POSTI GROUP HALF-YEAR REPORT, AUGUST 6, 2019 AT 9:00 A.M. (EET)

Posti Group Corporation Half-Year Report January-June 2019

Posti Group Q2/2019: Postal volume decline continued on a record level – Profitability in line with previous year

Posti Group Corporation Half-Year report January-June 2019

April-June

Financial highlights

- The Group's net sales increased by 1.8% to EUR 393.8 (386.8) million.
- The Group's adjusted EBITDA increased to EUR 37.9 (23.8) million, or 9.6% (6.2%) of net sales. The adoption of IFRS 16 improved the adjusted EBITDA by EUR 12.3 million
- The Group's EBITDA increased to EUR 32.4 (20.6) million, or 8.2% (5.3%) of net sales.
- The adjusted operating result increased to EUR 8.7 (8.2) million, or 2.2% (2.1%) of net sales.
- The operating result declined and amounted to EUR 3.2 (5.0) million, representing 0.8% (1.3%) of net sales.
- Posti has adopted IFRS 16 Leases -standard on its effective date January 1, 2019 prospectively, thus the previous periods are not restated. The adoption of IFRS 16 improved the EBITDA by EUR 12.3 million and the operating result by EUR 1.0 million.

Operational highlights

- Posti has managed to increase the net sales for parcel and ecommerce and logistics solutions, fully in line with its strategy. Transval acquisition had a significant impact, as expected, on the Group´s net sales especially during Q2/2019.
- Posti has continued its efforts in order to create new services and businesses. At the same time, Posti has continued its cost-saving programs which enables Posti to adjust its operations to the declining postal market.
- Posti announced in June that it is in the process of updating its retail network. As part of the change, Posti will close 18 of its own shops. The planned changes would be carried out in phases until March 2021. Going forward, the goal is that in these municipalities, postal services will be operated by Posti's local partner with the exact same range of services as Posti's own shops. Posti also announced that it will increase the number of service points and Posti parcel lockers by more than 700 service points this year and next year, totaling up to 2,800 service points.
- Posti has made changes to its parcel deliveries throughout the country since June. After the change, customers' parcels are delivered to the nearest service point. For most consumers, the nearest service point is a parcel locker.
- Posti launched the Plus Sticker to be attached next to the traditional stamp on letters in April. The Plus Sticker provides traceability for ordinary letters, a service that consumers have requested. A letter attached with a Plus Sticker are delivered within two working days.
- Posti has selected Infosys Ltd, a technology services company, as one of its main partners in digital services development and IT services. This is expected to accelerate digital development. Posti announced in May that as part of the partnership, it will outsource part of its IT operations.
- Posti will expand its early-morning delivery. Posti Ltd, Alma Media Kustannus Oy and Alma Manu Oy have agreed in June on a business transfer and a delivery service agreement under which Alma Manu Oy's early-morning delivery operations published by Alma Media Kustannus will be transferred to Posti. Alma Media's early-morning delivery operations in Pirkanmaa and Satakunta will be transferred to Posti in January 2020.

January-June

Financial highlights

- The Group's net sales increased by 1.1% to EUR 790.4 (781.6) million.
- The Group's adjusted EBITDA increased to EUR 79.2 (53.1) million, or 10.0% (6.8%) of net sales. The adoption of IFRS 16 improved the adjusted EBITDA by EUR 24.2 million.
- The Group's EBITDA increased to EUR 68.8 (50.3) million, or 8.7% (6.4%) of net sales.
- The adjusted operating result increased to EUR 21.6 (21.4) million, or 2.7% (2.7%) of net sales.
- The operating result declined and amounted to EUR 11.2 (18.4) million, representing 1.4% (2.4%) of net sales.
- Net debt to adjusted EBITDA was 1.1x (-0.1x). Due to the adoption of IFRS 16 the assets and liabilities increased significantly.
- The adoption of the IFRS 16 improved the EBITDA by EUR 24.2 million and the operating result by 2.0 million.

Operational highlights

- The delivery speed of ordinary letters changed in March and Posti's consumer letters can be delivered within four workdays. Before the change, consumer letters were delivered within two workdays.
- Posti has significantly expanded its parcel locker network. At the end of June, the total number of Posti´s parcel lockers was 1,428. The growth has been rapid; the number of Posti's service points has increased by as much as 41 percent in January-June 2019.
- Posti's structural transformation continued:
  - Posti divested OpusCapita Solutions Oy to a fund managed by Providence Equity Partners L.L.C. Closing of the transaction took place on 31 March 2019. Following the transaction, the OpusCapita segment is presented as discontinued operation for the review period and comparative periods. Half-year report presents separately continuing operations and discontinued operations.
  - Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy in January 2019. The acquisition was a key step in Posti`s logistics services growth strategy and Posti has now become a significant operator in logistics outsourcing solutions in Finland.

Outlook for 2019

Net sales of continuing operations, excluding possible new acquisitions and divestments, is expected to increase from 2018 driven by Transval acquisition. The Group's adjusted operating result, of continuing operations, is expected to increase from 2018 due to Transval acquisition and transition to IFRS 16 accounting principles.

Key figures of Posti Group

	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Net sales*, EUR million	393.8	386.8	790.4	781.6	1,559.3
Adjusted EBITDA*, EUR million	37.9	23.8	79.2	53.1	110.8
Adjusted EBITDA margin*, %	9.6	6.2	10.0	6.8	7.1
EBITDA*, EUR million	32.4	20.6	68.8	50.3	104.5
EBITDA margin*, %	8.2	5.3	8.7	6.4	6.7
Adjusted operating result*, EUR million	8.7	8.2	21.6	21.4	47.0
Adjusted operating result margin*, %	2.2	2.1	2.7	2.7	3.0

Operating result*, EUR million	3.2	5.0	11.2	18.4	39.3
Operating result margin*, %	0.8	1.3	1.4	2.4	2.5
Result for the period*, EUR million	2.3	3.8	7.9	14.5	34.6
Return on equity (12 months), %			7.9	-12.0	0.1
Return on capital employed (12 months), %			7.4	-9.8	1.3
Net debt, EUR million			163.7	-10.3	-31.3
Net debt / adjusted EBITDA			1.1x	-0.1x	-0.3x
Equity ratio, %			38.4	45.8	48.6
Adjusted free cash flow			60.2	8.4	29.9
Gross capital expenditure*, EUR million			74.1	35.2	62.1
Personnel, end of period*			21,969	20,198	18,185
Personnel on average*, FTE	17,054	16,857	16,857	16,691	16,425
Earnings per share, basic, EUR	0.05	0.03	0.32	-0.51	0.02
Dividend per share, EUR					0.71
Dividends, EUR million					28.4

** Continuing operations*

Heikki Malinen, President and CEO

In the second quarter of 2019, our group net sales went up by approximately two percent. This is definitely a positive result, and Posti has also managed to maintain its profitability while undergoing historic changes: e-commerce is on the rise while traditional paper-based postal operations are becoming digitized and competition is constantly growing.

For several years, Posti has purposefully worked to renew its operations in adherence to its strategy. Growth is increasingly sought in the e-commerce and logistics sectors. These efforts have been successful, and today, Posti is a multi-sector operator. Five years ago, parcel and logistic services generated about one-third of the Group's net sales. We have now reached a historical turning point, as the net sales for Parcel &eCommerce and Logistics Solutions together add up to over 50 percent of our overall net sales.

The changes in our sector are reflected in the sales figures for the second quarter, as the volume of letters sent continued its decline, while the volume of parcel mail went up. Fewer letters were sent than before; the delivery volume of addressed letters decreased by -13% in comparison with last year's corresponding period.

As a result of the declining letter and other paper mail volumes, we must continue our efforts in renewing Posti's operations and maintaining our competitiveness. During 2019–2021, we must aim for additional cost savings of approximately EUR 150–200 million. Over the past spring, we have made various reorganizations, enhanced our operations and increased automation to support reaching this target.

Although the decrease in paper mail volumes has impacted our net sales, we have managed to increase our net sales for parcel, e-commerce and logistics solutions, which is in line with our strategy. The entire Group's net sales increased in particular through the acquisition of in-house logistics company Suomen Transval Group Oy completed in January 2019. As a result of this acquisition, Posti has become a significant logistics outsourcing solutions operator in Finland. The value of the outsourced logistics market in Finland is more than EUR 6,000 million and the annual growth rate of outsourcing is as high as 20 percent. In-house logistics for the manufacturing industry is a growing sector in the in-house logistics field, and the shelving of goods and refurbishment of products are a growth sector in trade. The development in domestic freight, measured in waybills, was slower than in the comparison period. Transport volumes in heavy traffic are beginning to even out after a strong growth period.

E-commerce trends and digitalization present Posti with new opportunities for growth. Although the volume growth in parcel was slightly slower than in the comparison period, volumes were again at record levels. In January–June, Posti delivered over 24 (22) million parcels, which are increasingly being distributed into Posti Parcel Lockers. Posti has significantly expanded its network of Parcel Lockers, and over the first half of the year, their number increased by 41 percent up to more than 1,400 units. Our customers have requested extended opening hours for Posti outlets and for the outlets to be located close to other services. Posti continues to further increase the number of Posti outlets and Parcel Lockers in the future.

We have taken great steps in our digital development. Over the past spring, the OmaPosti application became one of the most popular applications in Finland. In addition, we won the MyData competition held by the state development company Vake Oy and Technology Industries of Finland, where our winning submission was a proposal for the OmaPosti service to operate as a personal MyData user interface for all Finnish citizens. The digital transformation is also evident in the new Plus Sticker, which can be used to track the delivery of a letter the same way as a parcel.

Posti aims to secure the strong position of paper communications in the long term. The role of traditional printed communications is further solidified by a business acquisition confirmed in June, by which Posti will expand its early-morning newspaper delivery services. Alma Media's early-morning delivery operations in Pirkanmaa and Satakunta will be transferred to Posti in an acquisition as planned on January 1, 2020. Posti undertaking the Alma Media publication deliveries shows that Posti can carry out early-morning deliveries competitively, cost-effectively and with high quality.

Once again, we have managed to steer Posti in the right direction, but our long-term efforts amidst the changes affecting our sector must continue.

APPENDICES

Posti Group's Half-year Report in full (PDF)

FURTHER INFORMATION

Heikki Malinen, President and CEO, and Tom Jansson, CFO
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FINANCIAL CALENDAR IN 2019

January–September: Tuesday, October 29, 2019

DISTRIBUTION
Key media
www.posti.com/financials

IMAGES AND LOGOS
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 nine countries. Our net sales in 2018 amounted to EUR 1.6 billion and we have approximately 21,000 employees. www.posti.com.

Market situation and business environment, January–June 2019

Finland´s economic growth is expected to be slower during the next three years. According to the Bank of Finland the Finnish GDP is expected grow to 1.6% in 2019 and 1.5% in 2020. Thereafter, the pace of growth will ease to 1.3% in 2021.

The economic outlook is also reflected in Finnish consumers' expectations. Households' purchasing power is expected to grow steadily during the forecast period and consumer confidence in their own financial position has remained relatively buoyant. However, uncertainty about the direction of overall economic developments has increased and made consumers more cautious, which has already led to slower growth in private investment, says the Bank of Finland in its economic outlook published in July 2019.

The consumer confidence indicator (CCI) sank in June according to the Statistics Finland. It stated that the figures in June were decreasing with regards to the public and personal economy compared with the corresponding period last year. Of the four components of the CCI, only intentions to spend money on durable goods remained unchanged in June from May. In fact, consumers' intentions to spend money on durable goods were higher than average in June, stated Statistics Finland. eCommerce has continued its growth. In 2018, digital purchases by Finns grew by about six percent, and growth is expected to strengthen - especially on mobile, according to the Finnish Commerce Federation. The growth in e-commerce is expected to reflect favorably in Posti's parcel volumes. The volume of goods transported by trucks remained unchanged in the first quarter of 2019, according to the Statistics Finland.

Global economic growth is expected to remain slower in 2019 than the previous year. According to the Bank of Finland (BOFIT Forecast for Russia), Russian GDP is forecasted to grow by 1.5 percent this year. During the next few years, the growth is expected to remain at the level of 1.5 percent.

Net sales and profit performance

April–June 2019

The number of workdays in the first quarter was 60 (61), one less than in the previous year. The number of working days affects the Group's net sales and result. The Group's net sales increased by 1.8% to EUR 393.8 (386.8) million. Net sales grew by 2.1% in Finland and declined by 0.7% in other countries. International operations accounted for 9.3% (9.5%) of net sales.

The increase in the net sales was attributable to the positive development of the Mail, Parcel and Logistics Services -segment. However, within the segment, development was two-dimensional. Net sales increased both in Parcel and eCommerce and in Logistics Solutions, whereas in Postal Services net sales decreased by 6.5%. Growth in net sales was primarily attributable to the Transval acquisition completed during the first quarter.

Net sales decreased in Itella Russia by 23.9% largely due to the divestment of MaxiPost and Connexions in 2018 as well as restructuring actions of the warehouses.

The Group's adjusted EBITDA increased to EUR 37.9 (23.8) million, 9.6% (6.2%). EBITDA increased to EUR 32.4 (20.6) million, 8.2% (5.3%). The adoption of IFRS 16 improved the EBITDA by EUR 12.3 million. The adjusted operating result increased to EUR 8.7 (8.2) million, or 2.2% (2.1%) of net sales, effected by the strengthened results of Parcel and eCommerce and Postal Services, and the adoption of IFRS 16.

Special items affected the operating result by EUR 5.5 (3.2) million. The special items include EUR 4.7 million personnel restructuring costs and EUR 0.8 million other items reported as special items. The operating result was EUR 3.2 (5.0) million, or 0.8% (1.3%) of net sales. Operations under the universal service obligation amounted to EUR 24.3 (26.3) million, or 6.2% (6.8%) of the Group's net sales and 3.2% (3.2%) of delivery volumes.

January–June 2019

The number of workdays in January-June was 123 (124), one less than previous year. The number of working days affects the Group's net sales and result. The Group's net sales increased by 1.1% to EUR 790.4 (781.6) million. Net sales grew by 2.3% in Finland and declined by 9.6% in other countries. International operations accounted for 8.7% (9.7%) of net sales.

The increase in the net sales was attributable 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.

Net sales decreased in Itella Russia by 24.1% largely due to the divestment of MaxiPost and Connexions in 2018 as well as restructuring actions of the warehouses.

The Group's adjusted EBITDA increased to EUR 79.2 (53.1) million, 10.0% (6.8%). EBITDA increased to EUR 68.8 (50.3) million, 8.7% (6.4%). The adoption of IFRS 16 improved the EBITDA by EUR 24.2 million. The adjusted operating result increased to EUR 21.6 (21.4) million, or 2.7% (2.7%) of net sales. Parcel and eCommerce, Postal Services and the adoption of IFRS 16 affected positively to result performance.

Special items affected the operating result for January-June by EUR 10.4 (3.0) million. The special items include EUR 6.9 million personnel restructuring costs and EUR 3.5 million other items reported as special items.

The operating result was EUR 11.2 (18.4) million, or 1.4% (2.4%) of net sales. The adoption of IFRS 16 improved the operating result by EUR 2.0 million.

Operations under the universal service obligation amounted to EUR 51.3 (57.3) million, or 6.5% (7.3%) of the Group's net sales and 3.4% (3.6%) of delivery volumes.

Mail, Parcel and Logistics Services

April–June 2019

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

- Addressed letters: -13% (-5%)
- Parcels in Finland and the Baltics: 8% (13%)
- Freight volumes* measured in waybills: 2% (6%)

* The reported figure for freight excludes food logistics

The net sales of Mail, Parcel and Logistics Services increased to EUR 375.0 (362.5) million. Net sales are itemized below.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	4–6 2019	4–6 2018	Change
Postal Services	**171.0**	182.8	-6.5%
Parcel and eCommerce	**99.7**	98.1	1.6%
Logistics Solutions	**106.0**	82.5	28.6%
Other and eliminations	**-1.7**	-0.9	
Total	**375.0**	362.5	3.5%

The Postal Services net sales decrease was driven by a decline in volume, which was mitigated by pricing, product mix and delivery speed changes. The delivery speed of ordinary letters changed at the end of first quarter. This change was pursuant to the Finnish Postal Act that entered into force in 2017. In Q2 Posti's consumer letters have been delivered within four workdays instead of two workdays. Simultaneously, Posti launched a new Plus Sticker. A letter bearing the Plus Sticker will be delivered within two working days and it also enables traceability: the sender can follow the letter`s journey to the recipient in the OmaPosti application or Posti´s web services.

Good volume growth, especially in April and June, continued to drive parcel net sales growth. The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 11.9 (11.1) million parcels. The figure does not include letter-like e-commerce items.

The number of parcels going through Posti Parcel Lockers grew by 41%. At the end of June, Posti had 1,428 parcel lockers. Posti aims to increase the number of parcel lockers to 1,500 during 2019. By increasing the number of parcel lockers, Posti can meet consumers' needs and tackle the challenges posed by the rapid growth in e-commerce. Posti made changes to its parcel deliveries in Finland starting June 19. After the change, customers' parcels are delivered to the nearest service point. For most consumers, the nearest service point is a parcel locker. This helps to raise the self-service degree, which also reduces costs.

Net sales in Logistic Solutions saw positive development thanks to the Transval acquisition. In Logistics Solutions, the development in domestic freight, measured in waybills, was positive, but growth slowed down.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 33.4 (20.7) million, 8.9% (5.7%). EBITDA increased to EUR 28.9 (21.0) million. The adjusted operating result increased to EUR 10.4 (10.2) million, 2.8% (2.8%). This is due to the increased net sales as well as strict management of production costs.

Special items affected the operating result for the second quarter by EUR 4.5 (-0.4) million. The special items include EUR 4.5 million personnel restructuring costs. The operating result declined to EUR 5.9 (10.6) million.

January–June 2019

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

- Addressed letters: -14% (-7%)
- Parcels in Finland and the Baltics: 8% (12%)
- Freight volumes* measured in waybills: 1% (4%)

* The reported figure for freight excludes food logistics

The net sales of Mail, Parcel and Logistics Services increased to EUR 751.5 (730.8) million. Net sales are itemized below.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	1–6 2019	1–6 2018	Change
Postal Services	354.5	373.2	-5.0%
Parcel and eCommerce	200.9	200.8	0.1%
Logistics Solutions	199.3	158.9	25.5%
Other and eliminations	-3.2	-2.0	
Total	751.5	730.8	2.8%

In Postal Services, net sales decreased because of mail volume decline, which has been at a record high level in January-June. 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. The delivery speed of ordinary consumer letters changed at the end of first quarter. Even though letter volumes have decreased, these measures have allowed Posti to stabilize net sales.

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 24.0 (22.2) million parcels. The figure does not include letter-like e-commerce items. The volume development was slower than in the comparison period, but it continued still at a good level – growth was 8 %. Volume development speeded up especially in April and in June. The number of parcels going through Posti Parcel Lockers grew by 34%. Parcel and eCommerce net sales increased only slightly in January-June because of the negative development in cross-border transit volumes in Q1/2019. Cross-border transit returned to a normal level in Q2/2019.

Net sales increased by 25.5% in Logistic Solutions primarily because of the Transval acquisition, completed during the first quarter. The development in domestic freight, measured in waybills, was positive, but development was slightly slower than in the comparison period. This is mainly due to the Finnish business environment. Transport volumes in heavy traffic have begun to even out on Finland´s main roads after a strong growth period.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 73.9 (47.3) million, 9.8% (6.5%). EBITDA increased to EUR 65.6 (48.1) million. The adjusted operating result increased to EUR 28.2 (26.2) million, 3.7% (3.6%). This is due to the increased net sales as well as strict management of production costs. The adverse weather conditions in January and February contributed negatively to the production costs in Q1/2019 when the large amount of snow slowed down delivery throughout Finland. Posti works continuously to ensure efficient and cost-effective operations. These measures included, among other things, several co-operation negotiations within the Postal Services business group´s production in January-June. These cost savings are required due to the substantial decline in mail volumes.

Special items affected the operating result for the first half-year by EUR 8.2 (-0.8) million. The special items include EUR 6.2 million personnel restructuring costs and EUR 2.0 million other costs reported as special items. The operating result declined to EUR 19.9 (27.0) million.

Itella Russia

April–June 2019

Itella Russia’s net sales measured in local currency decreased by 25.7%. Reported euro-denominated net sales decreased by 23.9% to EUR 18.9 (24.8) million. Net sales decreased in all businesses, such as in road transport, air & sea and in contract logistics. Net sales were affected by the closing of the warehouses in the regions and the divestment of Maxipost in Q2/2018 and and Connexions in Q4/2018. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

The adjusted EBITDA was EUR 3.0 (2.1) million, 16.1% (8.4%). EBITDA was EUR 3.9 (2.0) million. The EBITDA improvement was mainly driven by the adoption of IFRS 16.

The average fill rate for warehouses in Moscow was 63% (86%), while in other regions it was 41% (69%).

The adjusted operating result declined and was EUR -0.2 (0.6) million. The adjusted operating result was negatively impacted by business restructuring and the closure of a rented warehouse in Moscow. Temporarily this resulted in a decline in fill rates and idle space. The operating result was EUR 0.7 (0.5) million.

January–June 2019

Itella Russia's net sales measured in local currency decreased by 22.3%. Reported euro-denominated net sales decreased by 24.1% to EUR 39.1 (51.6) million. Net sales were affected by the closing of the warehouses in the regions and the divestment of Maxipost in Q2/2018 and Connexions in Q4/2018.

The adjusted EBITDA was EUR 4.6 (3.1) million, 11.8% (6.0%). EBITDA was EUR 5.5 (3.9) million. The EBITDA improvement was mainly driven by the adoption of IFRS 16.

The average fill rate for warehouses in Moscow was 69% (85%), while in other regions it was 40% (73%).

The adjusted operating result declined and was EUR -1.2 (0.0) million. The decline in adjusted operating result is driven by restructuring and optimization measures taken primarily during the second quarter. The operating result was EUR -0.3 (0.6) million.

Key figures for segments, continuing operations

EUR million	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Net sales					
Mail, Parcel and Logistics Services	375.0	362.5	751.5	730.8	1,457.2
Itella Russia	18.9	24.8	39.1	51.6	103.9
Other and unallocated	0.6	1.1	1.1	2.2	4.2
Intra-Group sales	-0.6	-1.6	-1.3	-3.0	-6.0
Posti Group	**393.8**	**386.8**	**790.4**	**781.6**	**1,559.3**
Net sales change-%					
Mail, Parcel and Logistics Services	3.5 %	3.3 %	2.8 %	2.3 %	0.6 %
Itella Russia	-23.9 %	-15.1 %	-24.1 %	-9.1 %	-12.8 %
Posti Group	**1.8 %**	**-3.9 %**	**1.1 %**	**-4.2 %**	**-5.3 %**
Adjusted EBITDA					
Mail, Parcel and Logistics Services	33.4	20.7	73.9	47.3	95.6
Itella Russia	3.0	2.1	4.6	3.1	8.6
Other and unallocated	1.5	1.1	0.7	2.7	6.5
Posti Group	**37.9**	**23.8**	**79.2**	**53.1**	**110.8**
Adjusted EBITDA, %					

Mail, Parcel and Logistics Services	8.9 %	5.7 %	9.8 %	6.5 %	6.6 %
Itella Russia	16.1 %	8.4 %	11.8 %	6.0 %	8.3 %
Posti Group	**9.6 %**	**6.2 %**	**10.0 %**	**6.8 %**	**7.1 %**
EBITDA					
Mail, Parcel and Logistics Services	28.9	21.0	65.6	48.1	96.0
Itella Russia	3.9	2.0	5.5	3.9	4.9
Other and unallocated	-0.4	-2.4	-2.3	-1.7	3.5
Posti Group	**32.4**	**20.6**	**68.8**	**50.3**	**104.5**
EBITDA, %					
Mail, Parcel and Logistics Services	7.7 %	5.8 %	8.7 %	6.6 %	6.6 %
Itella Russia	20.7 %	8.1 %	14.0 %	7.5 %	4.8 %
Posti Group	**8.2 %**	**5.3 %**	**8.7 %**	**6.4 %**	**6.7 %**

Key figures for segments, continuing operations

EUR million	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Adjusted operating result					
Mail, Parcel and Logistics Services	10.4	10.2	28.2	26.2	53.9
Itella Russia	-0.2	0.6	-1.2	0.0	2.6
Other and unallocated	-1.5	-2.6	-5.4	-4.8	-9.5
Posti Group	**8.7**	**8.2**	**21.6**	**21.4**	**47.0**
Adjusted operating result, %					
Mail, Parcel and Logistics Services	2.8 %	2.8 %	3.7 %	3.6 %	3.7 %
Itella Russia	-0.9 %	2.3 %	-3.1 %	0.0 %	2.5 %
Posti Group	**2.2 %**	**2.1 %**	**2.7 %**	**2.7 %**	**3.0 %**
Operating result					
Mail, Parcel and Logistics Services	5.9	10.6	19.9	27.0	53.0
Itella Russia	0.7	0.5	-0.3	0.6	-1.2
Other and unallocated	-3.4	-6.1	-8.4	-9.2	-12.5
Posti Group	**3.2**	**5.0**	**11.2**	**18.4**	**39.3**
Operating result, %					
Mail, Parcel and Logistics Services	1.6 %	2.9 %	2.7 %	3.7 %	3.6 %
Itella Russia	3.7 %	2.1 %	-0.9 %	1.1 %	-1.2 %
Posti Group	**0.8 %**	**1.3 %**	**1.4 %**	**2.4 %**	**2.5 %**

Financial position and investments

The consolidated cash flow from operating activities was EUR 74.8 (34.3) million. The cash flow from investing activities EUR -8.7 (-20.7) million and cash flow from financing activities EUR -76.0 (-25.7) 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 an EUR 22 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 62.4 (32.4) million.

At the end of June, liquid assets amounted to EUR 160.0 (104.9) million, and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 323.7 (134.5) million. The net debt totaled EUR 163.7 (-10.3) million. Interest-bearing liabilities and, therefore also net debt increased significantly due to the adoption of IFRS 16. The equity ratio was 38.4% (45.8%), the decrease is primarily because of the initial application of IFRS 16.

Changes in management

Patrik Sallner, the CEO of OpusCapita Solutions Oy and a member of the Posti Group Corporation Executive Board left Posti Group Corporation on March 31, 2019 due to the divestment of OpusCapita.

Sari Helander, Senior Vice President, the Head of Logistics Solution and member of Executive Board left Posti Group Corporation on April 26, 2019.

Employees

The Group's personnel	1-6 2019	1-6 2018	1-12 2018
Personnel at period-end*	21,969	20,198	18,185
Personnel on average, FTE**	16,857	16,691	16,425

*Continuing operations

**Full time equivalent personnel on average

Personnel at the end of the period was:

- Finland: 19,766 (17,405) employees
- Other countries of operation: 2,203 (2,793) employees

The Group's personnel expenses amounted to EUR 355.1 (333.0) million, up 6.7% from the previous year. The personnel expenses included EUR 6.9 (0.9) million in restructuring costs. Excluding restructuring costs, the personnel expenses increased by 4.9% year-on-year.

The Uusi polku (New path) program June 30, 2019:

- Applications: 319
- Approved: 164

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. The need for personnel reduction in administration was reduced to a maximum of 59 employees due to transfers to new positions within Posti and voluntary arrangements. The need for personnel reduction in service production was reduced to a maximum of 13 employees.

Posti announced on April 15, 2019 that Posti 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 in Postal services. Cooperation negotiations ended on June 4, 2019. The reduction need reduced to 94 employees.

Posti announced on April 15, 2019 that Posti 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 decreased as the cooperation negotiations went on, ending up at 108 employees (124 permanent employees at the beginning of the negotiations).

Acquisitions, divestments and changes in corporate structure

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

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.

Business risks

The risks and uncertainties related to Posti's business include risks relating to Posti's operating environment, operational risks, legal and regulatory risks as well as financing risks.

Posti's business is dependent on the general economic conditions, and their developments in Finland and in the surrounding countries. Furthermore, the continued decline of letter mail and print volumes due to the increased digital substitution and rapidly developing customer expectations, coupled with increasing competition in mail, but also other business areas involves particular challenges to Posti. Posti is executing a profound business transformation to adapt to the changing business environment, and the success of the chosen transformation strategy, including the realization of the targeted growth and efficiency improvements, is central for Posti's success in the future.

Posti is dependent on the reliability, functionality and cost-efficiency of its ICT systems and infrastructure, which may not fully meet the requirements of Posti's current or planned new businesses or support them. In order to minimize this risk, Posti has selected a new main partner to implement its ICT strategy.

Other dependencies consist of the business seasonality with a focus on the end-of the year, the key customers and partners that may be lost and not appropriately replaced, limitations of Universal Postal Union (UPU) payment terminals, Posti's operational facilities and transportation infrastructure in Finland and Russia with limited or no comparable back-ups, as well as Posti's ability to recruit and retain competent leaders and managers, as well as talented employees, and to keep them motivated. Other operational risks 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 regulator requirement.

Even if the Postal Act in Finland was amended in 2017 in a manner where many restrictions earlier imposed on the USO (Universal Service Obligation) operator were deleted, there is a need for further amendments to the same direction.

However, there is no certainty of stability, nor certainty for the 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.

The existing collective agreement concluded with the Finnish Post and Logistics Union PAU will expire in Q4/2019. Any protraction of the negotiations concerning the renewal of this pivotal agreement may have a negative impact on Posti's operations and lead to consequences such as lost net sales and significant non-recurring expenses.

Events after the review period

There have not been any major events after the review period.

Outlook for 2019

Net sales of continuing operations, excluding possible new acquisitions and divestments, is expected to increase from 2018 driven by Transval acquisition. The Group's adjusted operating result, of continuing operations, is expected to increase from 2018 due to Transval acquisition and transition to IFRS 16 accounting principles.

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.

Helsinki, August 5, 2019

Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures
Interim report 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 through right-of-use assets as well as business acquisitions comprising of total amount of purchase considerations.
Equity ratio, %	100 x	Total equity / Total assets - advances received
Return on equity, %	100 x	Result for the period (12 months rolling) / Total equity (average of opening and closing balance of the previous 12 months)
Return on capital employed, %	100 x	Operating result (12 months rolling) / 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 and lease liabilities - liquid funds - debt certificates.
Net debt / adjusted EBITDA		Net debt / Adjusted EBITDA (12 months rolling)
Interest-bearing borrowings		Non-current and current borrowings.
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*

Half-year report tables January-June 2019

Condensed consolidated Income Statement and Consolidated Statement of Comprehensive Income

Condensed consolidated income statement

Continuing operations

EUR million	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Net sales	**393.8**	**386.8**	**790.4**	**781.6**	**1,559.3**
Other operating income	5.2	6.0	9.1	11.9	22.3
Materials and services	-119.2	-123.4	-236.4	-245.9	-500.6
Employee benefits	-180.0	-165.7	-355.1	-333.0	-648.2
Other operating expenses	-67.5	-83.0	-139.1	-164.3	-328.3
Depreciation and amortisation	-29.1	-15.7	-57.5	-31.5	-63.6
Impairment losses	-0.1	0.0	-0.1	-0.3	-1.6
Operating result	**3.2**	**5.0**	**11.2**	**18.4**	**39.3**
Finance income	1.1	1.1	3.7	2.2	8.0
Finance expenses	-2.0	-2.2	-3.8	-4.2	-8.5
Result before income tax	**2.2**	**3.9**	**11.0**	**16.5**	**38.9**
Income tax	0.1	-0.1	-3.1	-2.0	-4.2
Result for the period from continuing operations	**2.3**	**3.8**	**7.9**	**14.5**	**34.6**
Result for the period from discontinued operations	-0.3	-2.8	4.8	-34.8	-33.9
Result for the period	**2.0**	**1.0**	**12.8**	**-20.3**	**0.7**
Result for the period attributable to					
Parent company shareholders	2.0	1.0	12.8	-20.3	0.8
Non-controlling interest	0.0	0.0	0.0	0.0	-0.1
Earnings per share (EUR per share)					
Group total	0.05	0.03	0.32	-0.51	0.02
Continuing operations	0.06	0.10	0.20	0.36	0.87
Discontinued operations	-0.01	-0.07	0.12	-0.87	-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

EUR million	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Result for the period	**2.0**	**1.0**	**12.8**	**-20.3**	**0.7**
Other comprehensive income					
Items that may be reclassified to profit or loss:					
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	-0.1	-0.5	-0.9	-0.2	0.1
Translation differences	1.0	-2.4	6.6	-5.3	-10.2
Income tax relating to these items	0.0	0.1	0.2	0.0	0.0
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations	-2.2		-1.1	0.2	1.6
Income tax relating to these items	0.4		0.2	0.0	-0.3
Comprehensive income for the period	**1.1**	**-1.7**	**17.8**	**-25.6**	**-8.1**
Comprehensive income attributable to					
Parent company shareholders	1.1	-1.7	17.8	-25.6	-8.1
Non-controlling interest	0.0	0.0	0.0	0.0	-0.1

Condensed consolidated Balance Sheet

Assets

EUR million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Non-current assets			
Goodwill	151.6	147.2	147.4
Other intangible assets	57.3	56.5	57.0
Investment property	3.8	8.8	3.9
Property, plant and equipment	313.4	328.6	318.1
Right-of-use assets	198.0	13.8	9.5
Other non-current investments	1.0	3.5	3.5
Non-current receivables	1.2	1.4	1.3
Deferred tax assets	12.6	12.6	9.2
Total non-current assets	**738.9**	**572.3**	**549.8**
Current assets			
Inventories	4.6	3.9	3.7
Trade and other receivables	286.8	288.4	288.2
Current income tax receivables	5.2	5.7	2.2
Current financial assets	63.4	71.6	54.7
Cash and cash equivalents	96.7	73.3	106.6
Total current assets	**456.6**	**442.9**	**455.3**
Assets classified as held for sale	**5.5**	**0.0**	**0.0**
Total assets	**1,201.0**	**1,015.2**	**1,005.1**

Equity and liabilities

EUR million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Equity attributable to the shareholders of the parent company			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	-1.4	-0.9	-0.7
Translation differences	-94.1	-95.9	-100.7
Retained earnings	315.9	310.0	332.4
Total shareholders' equity	**433.1**	**425.9**	**443.7**
Non-controlling interests	0.0	0.3	0.0
Total equity	**433.1**	**426.2**	**443.7**
Non-current liabilities			
Deferred tax liabilities	20.2	21.4	19.8
Non-current borrowings	123.1	120.0	119.7
Non-current lease liabilities	152.4	5.0	0.4
Other non-current payables	13.0	13.9	10.3
Advances received	13.9	14.2	14.2
Non-current provisions	10.1	13.0	9.9
Defined benefit pension plan liabilities	10.7	11.4	10.0
Total non-current liabilities	**343.4**	**198.9**	**184.4**
Current liabilities			
Current borrowings	1.6	0.0	0.0
Current lease liabilities	46.6	9.5	9.5
Trade and other payables	302.7	295.9	278.7
Advances received	60.3	69.7	77.0
Current income tax liabilities	8.0	4.5	0.5
Current provisions	5.3	10.5	11.3
Total current liabilities	**424.5**	**390.2**	**377.0**
Total liabilities	**767.9**	**589.0**	**561.4**
Total equity and liabilities	**1,201.0**	**1,015.2**	**1,005.1**

Condensed consolidated Statement of Cash Flows

EUR million	1-6 2019	1-6 2018	1-12 2018
Result for the period	**12.8**	**-20.3**	**0.7**
Adjustments to cash flow	48.4	64.6	99.4
Change in net working capital	19.9	-4.6	-13.8
Cash flow before financial items and income tax	**81.1**	**39.7**	**86.3**
Financial items (net)	-2.3	-0.4	-1.0
Income tax paid	-4.0	-5.0	-5.5
Cash flow from operating activities	**74.8**	**34.3**	**79.8**
Purchase of intangible assets	-10.8	-9.0	-19.2
Purchase of property, plant and equipment	-10.5	-20.8	-39.2
Proceeds from sale of intangible and tangible assets	1.4	0.9	1.5
Business acquisitions, net of cash acquired	-41.0	-2.6	-5.0
Proceeds from business disposals less cash and cash equivalents	39.6	5.8	5.6
Proceeds from repayment of loans	20.1	0.0	0.0
Cash flow from financial assets	-8.2	5.5	22.4
Cash flow from other investments	0.8	-0.5	5.8
Cash flow from investing activities	**-8.7**	**-20.7**	**-28.1**
Repayment of current loans	-19.1	-40.0	-40.0
Increases in non-current loans		59.3	59.0
Repayment of non-current loans	-0.3		
Payments of lease liabilities	-28.2	-5.0	-9.6
Dividends paid	-28.4	-40.0	-40.0
Cash flow from financing activities	**-76.0**	**-25.7**	**-30.6**
Change in cash and cash equivalents	**-9.9**	**-12.1**	**21.1**
Cash and cash equivalents at the beginning of the period	**106.6**	**86.0**	**86.0**
Effect of exchange rates changes	0.0	-0.5	-0.5
Cash and cash equivalents at the end of the period	**96.7**	**73.3**	**106.6**

Reconciliation of adjusted free cash flow

Cash flow from operating activities	74.8	34.3	79.8
Purchase of intangible assets and property, plant and equipment	-21.3	-29.8	-58.4
Free cash flow from operations	**53.5**	**4.5**	**21.4**
Cash flow impact of personnel restructuring costs	6.7	2.5	5.3
Cash flow impact of strategic project costs		1.4	3.2
Adjusted free cash flow	**60.2**	**8.4**	**29.9**

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

Consolidated Statement of Changes in Equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the owners of the parent company							
Jan 1, 2019	**70.0**	**142.7**	**-0.7**	**-100.7**	**332.4**	**443.7**		**443.7**
Comprehensive income								
Result for the period					12.8	12.8		12.8
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			-0.7			-0.7		-0.7
Translation differences				6.6		6.6		6.6
Remeasurements of post-employment benefit obligations, net of tax					-0.9	-0.9		-0.9
Comprehensive income for the period			**-0.7**	**6.6**	**11.9**	**17.8**		**17.8**
Transactions with equity holders								
Dividends paid					-28.4	-28.4		-28.4
Jun 30, 2019	**70.0**	**142.7**	**-1.4**	**-94.1**	**315.9**	**433.1**		**433.1**
Jan 1, 2018	**70.0**	**142.7**	**-0.8**	**-90.6**	**370.9**	**492.3**	**0.3**	**492.6**
Change in accounting policies IFRS 9 and IFRS 15			0.0		-0.7	-0.7		-0.7
Jan 1, 2018, restated	**70.0**	**142.7**	**-0.7**	**-90.6**	**370.2**	**491.6**	**0.3**	**491.9**
Comprehensive income								
Result for the period					-20.3	-20.3	0.0	-20.3
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.2			-0.2		-0.2
Translation differences				-5.3		-5.3		-5.3
Remeasurements of post-employment benefit obligations, net of tax					0.2	0.2		0.2
Comprehensive income for the period			**-0.2**	**-5.3**	**-20.1**	**-25.6**	**0.0**	**-25.6**
Transactions with equity holders								
Dividends paid					-40.0	-40.0		-40.0
Jun 30, 2018	**70.0**	**142.7**	**-0.9**	**-95.9**	**310.0**	**425.9**	**0.3**	**426.2**

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of parent company							
Jan 1, 2018	**70.0**	**142.7**	**-0.8**	**-90.6**	**370.9**	**492.3**	**0.3**	**492.6**
Change in accounting policies IFRS 9 and IFRS 15			0.0		-0.7	-0.7		-0.7
Jan 1, 2018, restated	**70.0**	**142.7**	**-0.7**	**-90.6**	**370.2**	**491.6**	**0.3**	**491.9**
Comprehensive income								
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
Comprehensive income for the period			**0.1**	**-10.2**	**2.0**	**-8.1**	**-0.1**	**-8.1**
Transactions with equity holders								
Acquisition of non-controlling interest					0.2	0.2	-0.2	0.0
Dividends paid					-40.0	-40.0		-40.0
Dec 31, 2018	**70.0**	**142.7**	**-0.7**	**-100.7**	**332.4**	**443.7**	**0.0**	**443.7**

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 half-year report has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this half-year report, 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 half-year report 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 an 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
Total lease liabilities before adjustments Jan 1, 2019	228.3
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
Lease liabilities Jan 1, 2019	**217.9**
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	1-6 2019	1-6 2018	1-12 2018
RUB	73.7215	71.9802	74.0551
SEK	10.5187	10.1519	10.2567
NOK	9.7291	9.5936	9.6006

Closing rate	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
RUB	71.5975	73.1582	79.7153
SEK	10.5633	10.4530	10.2548
NOK	9.6938	9.5115	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.

4-6
2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	374.9	18.9	393.8	0.1		393.8
Inter-segment sales	0.1		0.1	0.5	-0.6	
Net sales	**375.0**	**18.9**	**393.9**	**0.6**	**-0.6**	**393.8**
EBITDA	**28.9**	**3.9**	**32.8**	**-0.4**		**32.4**
Special items included in EBITDA:						
Personnel restructuring costs	4.5		4.5	0.2		4.7
Onerous contracts		-1.0	-1.0			-1.0
Other		0.1	0.1	1.6		1.7
Special items included in EBITDA total	**4.5**	**-0.9**	**3.6**	**1.9**		**5.5**
Adjusted EBITDA	**33.4**	**3.0**	**36.4**	**1.5**		**37.9**
Operating result	**5.9**	**0.7**	**6.6**	**-3.4**		**3.2**
Special items included in operating result:						
Special items included in EBITDA	4.5	-0.9	3.6	1.9		5.5
Impairment losses						
Special items total	**4.5**	**-0.9**	**3.6**	**1.9**		**5.5**
Adjusted operating result	**10.4**	**-0.2**	**10.2**	**-1.5**		**8.7**
Financial income and expense						-0.9
Income tax						-0.1
Result for the period from continuing operations						**2.3**
Result for the period from discontinued operations						-0.3
Result for the period						**2.0**

4-6
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	361.9	24.8	386.7	0.0		386.8
Inter-segment sales	0.5		0.5	1.1	-1.6	
Net sales	**362.5**	**24.8**	**387.3**	**1.1**	**-1.6**	**386.8**
EBITDA	**21.0**	**2.0**	**23.1**	**-2.4**		**20.6**
Special items included in EBITDA:						
Personnel restructuring costs	0.4	0.0	0.4	0.0		0.4
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-0.9		-0.9			-0.9
Onerous contracts		0.0	0.0			0.0
Other	0.2		0.2	3.5		3.7
Special items included in EBITDA total	**-0.4**	**0.1**	**-0.3**	**3.5**		**3.2**
Adjusted EBITDA	**20.7**	**2.1**	**22.7**	**1.1**		**23.8**
Operating result	**10.6**	**0.5**	**11.1**	**-6.1**		**5.0**
Special items included in operating result:						
Special items included in EBITDA	-0.4	0.1	-0.3	3.5		3.2
Impairment losses		0.0	0.0			0.0
Special items total	**-0.4**	**0.1**	**-0.3**	**3.5**		**3.2**
Adjusted operating result	**10.2**	**0.6**	**10.8**	**-2.6**		**8.2**
Financial income and expense						-1.1
Income tax						0.1
Result for the period from continuing operations						**3.8**
Result for the period from discontinued operations						-2.8
Result for the period						**1.0**

1-6
2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	751.1	39.1	790.2	0.2		790.4
Inter-segment sales	0.3		0.3	0.9	-1.3	
Net sales	**751.5**	**39.1**	**790.6**	**1.1**	**-1.3**	**790.4**
EBITDA	**65.6**	**5.5**	**71.1**	**-2.3**		**68.8**
Special items included in EBITDA:						
Personnel restructuring costs	6.2		6.2	0.7		6.9
Onerous contracts		-1.0	-1.0			-1.0
Other	2.0	0.1	2.1	2.4		4.5
Special items included in EBITDA total	**8.2**	**-0.9**	**7.4**	**3.0**		**10.4**
Adjusted EBITDA	**73.9**	**4.6**	**78.5**	**0.7**		**79.2**
Operating result	**19.9**	**-0.3**	**19.6**	**-8.4**		**11.2**
Special items included in operating result:						
Special items included in EBITDA	8.2	-0.9	7.4	3.0		10.4
Impairment losses						
Special items total	**8.2**	**-0.9**	**7.4**	**3.0**		**10.4**
Adjusted operating result	**28.2**	**-1.2**	**27.0**	**-5.4**		**21.6**
Financial income and expense						-0.2
Income tax						3.1
Result for the period from continuing operations						**7.9**
Result for the period from discontinued operations						4.8
Result for the period						**12.8**

1-6
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	730.1	51.6	781.6	0.0		781.6
Inter-segment sales	0.7		0.7	2.2	-3.0	
Net sales	**730.8**	**51.6**	**782.4**	**2.2**	**-3.0**	**781.6**
EBITDA	**48.1**	**3.9**	**52.0**	**-1.7**		**50.3**
Special items included in EBITDA:						
Personnel restructuring costs	0.8	0.1	0.9	0.0		0.9
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-2.0		-2.0			-2.0
Onerous contracts		-0.9	-0.9			-0.9
Other	0.3		0.3	4.4		4.7
Special items included in EBITDA total	**-0.8**	**-0.8**	**-1.6**	**4.4**		**2.8**
Adjusted EBITDA	**47.3**	**3.1**	**50.4**	**2.7**		**53.1**
Operating result	**27.0**	**0.6**	**27.6**	**-9.2**		**18.4**
Special items included in operating result:						
Special items included in EBITDA	-0.8	-0.8	-1.6	4.4		2.8
Impairment losses		0.2	0.2			0.2
Special items total	**-0.8**	**-0.6**	**-1.4**	**4.4**		**3.0**
Adjusted operating result	**26.2**	**0.0**	**26.2**	**-4.8**		**21.4**
Financial income and expense						-1.9
Income tax						2.0
Result for the period from continuing operations						**14.5**
Result for the period from discontinued operations						-34.8
Result for the period						**-20.3**

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	**1,457.2**	**103.9**	**1,561.1**	**4.2**	**-6.0**	**1,559.3**
EBITDA	**96.0**	**4.9**	**100.9**	**3.5**		**104.5**
Special items included in EBITDA:						
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
Special items included in EBITDA total	**-0.3**	**3.7**	**3.3**	**3.0**		**6.3**
Adjusted EBITDA	**95.6**	**8.6**	**104.2**	**6.5**		**110.8**
Operating result	**53.0**	**-1.2**	**51.8**	**-12.5**		**39.3**
Special items included in operating result:						
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
Special items total	**0.8**	**3.8**	**4.7**	**3.0**		**7.7**
Adjusted operating result	**53.9**	**2.6**	**56.5**	**-9.5**		**47.0**
Financial income and expense						-0.5
Income tax						4.2
Result for the period from continuing operations						**34.6**
Result for the period from discontinued operations						-33.9
Result for the period						**0.7**

Net sales of Mail, Parcel and Logistics Services

EUR million	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Postal Services	171.0	182.8	354.5	373.2	737.8
Parcel and eCommerce	99.7	98.1	200.9	200.8	407.6
Logistics Solutions	106.0	82.5	199.3	158.9	316.4
Other and eliminations	-1.7	-0.9	-3.2	-2.0	-4.6
Total	**375.0**	**362.5**	**751.5**	**730.8**	**1,457.2**

Jun 30, 2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi-nations	Group total
Assets	865.3	114.1	979.4	216.2	-0.1	**1,195.5**
Non-current assets classified as held for sale		5.5				**5.5**
Liabilities	369.2	22.0	391.2	376.9	-0.1	**767.9**
Capital expenditure	59.7	1.1	60.8	13.3		**74.1**
Depreciation and amortization	45.7	5.7	51.4	6.1		**57.5**
Impairment losses	0.0	0.1	0.1	0.0		**0.1**
Personnel, end of period	19,965	1,278	21,243	726		**21,969**
Personnel on average, FTE	14,763	1,378	16,141	717		**16,857**

Jun 30, 2018

EUR million						
Assets	603.2	124.3	727.5	291.9	-4.1	**1,015.2**
Liabilities	351.9	28.7	380.6	212.6	-4.1	**589.0**
Capital expenditure	17.5	0.3	17.9	17.3		**35.2**
Depreciation and amortization	20.9	3.1	24.0	7.5		**31.5**
Impairment losses	0.1	0.2	0.3	0.0		**0.3**
Personnel, end of period	17,591	1,891	19,482	716		**20,198**
Personnel on average, FTE	13,850	2,156	16,006	685		**16,691**

Dec 31, 2018

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

4. Net sales by geographical location

EUR million	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Finland	333.5	311.8	665.6	630.7	1,270.8
Other Nordic countries	20.4	26.3	43.4	52.5	95.1
Russia	18.8	24.5	39.0	51.1	103.0
Other countries	21.2	24.2	42.4	47.4	90.4
Total	**393.8**	**386.8**	**790.4**	**781.6**	**1,559.3**

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

5. Acquired and divested businesses and dicontinued 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 4.8 (-34.8) million during the review period.

Result for the period from discontinued operations

EUR million	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Net sales	0.0	15.6	16.4	28.9	62.1
Sale profit net of sale costs	0.0		4.4		
Other operating income	0.0	-0.5	0.4	-2.1	-1.9
Depreciation and amortisation	0.0	-1.1	-1.0	-31.9	-34.2
Other operating expenses	0.0	-16.8	-15.3	-29.7	-59.6
Operating result	**0.0**	**-2.7**	**4.9**	**-34.7**	**-33.6**
Finance expenses	0.0	-0.1	-0.1	-0.1	-0.3
Income tax	-0.3		0.1		
Result for the period from discontinued operations	**-0.3**	**-2.8**	**4.8**	**-34.8**	**-33.9**

Cash flow from discontinued operations

EUR million	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Cash flow from operating activities		4.5	1.3	3.1	3.0
Cash flow from investing activities	59.7	-1.0	58.6	-2.0	-4.0

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
Assets total	**81.2**

Sold liabilities

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

Business acquisitions and divestments in April-June 2019

Posti did not acquire or divest any businesses during the second quarter.

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	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Carrying amount Jan 1	**318.1**	**328.0**	**328.0**
Acquired businesses	5.9		
Additions	7.5	27.9	46.3
Business divestments	-0.4	-0.1	-0.5
Disposals and transfers between items	-0.4	-0.8	-1.2
Amortization, continuing operations	-21.8	-20.8	-42.1
Impairment, continuing operations	-0.1	0.0	0.0
Amortization and impairment, discontinued operations	0.0	0.0	-0.1
Translation differences	10.1	-5.6	-12.2
Moved to assets classified as held for sale	-5.5		
Carrying amount, end of the period	**313.4**	**328.6**	**318.1**

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

EUR million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Carrying amount Jan 1	**9.5**	**18.4**	**18.4**
Adoption of IFRS 16 - Leases	207.9		
Acquired businesses	4.7		
Additions	6.7	0.3	0.3
Business divestments	-1.0		
Disposals and transfers between items	-1.2	0.0	-0.1
Depreciation	-28.2	-4.8	-9.1
Translation differences	-0.3	0.0	
Carrying amount, end of the period	**198.0**	**13.8**	**9.5**

Specification of right-of-use asset:

EUR million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Land	0.3		
Buildings	171.2		
Vehicles	22.1	13.8	9.5
Machinery and other	4.3		
Carrying amount, end of the period	**198.0**	**13.8**	**9.5**

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	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Carrying amount Jan 1	**204.4**	**237.7**	**237.7**
Acquired businesses	63.6		
Additions	10.8	9.0	19.2
Business divestments	-60.9	-4.1	-4.1
Disposals and transfers between items	0.0	-0.3	-0.3
Amortization, continuing operations	-7.6	-5.6	-11.8
Impairment, continuing operations	0.0	-0.3	-1.5
Amortization and impairment, discontinued operations	-0.9	-31.8	-34.1
Translation differences	-0.7	-0.8	-0.5
Carrying amount, end of the period	**208.9**	**203.7**	**204.4**

8. Net debt and liquid funds

EUR million		Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2019**	**119.7**	**10.0**	**129.7**	**131.0**	**30.0**	**-31.3**
Cash flows		-19.8	-28.2	-48.0	28.9	-30.0	-46.9
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	0.0	0.0	-0.1
Other non-cash items		0.0	213.5	213.5	0.0	0.0	213.5
Carrying amount on	**Jun 30, 2019**	**124.3**	**199.4**	**323.7**	**160.0**	**0.0**	**163.7**
Fair value on	**Jun 30, 2019**	**124.8**	**199.4**	**324.2**			

EUR million		Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2018**	**100.7**	**19.3**	**120.0**	**123.7**	**39.7**	**-43.4**
Cash flows		19.5	-5.0	14.4	-18.3	0.2	32.5
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		-0.2	0.3	0.1	0.0	0.0	0.1
Carrying amount on	**Jun 30, 2018**	**120.0**	**14.5**	**134.5**	**104.9**	**39.9**	**-10.3**
Fair value on	**Jun 30, 2018**	**120.6**	**14.5**	**135.1**			

EUR million		Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2018**	**100.7**	**19.3**	**120.0**	**123.7**	**39.7**	**-43.4**
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
Carrying amount on	**Dec 31, 2018**	**119.7**	**10.0**	**129.7**	**131.0**	**30.0**	**-31.3**
Fair value on	**Dec 31, 2018**	**120.3**	**10.0**	**130.2**			

EUR million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Cash and cash equivalents	96.7	73.3	106.6
Money market investments and investments in bonds	63.3	31.6	24.5
Liquid funds	**160.0**	**104.9**	**131.0**

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

EUR million	Total	Level 1	Level 2	Level 3
Jun 30, 2019				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	1.0			1.0
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Total	**1.0**		**0.0**	**1.0**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.8		1.8	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Total	**1.8**		**1.8**	

EUR million	Total	Level 1	Level 2	Level 3
Jun 30, 2018				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	3.4			3.4
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Equity fund investments	0.1			0.1
Total	**3.5**		**0.1**	**3.4**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.1		1.1	
Equity derivatives, written put option	4.8			4.8
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.2		0.2	
Total	**6.1**		**1.3**	**4.8**

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

Hierarchy levels:
Level 1: Fair values are based on the quoted prices of identical asset groups or liabilities in active markets.
Level 2: Fair values are, to a significant degree, based on data other than quoted prices included in level 1, but on data that can be either directly or indirectly verified for the asset group or liability in question. To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on verifiable market data.
Level 3: Fair values are based on data regarding the asset group or liability that is not based on verifiable market data.

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 6.2 million and their carrying value EUR 6.0 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	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Pledges for own behalf			
Bank guarantees	9.1	6.8	7.4
Guarantees	3.8	4.0	3.8
Pledges	0.8	0.1	0.1
Total	**13.7**	**10.9**	**11.3**

Lease commitments not recognized in balance sheet

EUR million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Maturity of minimum lease payments:			
Less than a year	8.4	54.7	51.5
1-5 years	0.9	115.7	108.9
More than 5 years		70.9	57.7
Total	**9.3**	**241.2**	**218.2**

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	Jun 30, 2019	Jun 30, 2019	Dec 31, 2018
Currency derivatives			
Non-hedge accounting			
Fair value	0.0	-0.1	0.0
Nominal value	6.2	13.5	10.9
Hedge accounting			
Fair value			0.1
Nominal value			3.2
Interest rate derivates			
Hedge accounting			
Fair value	-1.8	-1.1	-0.9
Nominal value	60.0	60.0	60.0

11. Events after the reporting period

There have not been any major events after the review period.