.1	0.4	-1.9
Depreciation and amortisation	0.0	-1.2	-1.0	-34.2
Other operating expenses	0.0	-15.9	-15.2	-59.6
<b>Operating result</b>	<b>0.0</b>	<b>0.4</b>	<b>4.9</b>	<b>-33.6</b>
Finance expenses	0.0	-0.1	-0.1	-0.3
Income tax			0.1	
<b>Result for the period from discontinued operations</b>	<b>0.0</b>	<b>0.2</b>	<b>4.9</b>	<b>-33.9</b>

##### Net assets sold

##### Sold assets

EUR million	
Intangible assets	61.2
Property, plant and equipment	1.1
Receivables	13.6
Cash and cash equivalents	5.3
<b>Assets total</b>	<b>81.2</b>

##### Sold liabilities

EUR million	
Deferred tax liability	2.5
Interest bearing liabilities	21.1
Trade payables and other liabilities	19.1
<b>Liabilities total</b>	<b>42.7</b>
<b>Net assets sold</b>	<b>38.5</b>

##### Cash flow from discontinued operations

EUR million	10-12 2019	10-12 2018	1-12 2019	1-12 2018
Cash flow from operating activities	-	-2.3	1.3	3.0
Cash flow from investing activities	-	-1.0	58.5	-4.0

## Acquired businesses 2019

Posti completed the acquisition of the entire share capital of in-house logistics company Suomen Transval Group Oy on January 25, 2019. The acquisition was announced in September 2018. The acquisition was a step in Posti's logistics services growth strategy and Posti has become a significant operator in logistics outsourcing solutions in Finland. A goodwill of EUR 44.8 million was recognized on the acquisition. As a result of the acquisition Posti can extend its' services and offer unique and comprehensive services for the whole supply chain including warehousing-, in-house logistic- and staffing solutions.

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

Transval

### Effect on assets

EUR million	Fair value
Intangible assets	18.9
Property, plant and equipment	10.6
Inventory	0.9
Receivables	20.5
Cash and cash equivalents	9.2
<b>Effect on assets</b>	<b>60.1</b>

### Effect on liabilities

EUR million	
Deferred tax liability	3.9
Interest bearing liabilities	29.0
Trade payables and other liabilities	21.8
<b>Effect on liabilities</b>	<b>54.7</b>
<b>Net assets acquired</b>	<b>5.4</b>

### Components of acquisition cost

EUR million	
Cash considerations	50.2
<b>Total cost of acquisition</b>	<b>50.2</b>
Fair value of net assets acquired	5.4
<b>Goodwill</b>	<b>44.8</b>

### Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	50.2
Cash and cash equivalents of the acquired subsidiary	9.2
<b>Cash flow</b>	<b>41.0</b>

In September Posti Group Corporation acquired E-Log Services Oy which is the owner of Pakettikauppa. Pakettikauppa offers services for parcel and e-commerce. Acquisition did not have material impact in Posti group consolidated income statement or balance sheet.

## Business divestments in 2019

During last financial quarter Posti Logistics Solutions business group divested non-synergy businesses related to temperature-controlled grocery logistics. Other incomes of EUR 0.4 million and other expenses EUR 0.9 million was recognized. Items has been reported in special items. Transactions did not have material impact in Posti group's balance sheet or income statement.



## 6. Property, plant and equipment and right-of-use assets

The changes in the carrying amount of property, plant and equipment are as follows:

EUR million	Dec 31, 2019	Dec 31, 2018
<b>Carrying amount Jan 1</b>	<b>327.6</b>	<b>346.4</b>
Change in accounting policy, IFRS 16	-9.5	
Acquired businesses	5.9	
Additions	32.8	46.6
Business divestments	-5.7	-0.5
Disposals and transfers between items	-4.2	-1.3
Amortization, continuing operations	-43.4	-51.2
Impairment, continuing operations	-0.4	0.0
Amortization and impairment, discontinued operations	-0.1	-0.1
Translation differences	11.0	-12.2
<b>Carrying amount, end of the period</b>	<b>314.0</b>	<b>327.6</b>

The changes in the carrying amount of right-of-use assets are as follows:

EUR million	Dec 31, 2019	Dec 31, 2018
<b>Carrying amount Jan 1</b>		
Change in accounting policy, IFRS 16	217.4	
Acquired businesses	4.8	
Additions	28.5	
Business divestments	-1.0	
Disposals and transfers between items	-2.6	
Depreciation, continuing operations	-55.7	
Depreciation and impairment, discontinued operations	0.1	
Translation differences	-1.1	
<b>Carrying amount, end of the period</b>	<b>190.5</b>	

Specification of right-of-use asset:

EUR million	Dec 31, 2019	Dec 31, 2018
Land	0.3	
Buildings	163.7	
Vehicles	21.3	
Machinery and other	5.1	
<b>Carrying amount, end of the period</b>	<b>190.5</b>	

## 7. Goodwill and other intangible assets

The changes in the carrying amount of a total of goodwill and other intangible assets are as follows:

EUR million	Dec 31, 2019	Dec 31, 2018
<b>Carrying amount Jan 1</b>	<b>204.4</b>	<b>237.7</b>
Acquired businesses	66.2	
Additions	22.2	19.2
Business divestments	-60.9	-4.1
Disposals and transfers between items	3.0	-0.3
Amortization, continuing operations	-15.8	-11.8
Impairment, continuing operations	-6.8	-1.5
Amortization and impairment, discontinued operations	-0.9	-34.1
Translation differences	-0.8	-0.5
<b>Carrying amount, end of the period</b>	<b>210.4</b>	<b>204.4</b>

## 8. Net debt and liquid funds

EUR million	Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
<b>Carrying amount on Jan 1, 2019</b>	<b>119.7</b>	<b>10.0</b>	<b>129.7</b>	<b>131.0</b>	<b>30.0</b>	<b>-31.3</b>
Cash flows	-15.6	-55.2	-70.8	10.5	-15.0	-66.3
Business acquisitions	24.3	4.3	28.6	0.0	0.0	28.6
Effect of exchange rates changes	0.0	-0.1	-0.1	0.1	0.0	-0.2
Other non-cash items	0.1	233.5	233.6	0.0	0.0	233.6
<b>Carrying amount on Dec 31, 2019</b>	<b>128.5</b>	<b>192.5</b>	<b>321.0</b>	<b>141.7</b>	<b>15.0</b>	<b>164.3</b>
<b>Fair value on Dec 31, 2019</b>	<b>129.0</b>	<b>192.5</b>	<b>321.5</b>			

EUR million	Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
<b>Carrying amount on Jan 1, 2018</b>	<b>100.7</b>	<b>19.3</b>	<b>120.0</b>	<b>123.7</b>	<b>39.7</b>	<b>-43.4</b>
Cash flows	19.2	-9.6	9.5	7.9	-9.7	11.4
Business acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes	0.0	0.0	0.0	-0.5	0.0	0.5
Other non-cash items	-0.1	0.3	0.2	0.0	0.0	0.2
<b>Carrying amount on Dec 31, 2018</b>	<b>119.7</b>	<b>10.0</b>	<b>129.7</b>	<b>131.0</b>	<b>30.0</b>	<b>-31.3</b>
<b>Fair value on Dec 31, 2018</b>	<b>120.3</b>	<b>10.0</b>	<b>130.2</b>			

EUR million	Dec 31, 2019	Dec 31, 2018
Cash and cash equivalents	54.9	106.6
Money market investments and investments in bonds	86.8	24.5
<b>Liquid funds</b>	<b>141.7</b>	<b>131.0</b>

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

EUR million	Total	Level 1	Level 2	Level 3
<b>Dec 31, 2019</b>				
<b>Financial assets measured at fair value</b>				
Non-current receivables				
Other non-current investments	1.0			1.0
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
<b>Total</b>	<b>1.1</b>		<b>0.1</b>	<b>1.0</b>
<b>Financial liabilities measured at fair value</b>				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.6		1.6	
<b>Total</b>	<b>1.6</b>		<b>1.6</b>	
<b>Dec 31, 2018</b>				
<b>Financial assets measured at fair value</b>				
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Currency derivatives, hedge accounting	0.1		0.1	
Equity fund investments	0.0			0.0
<b>Total</b>	<b>0.2</b>		<b>0.1</b>	<b>0.0</b>
<b>Financial liabilities measured at fair value</b>				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	0.9		0.9	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
<b>Total</b>	<b>1.0</b>		<b>1.0</b>	

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

Hierarchy levels:

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

**Level 2:** Fair values are, to a significant degree, based on data other than quoted prices included in level 1, but on data that can be either directly or indirectly verified for the asset group or liability in question.

To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on verifiable market data.

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

The fair value of currency forward contracts is calculated by measuring forward contracts against the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecast cash flows of the contracts with the market interest rate curves on the reporting date. The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers. The fair value of the written put option is based on the expected contractual cash flows.

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 26.6 million and their carrying value EUR 26.6 million. For the other instruments, the fair values are not materially different to their carrying amounts, since the instruments are short-term in nature.

## 10. Pledges, commitments and other contingent liabilities

### Pledges

EUR million	Dec 31, 2019	Dec 31, 2018
Pledges for own behalf		
Bank guarantees	9.1	7.4
Guarantees	3.6	3.8
Pledges	0.0	0.1
<b>Total</b>	<b>12.7</b>	<b>11.3</b>

### Lease commitments not recognized in balance sheet

EUR million	Dec 31, 2019	Dec 31, 2018
Maturity of minimum lease payments:		
Less than a year	8.8	51.5
1-5 years	0.5	108.9
More than 5 years		57.7
<b>Total</b>	<b>9.3</b>	<b>218.2</b>

Lease commitments have decreased in 2019 following the adoption of IFRS 16 as majority of leases have been recognized in the balance sheet.

### 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.

### Derivative contracts

EUR million	Dec 31, 2019	Dec 31, 2018
<b>Currency derivatives</b>		
Non-hedge accounting		
Fair value	0.1	0.0
Nominal value	6.2	10.9
Hedge accounting		
Fair value		0.1
Nominal value		3.2
<b>Interest rate derivatives</b>		
Hedge accounting		
Fair value	-1.6	-0.9
Nominal value	60.0	60.0

### 11. Events after the reporting period

Alma Media's early-morning delivery operations in Pirkanmaa and Satakunta has been transferred to Posti in an acquisition between Posti, Alma Media Kustannus Oy and Alma Manu Oy as of January 1, 2020.

The Board of Directors of Posti Group Corporation has appointed Turkka Kuusisto, (b. 1979, M.Sc. Eng.) as President and CEO of Posti Group Corporation as of February 6, 2020.