



POSTI GROUP CORPORATION HALF-YEAR REPORT, AUGUST 11, 2022, AT 9:00 A.M. (EEST)

Posti Group Corporation Half-Year Financial Report 2022



Posti Group 1–6/2022: Successful growth strategy drove increased net sales. Declined profitability in Postal Services decreased Group result.

Posti Group Corporation half-year financial report January–June 2022

Unless otherwise stated, the figures in brackets refer to the corresponding period in the previous year.

April–June

Financial highlights

- Net sales grew by 5.0% to EUR 411.3 (391.6) million.
- Adjusted EBITDA decreased to EUR 39.5 (44.2) million, or 9.6% (11.3%) of net sales.
- EBITDA decreased to EUR 38.9 (43.8) million, or 9.5% (11.2%) of net sales.
- Adjusted operating result decreased to EUR 8.5 (13.7) million, representing 2.1% (3.5%) of net sales.
- Operating result decreased to EUR 7.9 (13.3) million, representing 1.9% (3.4%) of net sales.

January–June

Financial highlights

- Net sales grew by 3.4% to EUR 802.4 (775.9) million.
- Adjusted EBITDA decreased to EUR 76.0 (88.7) million, or 9.5% (11.4%) of net sales.
- EBITDA decreased to EUR 73.3 (88.4) million, or 9.1% (11.4%) of net sales.
- Adjusted operating result decreased to EUR 15.0 (28.5) million, representing 1.9% (3.7%) of net sales.
- Operating result decreased to EUR 12.3 (28.2) million, representing 1.5% (3.6%) of net sales.
- Net debt to adjusted EBITDA was 1.4x (1.2x).

Operational highlights

- Slower economic growth, accelerated inflation and operational challenges impacted the profitability of Postal Services negatively, which affected the overall profitability of Posti Group.
- Successful acquisitions of Veddestagruppen and Mediatalo Keski-suomalainen Oyj's early-morning delivery operations increased Group's net sales.
- Fulfillment and Logistics Services net sales increased by 15.4% and were mainly driven by the acquisition of Veddestagruppen.
- Total parcel volume in Finland and the Baltic countries decreased by 3% (increased 16%) due to a shift in consumer behavior and slower economic growth.
- The combined external net sales of eCommerce and Delivery Services, and Fulfillment and Logistics Services represented 63.2% (61.6%) of the Group's net sales.
- Addressed letters volume continued to decline and decreased by 6% (9%).
 - The share of mail items covered by the universal service obligation accounted for 2.3% (2.7%) of all Posti's mail items delivered.

Outlook for 2022

Posti is adjusting its outlook for 2022. The net sales is expected to increase (previously, it was communicated that net sales is to remain on same level). The new outlook states:

In 2022, Posti is expecting its net sales to increase from the previous year. The Group's adjusted EBITDA in 2022 is expected to decrease. Posti's net sales from continuing operations in 2021 were EUR 1,595.0 million and adjusted EBITDA was EUR 181.6 million.

The potentially continuing inflation and the increase in interest rates may impact consumer demand. The changes in consumer behavior affect Posti's business and could impact actual results.

The Group's business is characterized by seasonality. The net sales and operating result in the segments are not accrued evenly over the year. In consumer parcels and Postal Services, the first and fourth quarters are typically strong, while the second and third quarters are weaker. The postal service volume decline is expected to continue.

Key figures of Posti Group					
	4-6 2022	4-6 2021	1-6 2022	1-6 2021	1-12 2021
Net sales*, EUR million	411.3	391.6	802.4	775.9	1,595.0
Adjusted EBITDA*, EUR million	39.5	44.2	76.0	88.7	181.6
Adjusted EBITDA margin*, %	9.6%	11.3%	9.5%	11.4%	11.4%
EBITDA*, EUR million	38.9	43.8	73.3	88.4	180.5
EBITDA margin*, %	9.5%	11.2%	9.1%	11.4%	11.3%
Adjusted operating result*, EUR million	8.5	13.7	15.0	28.5	59.8
Adjusted operating result margin*, %	2.1%	3.5%	1.9%	3.7%	3.7%
Operating result*, EUR million	7.9	13.3	12.3	28.2	55.0
Operating result margin*, %	1.9%	3.4%	1.5%	3.6%	3.4%
Result for the period*, EUR million	4.6	9.3	5.6	20.4	38.7
Return on capital employed (12 months)*, %			5.7%	10.0%	8.4%
Net debt, EUR million			241.2	240.6	145.0
Net debt / adjusted EBITDA*			1.4x	1.2x	0.8x
Operative free cash flow, EUR million			-16.2	-6.4	23.1
Personnel, end of period*			21,133	21,077	21,128
Personnel on average*, FTE	15,213	15,051	14,951	14,907	15,042
Earnings per share, continuing operations*, EUR	0.11	0.23	0.14	0.51	0.97
Earnings per share, basic, EUR	0.11	0.31	0.14	0.59	-0.40
Dividend per share, EUR					0.80
Dividend, EUR million					32.0

* Continuing operations – as a result of divestment, the 2021 results of Itella Russia are presented as discontinued operations.

Changes in reporting

On January 1, 2022, Posti changed its segment reporting to align with the company strategy, organizational structure, and to improve visibility on performance and results. Posti now has three reportable segments: eCommerce and Delivery Services, Fulfillment and Logistics Services, and Postal Services. Comparison period 2021 has been restated accordingly.

eCommerce and Delivery Services offers parcel, transportation, and e-commerce services to corporate and private customers in Finland, Sweden, and Baltics. eCommerce and Delivery Services also develops Posti's digital services for an improved customer experience.

Fulfillment and Logistics Services consists of two operating segments: Transval and Aditro Logistics. Transval is the market leader in providing logistics outsourcing solutions in Finland. Aditro Logistics is one of the leading logistics companies in Sweden and the Nordics.

Postal Services offers mail delivery services as well as supporting digital and multichannel solutions.

Turkka Kuusisto, President and CEO

Our growth continued in the first half of 2022 due to a successful execution of our strategy as well as actions taken to support growth in the volatile market environment. The Group's net sales grew by 3.4% to 802.4 (775.9) million and was driven by increased net sales of eCommerce and Delivery Services and Fulfillment and Logistics Services. In the second quarter Group net sales grew by 5.0% to EUR 411.3 (391.6) million despite declined volumes. Growth resulted mainly from successful acquisitions, price increases and higher volumes in warehousing storage in Fulfillment and Logistics Services.

Increasing inflation rate continues to be a concern for our operating environment. As expected, our adjusted EBITDA decreased to EUR 76.0 (88.7) million in the first half, and to EUR 39.5 (44.2) million in the second quarter. Declined profitability in Postal Services resulted in various challenges in Postal Services delivery processes, which impacted our overall profitability negatively.

During the first half, consumer behavior changed which resulted in declining parcel volumes in eCommerce and Delivery Services. Despite this, eCommerce and Delivery Services profitability increased. This was mainly due to the increase in transportation services' net sales. Fulfillment and Logistics Services net sales and profitability increased, which was driven by the acquisition of Veddestagruppen. Also, new Transval's warehouse in Sipoo opened in April, which expanded our warehouse capacity. Increased operational costs impacted Postal Services profitability negatively, also addressed mail volumes continued to decrease. Looking at the second half of 2022, we expect volatility in the market environment and cost pressure to continue.

In May Posti's science-based net zero target were approved by the Science Based Targets initiative (SBTi), a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science. We are proud to have achieved this as the first Finnish company and as the first company in our industry globally. In addition to the emissions caused by its own operations, Posti is committed to reduce the emissions of the value chain to net zero by 2040.

As postal turmoil continues in the coming years and the mail volumes are constantly decreasing, it is critical to renew the current Postal Act to more flexible direction and to introduce a fixed-term State aid for newspaper delivery in rural areas. We support most of the government proposal, that was submitted to the Parliament in April 2022. However, the new public service obligation, targeted separately at Posti outside of competitive tendering, to deliver newspapers at a regulated price would be very problematic, especially if the compensation paid does not cover the costs and a reasonable profit. We urge that the obligation must cover the costs and a reasonable profit as provided in the universal service obligation.

I am pleased that our growth strategy has been proven to be on the right track. As we have now entered the second half of 2022, we have started preparations for the high season at the end of the year to ensure that we deliver successful season period for our customers. We will also continue to focus on further improving the customer experience, which is at the center of everything we do.

APPENDICES

Posti Group's half-year financial report January-June 2022 in full (PDF)

FURTHER INFORMATION

Turkka Kuusisto, President and CEO
Timo Karppinen, CFO

Tel. +358 20 452 3366 (MediaDesk)

DISTRIBUTION

Key media

www.posti.com/financials

IMAGES AND LOGOS

www.posti.com/media

Posti is one of the leading delivery and fulfillment companies in Finland, Sweden and Baltics. Our core business includes parcels, freight, postal services, and logistics solutions. Our goal is to have fossil-free transport by 2030. We have operations in seven countries. Our net sales in 2021 amounted to EUR 1,595.0 million and we have approximately 21,000 employees. www.posti.com

Market situation and business environment

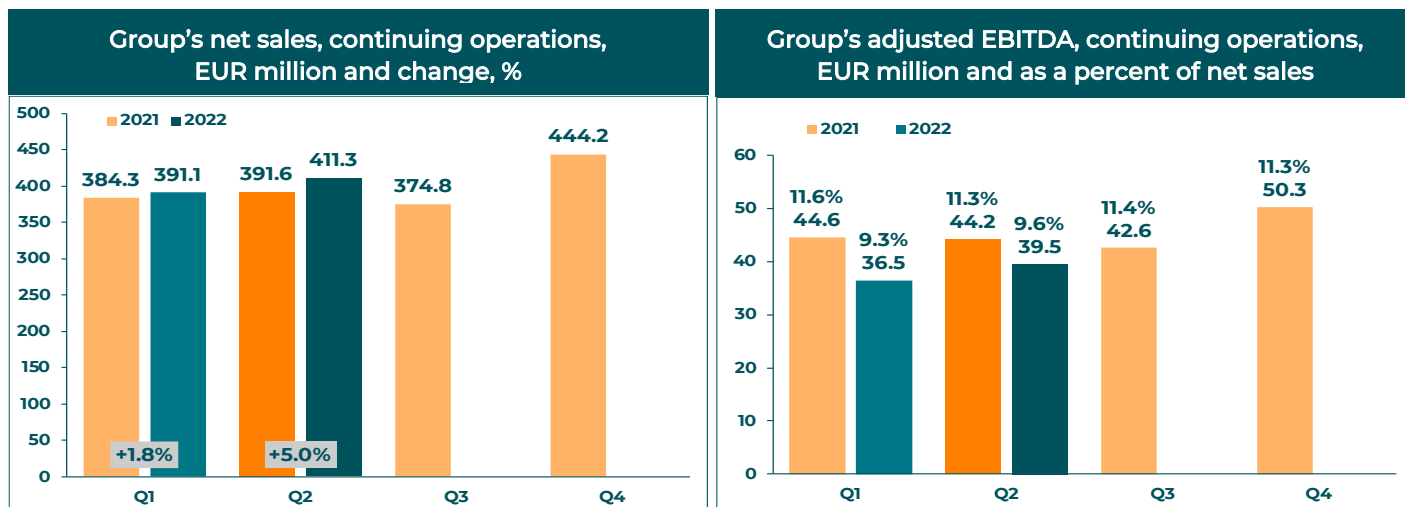
The war in Ukraine has slowed down economic growth, and the signs of slowdown have intensified. The war accelerates the increase in energy prices, raw materials, and food. High inflation and the pressure on increasing interest rates have changed consumer demand in goods and at the same time consumer consumption is moving more towards services since the COVID-19 restrictions have been lifted. High inflation and the rising mortgage rates are increasing expenses much faster than available income is being accrued, creating a challenging situation for households.

Consumer confidence in economy has decreased which has changed the patterns in consumer consumption, and therefore impacted the development of retail sales. According to Statistics Finland's, the working day adjusted volume of total trade in Finland, from which the impact of price changes has been eliminated, decreased by 5.7% in April, 5.1% in May and 7.0% in June (preliminary) compared to last year. The declining sales in the trade sector has decreased the stock turnover in Posti's warehouses, and impacted Posti's parcel volume growth negatively.

According to the Bank of Finland, the Finnish economy is predicted to grow 1.7% in 2022 and 0.5% in 2023. However, the growth may turn out to be lower than forecast, and even a recession cannot be ruled out.

The war in Ukraine also impacts the Swedish economy even though Sweden's direct economic relations with Russia and Ukraine are limited. According to the Riksbank's forecast, GDP growth in Sweden for 2022 has been lowered from 2.8% to 1.8% and the forecast for 2023 is 0.7%.

Net sales and profitability



April–June 2022

Net sales

The Group's net sales grew by 5.0% to EUR 411.3 (391.6) million. Net sales grew by 2.7% in Finland and by 26.0% in other countries. The growth in other countries was mainly due to the acquisition of Veddestagruppen in Sweden. The share of Posti's business operations outside Finland increased and accounted for 11.9% (9.9%) of net sales.

The eCommerce and Delivery Services segment net sales increased by 1.3% to EUR 175.0 (172.7) million.

Net sales in the Fulfillment and Logistics Services segment increased by 16.1% to EUR 93.6 (80.6) million, mainly due to the acquisition of Veddestagruppen in January 2022. The company has been included in the segment since February.

The combined external net sales of eCommerce and Delivery Services, and Fulfillment and Logistics Services represented 64.0% (63.1%) of the Group's net sales.

Net sales in the Postal Services segment increased by 2.6% to EUR 149.2 (145.3) million.

Operations under the universal service obligation decreased and amounted to EUR 19.5 (20.4) million, or 4.7% (5.2%) of the Group's net sales and 2.1% (2.3%) of delivery volumes.

Profitability

The Group's adjusted EBITDA decreased to EUR 39.5 (44.2) million, or 9.6% (11.3%) of net sales mainly due to the decreased profitability of Postal Services. EBITDA decreased to EUR 38.9 (43.8) million, or 9.5% (11.2%) of net sales. The adjusted operating result decreased to EUR 8.5 (13.7) million, or 2.1% (3.5%) of net sales. The operating result declined to EUR 7.9 (13.3) million, or 1.9% (3.4%) of net sales.

Special items affecting the operating result in the second quarter amounted to EUR -0.6 (-0.4) million.

January–June 2022

Net sales

The Group's net sales grew by 3.4% to EUR 802.4 (775.9) million. Net sales increased by 1.3% in Finland and 23.1% in other countries. The growth in other countries was mainly due to the acquisition of Veddestagruppen in Sweden. The share of Posti's business operations outside Finland increased and accounted for 11.7% (9.8%) of net sales.

The eCommerce and Delivery Services segment net sales increased by 1.8% to EUR 337.1 (331.3) million.

Net sales in the Fulfillment and Logistics Services segment increased by 15.4% to EUR 181.0 (156.8) million, mainly due to the acquisition of Veddestagruppen in January 2022. The company has been included in the segment since February.

The combined external net sales of eCommerce and Delivery Services, and Fulfillment and Logistics Services represented 63.2% (61.6%) of the Group's net sales.

Net sales in the Postal services segment decreased by 1.2% to EUR 296.6 (300.2) million.

Operations under the universal service obligation decreased and amounted to EUR 40.4 (47.1) million, or 5.0% (6.1%) of the Group's net sales and 2.3% (2.7%) of delivery volumes.

Profitability

The Group's adjusted EBITDA decreased to EUR 76.0 (88.7) million, or 9.5% (11.4%) of net sales mainly due to the decreased profitability of Postal Services, declined parcel volumes and increased operational costs. EBITDA decreased to EUR 73.3 (88.4) million, or 9.1% (11.4%) of net sales. The adjusted operating result decreased to EUR 15.0 (28.5) million, or 1.9% (3.7%) of net sales. The operating result declined to EUR 12.3 (28.2) million, or 1.5% (3.6%) of net sales.

Special items affecting the operating result in the first half of the year amounted to EUR -2.7 (-0.3) million.

Special items affecting the operating result in 1-6 2022

EUR million	
Personnel restructuring costs	-2.1
Other special items	-0.7
Total	-2.7

eCommerce and Delivery Services

Key figures, eCommerce and Delivery Services					
	4-6 2022	4-6 2021	1-6 2022	1-6 2021	1-12 2021
Net sales, EUR million	175.0	172.7	337.1	331.3	681.1
<i>Net sales change-%</i>	1.3%	6.3%	1.8%	6.8%	4.8%
Adjusted EBITDA, EUR million	18.7	16.7	32.9	30.1	62.0
<i>Adjusted EBITDA margin, %</i>	10.7%	9.7%	9.8%	9.1%	9.1%
EBITDA, EUR million	18.7	17.3	32.2	30.1	62.0
<i>EBITDA margin, %</i>	10.7%	10.0%	9.6%	9.1%	9.1%

April–June 2022

The parcel and freight volumes developed as follows:

- The total number of parcels delivered by Posti in Finland and the Baltic countries decreased by 6% to 16 (17) million. The figure does not include letter-like eCommerce items.
- Transportation volumes measured in waybills decreased by 7%.

Net sales

The net sales of eCommerce and Delivery Services increased by 1.3% to EUR 175.0 (172.7) million. In the segment, the increased net sales of transportation services were mainly driven by increased prices. However, the net sales of parcel deliveries decreased.

The total parcel volume decreased by 6%. The market environment and consumer behavior have changed resulting in the decline of parcel volumes as consumers spent more money on services rather than on goods. Higher inflation rate decreased overall consumer spending.

Profitability

The adjusted EBITDA of eCommerce and Delivery Services increased to EUR 18.7 (16.7) million, or 10.7% (9.7%) of net sales. The growth was driven by the increased net sales of the segment and the improved efficiency in production processes. However, the increased inflation and energy prices, and the reduced parcel volumes, impacted profitability negatively. EBITDA increased to EUR 18.7 (17.3) million.

January–June 2022

The parcel and freight volumes developed as follows:

- The total number of parcels delivered by Posti in Finland and the Baltic countries decreased by 3% to 32 (33) million. The figure does not include letter-like eCommerce items.
- Transportation volumes measured in waybills decreased by 3%.

Net sales

The net sales of eCommerce and Delivery Services increased by 1.8% to EUR 337.1 (331.3) million. In the segment, the net sales of transportation services increased during the first half, whereas the net sales of parcel deliveries decreased.

The total parcel volume decreased by 3%. The lifting of the COVID-19 restrictions in the early part of the year affected parcel volumes negatively as consumers spent money on services instead of goods. The overall economic development has declined due to the war in Ukraine, which affects consumers' confidence in the economy.

Profitability

The adjusted EBITDA of eCommerce and Delivery Services increased to EUR 32.9 (30.1) million, or 9.8% (9.1%) of net sales. The growth was driven by the increased net sales and the improved profitability of transportation services. However, the reduced parcel volumes as well as the increased inflation and energy prices decreased overall profitability. EBITDA increased to EUR 32.2 (30.1) million.

Fulfillment and Logistics Services

Key figures, Fulfillment and Logistics Services					
	4-6 2022	4-6 2021	1-6 2022	1-6 2021	1-12 2021
Net sales, EUR million	93.6	80.6	181.0	156.8	330.0
Transval	58.7	54.5	114.3	105.3	219.8
Aditro Logistics	34.9	26.1	66.7	51.5	110.2
Net sales change-%	16.1%**	12.8%	15.4%**	N/A*	N/A*
Adjusted EBITDA, EUR million	8.9	8.6	16.3	15.6	32.6
Adjusted EBITDA margin, %	9.5%	10.6%	9.0%	10.0%	9.9%
EBITDA, EUR million	8.7	8.6	16.1	15.6	32.1
EBITDA margin, %	9.3%	10.6%	8.9%	10.0%	9.7%

* Aditro Logistics has been part of the segment since April 2020.

** Veddestagruppen has been part of the segment since February 2022.

April–June 2022

Net sales

Fulfillment and Logistics Services' net sales increased by 16.1% and were EUR 93.6 (80.6) million. The growth of **Transval**'s net sales was mainly due to the increased volumes in contracts in in-house logistics and contract logistics. **Aditro Logistics**' net sales growth was mostly driven by the acquisition of Veddestagruppen in Sweden, which was included in the segment for the full quarter. Also, warehousing storage volumes continued to increase, which improved net sales.

Profitability

The adjusted EBITDA of Fulfillment and Logistics Services increased to EUR 8.9 (8.6) million, or 9.5% (10.6%) of net sales. The improvement was mainly due to the acquisition of Veddestagruppen. EBITDA increased to EUR 8.7 (8.6) million.

January–June 2022

On January 31 Posti completed the acquisition of the Swedish logistics company Veddestagruppen AB by acquiring the company's entire share capital. Veddestagruppen was integrated with Posti Group's Swedish subsidiary Aditro Logistics.

Net sales

Fulfillment and Logistics Services' net sales increased by 15.4% and were EUR 181.0 (156.8) million. The growth of **Transval**'s net sales was mainly due to the increased volumes of in-house logistics and contract logistics. **Aditro Logistics**' net sales growth was mainly due to the acquisition of Veddestagruppen in Sweden as well as improved warehousing storage volumes.

Profitability

The adjusted EBITDA of Fulfillment and Logistics Services increased to EUR 16.3 (15.6) million, or 9.0% (10.0%) of net sales. The improvement was mainly due to the acquisition of Veddestagruppen. EBITDA increased to EUR 16.1 (15.6) million.

Postal Services

Key figures, Postal Services					
	4-6 2022	4-6 2021	1-6 2022	1-6 2021	1-12 2021
Net sales, EUR million	149.2	145.3	296.6	300.2	610.9
Net sales change-%	2.6%	-2.8%	-1.2%	-7.0%	-5.6%
Adjusted EBITDA, EUR million	15.7	22.0	33.8	47.9	99.1
Adjusted EBITDA margin, %	10.5%	15.2%	11.4%	16.0%	16.2%
EBITDA, EUR million	15.3	21.0	32.1	46.6	96.8
EBITDA margin, %	10.3%	14.4%	10.8%	15.5%	15.8%

April–June 2022

The decline of Postal volumes continued. The number of addressed letters decreased by 6% (3%).

Net sales

The net sales of Postal Services increased by 2.6% to EUR 149.2 (145.3) million mainly due to price increases and the acquisition of Mediatalo Keski-suomalainen Oyj's early-morning delivery operations. The mail volumes continued to decline.

Profitability

The adjusted EBITDA of Postal Services decreased to EUR 15.7 (22.0) million, or 10.5% (15.2%) of net sales. The profitability was affected by the higher operational costs due to the increase in energy prices and operational inefficiency due to various challenges in delivery processes. EBITDA decreased to EUR 15.3 (21.0) million.

January–June 2022

The decline of Postal volumes continued. The number of addressed letters decreased by 6% (9%).

Net sales

The net sales of Postal Services decreased by 1.2% to EUR 296.6 (300.2) million mainly due to the continued mail volume decline. However, the acquisition of Mediatalo Keskisuomalainen Oyj's early-morning delivery operations and increase in prices impacted net sales positively.

Profitability

The adjusted EBITDA of Postal Services decreased to EUR 33.8 (47.9) million, or 11.4% (16.0%) of net sales. The profitability was affected by the declining net sales of the segment, higher operational costs due to increase in energy prices and operational inefficiency. The exceptional winter conditions and the absences of employees due to the COVID-19 virus required overtime hours and temporary workforce, which impacted profitability in the early part of the year. EBITDA decreased to EUR 32.1 (46.6) million.

Cash flow, financial position, and major investments

In January–June, the consolidated cash flow from operating activities was EUR 45.5 (55.6) million, the cash flow from investing activities EUR -60.6 (-13.7) million (EUR -43.5 million for business acquisitions), and the cash flow from financing activities EUR -45.8 (-59.5) million.

At the end of June, liquid assets amounted to EUR 85.5 (135.2) million and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing borrowings were EUR 326.7 (375.8) million. Net debt totaled EUR 241.2 (240.6) million. Equity ratio was 39.6% (37.4%).

Posti has invested in expanding its warehouse capacity with a new Transval warehouse in Sipoo, which opened in April 2022, in green fleet such as new electric trucks, and in the development of digital services to improve the customer experience. Posti will continue to invest in digital and eCommerce services and improving the competitiveness of its core business to respond to the changing market and to support Posti's transformation.

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 100%. 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.

Leadership team

There were no changes in the leadership team during the reporting period.

Employees

The Group's personnel					
	4-6 2022	4-6 2021	1-6 2022	1-6 2021	1-12 2021
Personnel at period-end*			21,133	21,077	21,128
Finland*			18,623	18,670	18,571
Other countries of operation*			2,510	2,407	2,557
Personnel on average, FTE */**	15,213	15,051	14,951	14,907	15,042

*Continuing operations

**Full-time equivalent personnel on average

In January–June, the Group's personnel expenses amounted to EUR 353.9 (340.6) million, growing by 3.9% from the previous year. The personnel expenses included EUR 2.1 (1.3) million of restructuring costs.

Acquisitions, divestments, and changes in the corporate structure

On January 1, Transval closed the sale of Humanlink Estonia store services business and Humanlink Baltic Latvia SIA shares to the operative management of the companies.

On January 13, Posti announced that it plans to merge its business groups Parcel & eCommerce and Freight Services into a new business group named eCommerce and Delivery Services. The change that came to force on April 1 enhances cross-business co-operation in line with Posti's strategy execution.

On January 17, Posti announced that it had signed an agreement with the owners of the Swedish logistics company Veddestagruppen, under which Posti Group acquires the entire share capital of Veddestagruppen AB. The acquisition was completed on January 31. Veddestagruppen is integrated with Posti Group's Swedish subsidiary Aditro Logistics.

On March 31, Posti signed an agreement on the acquisition of the early-morning delivery operations of Mediatalo Keski-suomalainen Oyj's subsidiaries Jakelusepät Oy and Ilves Jakelu Oy in the areas of Pohjois-Savo, Päijät-Häme and Kanta-Häme. The transaction was aimed at strengthening the future of the delivery market and ensuring quality service for customers in early-morning delivery. The acquisition was completed on April 29, 2022.

On June 16, Posti submitted an application to the Finnish Trade Register to change its legal company structure in Finland. The reform will see parcel, eCommerce and logistics services centralized under the same company in Finland, named Posti Oy. Letter, publication, and direct marketing business will continue under the current parent company, with the new name Posti Jakelu Oy. Posti Palvelut Oy will continue as a subsidiary of Posti Jakelu Oy. The reform is legal in nature and has no effect on Posti's services or operations. The new legal company structure is planned to become effective as from January 2023.

Legal proceedings

Posti is party to some legal proceedings related to its customary business operations. None of those proceedings, separately or collectively, have a material impact on its financial position.

Business risks

The sanctions against Russia have spiked commodity and energy prices, and there is an unprecedented level of risk and uncertainties related to global supply chains. Due to the nature and scale of Posti's operations, the general development of the economy, increasing energy costs and changes in the demand of goods have an impact on Posti's business as well.

The main risks in Posti's business transformation towards a modern delivery and fulfillment company remain two-fold. Posti needs to carefully manage and adjust its operating model in the declining postal business. At the same time, Posti needs to develop new integrated services and offering in the delivery and fulfillment value chain to enable market growth in eCommerce. The eCommerce is growing, and the retail landscape is changing. Posti is in consumer driven business where consumers' choices and preferences are key factors for success and growth. Also, the competition is increasing. To be able to grow and succeed, Posti needs to strengthen the consumer trust in the Posti brand. As a large employer, Posti is also facing challenges in the availability of skilled labor and is continuously working to enhance its employer image.

The COVID-19 restrictions have been lifted resulting in consumers spending more on services. At the same time, Posti is facing increasing competition. Disruptive business models have been introduced by the competitors, especially in the last mile delivery and e-fulfillment sections. The increased competition could lead to a loss of market share and price competition. Posti needs to move fast and continuously increase customer focus in all areas. Posti is managing these risks by continuously monitoring and reviewing the execution of its delivery and fulfillment strategy.

Posti's success in the declining postal delivery market depends on implementing efficient operating and delivery models to decrease costs in line with the declining volumes. Updates to the postal regulations are crucial. Posti supports most of the government proposal that was submitted to the Parliament in April 2022. However, the new proposed public service obligation targeted separately at Posti outside of competitive tendering, to deliver newspapers at a regulated price would be very problematic, especially if the compensation paid does not cover the costs and a reasonable profit. The obligation must cover the costs and a reasonable profit as provided in the universal service obligation

The risks related to cyber security remain under continuous scrutiny. Posti is actively working on addressing cyber risks and continuously increasing maturity to prevent security breaches and to enable the continuity of business-critical operations. Potential security breaches or disruptions in business continuity could lead to financial losses and a severe long-term reputational risk for Posti's brand and future business.

Aditro Logistics has an important role in achieving Posti's strategic goal of growing through parcel business and logistics in Finland, Sweden and the Baltics. To succeed in its transformation into a fulfillment player within eCommerce, Aditro Logistics needs to carefully manage the execution of its growth initiatives.

Events after the reporting period

There have been no significant events after the reporting period.

Outlook for 2022

Posti is adjusting its outlook for 2022. The net sales is expected to increase (previously, it was communicated that net sales is to remain on same level). The new outlook states:

In 2022, Posti is expecting its net sales to increase from the previous year. The Group's adjusted EBITDA in 2022 is expected to decrease. Posti's net sales from continuing operations in 2021 were EUR 1,595.0 million and adjusted EBITDA was EUR 181.6 million.

The potentially continuing inflation and the increase in interest rates may impact consumer demand. The changes in consumer behavior affect Posti's business and could impact actual results.

The Group's business is characterized by seasonality. The net sales and operating result in the segments are not accrued evenly over the year. In consumer parcels and Postal Services, the first and fourth quarters are typically strong, while the second and third quarters are weaker. The postal service volume decline is expected to continue.

Posti's financial reporting

2022

October 27, 2022: Interim Report January-September 2022

2023

February 17, 2023: Financial statements release for 2022

April 27, 2023: Interim report for January-March 2023

August 10, 2023: Half-year financial report 2023

October 26, 2023: Interim report for January-September 2023

Helsinki, August 11, 2022

Posti Group Corporation

Board of Directors

APPENDICES

Calculation of key figures

Half-year financial report January-June 2022 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 stakeholders regarding the business performance. Adjusted EBITDA and adjusted operating result are also essential key figures 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 and changes in contingent purchase considerations originated from business combinations.
Equity ratio, %	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
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.
Operative 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 payments of lease liabilities.

* *Continuing operations*

Half-year financial report tables January-June 2022

Consolidated Income statement and consolidated Statement of comprehensive income

Consolidated income statement

Continuing operations

EUR million	4-6 2022	4-6 2021	1-6 2022	1-6 2021	1-12 2021
Net sales	411.3	391.6	802.4	775.9	1,595.0
Other operating income	2.0	3.0	4.1	6.8	12.6
Materials and services	-122.7	-114.5	-234.4	-223.1	-474.0
Employee benefits	-176.6	-170.2	-353.9	-340.6	-682.0
Other operating expenses	-75.1	-66.1	-145.0	-130.6	-271.1
Depreciation and amortisation	-31.1	-30.0	-61.0	-59.7	-119.5
Impairment losses	0.0	-0.5	0.0	-0.5	-6.1
Operating result	7.9	13.3	12.3	28.2	55.0
Finance income	1.5	0.2	1.9	0.9	2.2
Finance expenses	-3.2	-1.8	-5.9	-4.2	-8.9
Result before income tax	6.1	11.7	8.3	24.9	48.3
Income tax	-1.5	-2.4	-2.7	-4.6	-9.6
Result for the period from continuing operations	4.6	9.3	5.6	20.4	38.7
Result for the period from discontinued operations	0.0	3.1	0.0	3.4	-54.7
Result for the period	4.6	12.3	5.6	23.7	-15.9
Earnings per share (EUR per share)					
Group total	0.11	0.31	0.14	0.59	-0.40
Continuing operations	0.11	0.23	0.14	0.51	0.97
Discontinued operations	0.00	0.08	0.00	0.08	-1.37

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

Consolidated Statement of comprehensive income

Result for the period	4.6	12.3	5.6	23.7	-15.9
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Change in fair value of cash flow hedges	0.8	0.2	1.5	0.2	0.6
Translation differences	-2.8	3.4	-2.4	4.2	93.6
Income tax relating to these items	-0.2	0.0	-0.3	0.0	-0.1
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations					-4.2
Income tax relating to these items					0.8
Comprehensive income for the period	2.4	15.8	4.5	28.1	74.8

Consolidated Balance Sheet

Assets

EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Non-current assets			
Goodwill	228.1	190.4	189.9
Other intangible assets	90.5	88.7	84.3
Investment property	3.5	3.5	3.5
Property, plant and equipment	233.4	277.1	233.6
Right-of-use assets	260.5	249.1	239.2
Investments in associated companies	0.1	1.7	0.9
Other non-current investments	1.0	1.0	1.0
Non-current receivables	1.7	0.2	1.5
Deferred tax assets	29.8	13.2	25.7
Total non-current assets	848.5	825.0	779.6
Current assets			
Inventories	4.0	4.8	4.0
Trade and other receivables	302.0	298.1	296.4
Current income tax receivables	0.9	1.5	0.9
Current financial assets	50.5	61.6	64.5
Cash and cash equivalents	35.7	73.6	97.2
Total current assets	393.1	439.6	462.9
Total assets	1,241.7	1,264.5	1,242.5
Equity and liabilities			
EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
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	0.5	-1.0	-0.7
Translation differences	-2.9	-90.0	-0.6
Retained earnings	246.7	316.1	273.1
Total shareholders' equity	456.9	437.8	484.5
Non-current liabilities			
Deferred tax liabilities	13.0	18.7	12.1
Non-current interest-bearing borrowings	60.0	60.6	60.4
Non-current interest-bearing lease liabilities	210.3	203.7	193.4
Other non-current payables	5.2	7.6	7.2
Advances received	11.9	13.4	12.9
Non-current provisions	3.3	3.6	3.0
Defined benefit pension plan liabilities	9.9	6.8	11.1
Total non-current liabilities	313.6	314.4	300.1
Current liabilities			
Current interest-bearing borrowings	0.0	61.2	0.9
Current interest-bearing lease liabilities	56.4	50.2	51.4
Trade and other payables	331.2	312.1	324.7
Advances received	76.4	80.0	80.1
Current income tax liabilities	6.6	8.5	0.3
Current provisions	0.4	0.3	0.5
Total current liabilities	471.1	512.3	458.0
Total liabilities	784.7	826.7	758.0
Total equity and liabilities	1,241.7	1,264.5	1,242.5

Condensed consolidated Statement of Cash Flows

EUR million	1-6 2022	1-6 2021	1-12 2021
Result for the period	5.6	23.7	-15.9
Adjustments to cash flow	67.7	64.7	192.9
Change in net working capital	-21.8	-17.6	-1.0
Cash flow before financial items and income tax	51.5	70.8	175.9
Financial items (net)	-4.7	-2.8	-6.5
Income tax paid	-1.3	-12.3	-8.5
Cash flow from operating activities	45.5	55.6	160.9
Purchase of intangible assets	-13.7	-13.1	-27.6
Purchase of property, plant and equipment	-19.4	-21.6	-54.7
Proceeds from sale of intangible and tangible assets	0.8	2.2	2.7
Business acquisitions, net of cash acquired	-43.5	0.0	-0.5
Proceeds from business disposals less cash and cash equivalents	0.0	11.4	68.0
Cash flow from financial assets	14.0	7.4	5.1
Cash flow from other investments	1.2	-0.1	0.4
Cash flow from investing activities	-60.6	-13.7	-6.6
Repayment of current loans	-0.9	-0.2	-0.2
Repayment of non-current loans	-0.4	-0.6	-61.2
Payments of lease liabilities	-28.6	-27.4	-55.5
Dividends paid	-16.0	-31.3	-31.3
Cash flow from financing activities	-45.8	-59.5	-148.1
Change in cash and cash equivalents	-61.0	-17.6	6.2
Cash and cash equivalents at the beginning of the period	97.2	91.0	91.0
Effect of exchange rates changes	-0.5	0.2	0.0
Cash and cash equivalents at the end of the period	35.7	73.6	97.2
Operative free cash flow, reconciliation			
Cash flow from operating activities	45.5	55.6	160.9
Purchase of intangible assets and property, plant and equipment	-33.1	-34.6	-82.3
Payments of lease liabilities	-28.6	-27.4	-55.5
Operative free cash flow	-16.2	-6.4	23.1

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 equity
Jan 1, 2022	70.0	142.7	-0.7	-0.6	273.1	484.5
Comprehensive income						
Result for the period					5.6	5.6
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			1.2			1.2
Translation differences				-2.4		-2.4
Comprehensive income for the period			1.2	-2.4	5.6	4.5
Transactions with equity holders						
Dividend					-32.0	-32.0
Jun 30, 2022	70.0	142.7	0.5	-2.9	246.7	456.9

Jan 1, 2021	70.0	142.7	-1.2	-94.2	323.7	441.1
Comprehensive income						
Result for the period					23.7	23.7
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			0.2			0.2
Translation differences				4.2		4.2
Comprehensive income for the period			0.2	4.2	23.7	28.1
Jun 30, 2021	70.0	142.7	-1.0	-90.0	316.1	437.8

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Jan 1, 2021	70.0	142.7	-1.2	-94.2	323.7	441.1
Comprehensive income						
Result for the period					-15.9	-15.9
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			0.5			0.5
Translation differences				93.6		93.6
Remeasurements of post-employment benefit obligations, net of tax					-3.4	-3.4
Comprehensive income for the period			0.5	93.6	-19.3	74.8
Transactions with equity holders						
Dividend					-31.3	-31.3
Dec 31, 2021	70.0	142.7	-0.7	-0.6	273.1	484.5

Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 28, 2022. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 32.0 million based on the result in 2021. Half of the dividend was paid on March and the other half will be paid during the year 2022.

Notes

1. Accounting Policies

Half-year financial report has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this report, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2021. Amendments to IFRS standards effective as of 1 January 2022 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 financial report is unaudited.

Additional information on Russia-Ukraine war in financial reporting

Russia's invasion to Ukraine effects Posti through market situation and business environment. Posti has no operations nor investments in Russia, Ukraine or Belarus after the divestment of Russian operations in 2021. Therefore, the war in Ukraine has no direct effect on Posti's financial position. The suspension of letter and parcel traffic between Finland and Russia and Belarus has no material financial impact for the Group.

2. Foreign exchange rates

Average rate	1-6 2022	1-6 2021	1-12 2021
SEK	10.5	10.1	10.1
NOK	10.0	10.2	10.2
Closing rate	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
SEK	10.7	10.1	10.3
NOK	10.3	10.2	10.0

3. Segment reporting

As of 1st January, 2022 Posti has three reportable segments: **eCommerce and Delivery Services, Fulfillment and Logistics Services and Postal Services**. Fulfillment and Logistics Services consists of two operating segments: Transval and Aditro Logistics.

Until the end of 2021, Posti had two reportable segments: Mail, Parcel and Logistics Services and Aditro Logistics. Mail, Parcel and Logistics Services included operating segments Postal Services, Parcel and eCommerce, Freight services and Transval.

Operating segments Postal Services and Parcel and eCommerce are separated into two reportable segments, since they do no longer have similar economic characteristics, for example growth prospects. Due to operational change, Parcel and eCommerce and Freight services are combined into a single operating segment, eCommerce and Delivery Services.

Transval and Aditro Logistics will continue as separate operating segments, but are combined into one reportable segment, Fulfillment and Logistics Services. Transval and Aditro Logistics are engaged in similar business in Finland, Sweden and Norway and they have similar economic characteristics, nature of services and customer types.

Operating and reportable segments 2022 and 2021

2022

Operating segment

eCommerce and Delivery Services
Transval
Aditro Logistics
Postal Services

Reportable Segment

eCommerce and Delivery Services
Fulfillment and Logistics Services
Fulfillment and Logistics Services
Postal Services

2021

Operating segment

Parcel and eCommerce
Freight Services
Postal Services
Transval
Aditro Logistics

Reportable Segment

Mail, Parcel and Logistics Services
Mail, Parcel and Logistics Services
Mail, Parcel and Logistics Services
Mail, Parcel and Logistics Services
Aditro Logistics

In December 2021 Posti Group completed the divestment of Itella Russia business group, which is reported as discontinued operations in comparison periods' income statement.

As of 1st January, 2022, Posti will align its segment reporting with the strategy and present segments' profitability at the EBITDA level. Both EBITDA and adjusted EBITDA will be disclosed by segment. Other key figures are net sales, capital expenditure, net assets and headcount.

Description of operating segments

eCommerce and Delivery Services offers parcel, transportation and e-commerce services to corporate and private customers in Finland, Sweden and Baltics. eCommerce and Delivery Services also develops Posti's digital services for an improved customer experience.

Transval is the market leader in providing logistics outsourcing solutions in Finland. The services cover supply chain solutions from transportation to warehousing, as well as in-house logistics solutions and human resources services for logistics professionals. The services can be delivered in Transval's premises or in the client's premises such as warehouses, shops or production sites.

Aditro Logistics is one of the leading logistics companies in Sweden and the Nordics. Aditro Logistics' offering consists of a broad service in stock management, logistics, supply chain management, transport procurement, staffing and consulting for businesses specializing in e-commerce, retail and fast-moving consumer goods.

Postal Services offers mail delivery services as well as supporting digital and multichannel solutions.

In addition to operating segments, Posti has group headquarters, centralized support functions as well as real-estate company Posti Kiinteistöt Oy which owns the facilities in Finland and offers facility management services to the businesses. These centralized Group functions and related corporate level costs including financing are reported under "**Other and unallocated**". Balance sheet items allocated to the segments include non-current and current operating assets and liabilities, including non-interest bearing liabilities and provisions.

Seasonality

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.

4-6 2022 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	175.0	93.6	149.2		417.7
Net Sales, internal	-0.8	-4.7	-0.9		-6.4
Net Sales, external	174.2	88.9	148.3	0.0	411.3
Adjusted EBITDA	18.7	8.9	15.7	-3.8	39.5
Special items (impacting EBITDA)	0.0	-0.1	-0.4	0.0	-0.6
EBITDA	18.7	8.7	15.3	-3.8	38.9
Depreciation & amortization					-31.1
Impairment losses					0.0
Adjusted operating result					8.5
Special items (impacting EBIT)					-0.6
Operating result					7.9
Financial income & expenses					-1.8
Taxes					-1.5
Result for the period from continuing operations					4.6
Result for the period from discontinued operations					0.0
Result for the period					4.6
Capital Expenditure, continuing operations	5.4	5.6	24.5	6.2	41.7
HeadCount	3,706	7,155	9,629	643	21,133
Net Assets	252.7	378.8	44.8	-219.4	456.9

4-6 2021 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	172.7	80.6	145.3		398.6
Net Sales, internal	-0.8	-5.2	-1.0		-7.0
Net Sales, external	171.9	75.4	144.3	0.0	391.6
Adjusted EBITDA	16.7	8.6	22.0	-3.1	44.2
Special items (impacting EBITDA)	0.5	0.0	-1.1	0.1	-0.4
EBITDA	17.3	8.6	21.0	-3.0	43.8
Depreciation & amortization					-30.0
Impairment losses					-0.5
Adjusted operating result					13.7
Special items (impacting EBIT)					-0.4
Operating result					13.3
Financial income & expenses					-1.6
Taxes					-2.4
Result for the period from continuing operations	#VALUE!				9.3
Result for the period from discontinued operations					3.1
Result for the period					12.3
Capital Expenditure, continuing operations	8.0	6.7	1.7	13.2	29.7
HeadCount	3,600	7,017	9,852	608	21,077
Net Assets	246.8	325.0	32.2	-166.1	437.8

1-6 2022 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	337.1	181.0	296.6		814.8
Net Sales, internal	-1.4	-9.3	-1.7		-12.4
Net Sales, external	335.7	171.7	294.9	0.0	802.4
Adjusted EBITDA	32.9	16.3	33.8	-6.9	76.0
Special Items (impacting EBITDA)	-0.7	-0.1	-1.7	-0.2	-2.7
EBITDA	32.2	16.1	32.1	-7.1	73.3
Depreciation & amortization					-61.0
Impairment losses					0.0
Adjusted operating result					15.0
Special items (impacting EBIT)					-2.7
Operating result					12.3
Financial income & expenses					-4.0
Taxes					-2.7
Result for the period from continuing operations					5.6
Result for the period from discontinued operations					0.0
Result for the period					5.6
Capital Expenditure, continuing operations	14.1	27.4	28.0	45.7	115.1
HeadCount	3,706	7,155	9,629	643	21,133
Net Assets	252.7	378.8	44.8	-219.4	456.9

1-6 2021 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	331.3	156.8	300.2		788.3
Net Sales, internal	1.4	9.1	1.9		12.4
Net Sales, external	329.9	147.7	298.3	0.0	775.9
Adjusted EBITDA	30.1	15.6	47.9	-4.9	88.7
Special Items (impacting EBITDA)	0.0	0.0	-1.4	1.0	-0.3
EBITDA	30.1	15.6	46.6	-3.9	88.4
Depreciation & amortization					-59.7
Impairment losses					-0.5
Adjusted operating result					28.5
Special items (impacting EBIT)					-0.3
Operating result					28.2
Financial income & expenses					-3.2
Taxes					-4.6
Result for the period from continuing operations					20.4
Result for the period from discontinued operations					3.4
Result for the period					23.7
Capital Expenditure, continuing operations	14.8	9.3	2.8	29.0	55.8
HeadCount	3,600	7,017	9,852	607	21,077
Net Assets	246.8	325.0	32.2	-166.1	437.8

1-12 2021 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	681.1	330.0	610.9		1,621.9
Net Sales, internal	-2.6	-20.3	-4.0		-26.9
Net Sales, external	678.5	309.7	606.9	0.0	1,595.0
Adjusted EBITDA	62.0	32.6	99.1	-12.0	181.6
Special items (impacting EBITDA)	0.1	-0.5	-2.3	1.6	-1.1
EBITDA	62.0	32.1	96.8	-10.4	180.5
Depreciation & amortization					-119.5
Impairment losses					-6.1
Adjusted operating result					59.8
Special items (impacting EBIT)					-4.8
Operating result					55.0
Financial income & expenses					-6.7
Taxes					-9.6
Result for the period from continuing operations					38.7
Result for the period from discontinued operations					-54.7
Result for the period					-15.9
Capital Expenditure, continuing operations	41.5	14.5	14.3	46.0	116.4
HeadCount	3,714	7,616	9,220	578	21,128
Net Assets	264.1	287.2	9.0	-75.8	484.5

4. Net sales by geographical area

EUR million	4-6 2022	4-6 2021	1-6 2022	1-6 2021	1-12 2021
Finland	333.2	320.7	650.7	637.5	1,308.1
Sweden	40.4	37.8	81.2	72.7	137.5
Baltics	8.8	8.5	18.0	16.3	24.6
Other countries	28.9	24.6	52.5	49.5	124.8
Total	411.3	391.6	802.4	775.9	1,595.0

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

5. Acquired and divested businesses

On March 31, Posti signed an agreement on the acquisition of the early-morning delivery operations of Mediatalo Keski-suomalainen Oyj's subsidiaries Jakelusepät Oy and Ilves Jakelu Oy in the areas of Pohjois-Savo, Päijät-Häme and Kanta-Häme. The transaction is aimed at strengthening the future of the delivery market and ensuring quality service for customers in early-morning delivery in Postal Services. Acquisition was completed during April. Approximately 730 employees transferred to Posti as existing employees. A goodwill of EUR 20.0 million was recognized in the acquisition, reflecting expected synergies from combining delivery networks. The goodwill is deductible for tax purposes. Acquisition-related costs of EUR 0.4 million were recognized in other operating expenses.

On January 2022 Posti acquired all the shares in Swedish logistics company Veddestagruppen AB. Veddestagruppen has been consolidated from February on and will be integrated to be part of Aditro Logistics. Aditro Logistics is a forerunner of delivery and fulfillment services in Sweden and with Veddestagruppen we can expand and strengthen our capabilities even further to better serve our customers. In 2021, the company had net sales of around 23 million euros. The company employs around 300 people. A goodwill of EUR 20.5 million was recognized in the acquisition. Acquisition supports Posti's strategic goals of growing through parcel business and logistics in Finland, Sweden and the Baltics. Acquisition-related costs of EUR 0.3 million were recognized in other operating expenses.

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

	Veddesta- gruppen	Keski- suomalainen early-morning delivery operations	Total
EUR million	Fair value	Fair value	
Effect on assets			
Intangible assets	6.7	0.9	7.6
Property, plant and equipment	0.3	0.1	0.4
Right-of-use assets	22.2		22.2
Receivables	4.8		4.8
Cash and cash equivalents	2.9		2.9
Effect on assets	36.8	1.1	37.9
Effect on liabilities			
Deferred tax liability	1.8		1.8
Interest bearing liabilities	22.2		22.2
Trade payables and other liabilities	3.5	1.5	4.9
Effect on liabilities	27.4	1.5	28.9
Net assets acquired	9.4	-0.4	9.0
Components of acquisition cost			
Cash considerations	29.9	19.5	49.4
Total cost of acquisition	29.9	19.5	49.4
Fair value of net assets acquired	9.4	-0.4	9.0
Goodwill	20.5	20.0	40.5
Cash flow effect of the acquisition			
Purchase price paid in cash	29.9	16.5	46.4
Cash and cash equivalents of the acquired subsidiary	2.9	0.0	2.9
Cash flow	27.0	16.5	43.5

Divested businesses

Posti has not divested businesses during 2022.

Discontinued operations

In December, 2021, Posti Group completed the divestment of Itella Russia business group. After the divestment Posti has no operations in Russia. Itella Russia segment result 2021, including result of the divestment and previously sold real estate companies, is presented as discontinued operations.

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

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

EUR million		Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Carrying amount	Jan 1	233.6	273.6	273.6
Acquired businesses		0.4	0.0	0.0
Additions		17.2	27.0	52.8
Business divestments		0.0	-5.6	-56.4
Disposals and transfers between items		-0.6	-1.3	-2.1
Depreciation, continuing operations		-17.0	-17.1	-33.6
Impairment, continuing operations		0.0	0.0	-1.0
Depreciation and impairment, discontinued operations		0.0	-2.3	-4.1
Translation differences		-0.3	2.9	4.4
Carrying amount, end of the period		233.4	277.1	233.6

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

EUR million		Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Carrying amount	Jan 1	239.2	262.8	262.8
Acquired businesses		22.2	0.0	0.0
Additions		32.8	16.1	36.7
Business divestments		0.0	0.0	0.0
Disposals and transfers between items		-0.4	-0.1	-0.7
Depreciation		-29.6	-29.1	-58.0
Translation differences		-3.7	-0.6	-1.6
Carrying amount, end of the period		260.5	249.1	239.2

Specification of right-of-use assets:

EUR million		Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Buildings		217.2	218.1	197.6
Vehicles		35.0	22.3	33.4
Machinery and other		8.3	8.6	8.2
Carrying amount, end of the period		260.5	249.1	239.2

7. Goodwill and other intangible assets

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

EUR million		Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Carrying amount	Jan 1	274.1	280.4	280.4
Acquired businesses		48.5	0.0	0.0
Additions		13.7	13.1	27.6
Business divestments		0.0	0.0	-0.7
Disposals and transfers between items		0.0	0.2	0.5
Amortization, continuing operations		-14.1	-13.8	-27.4
Impairment, continuing operations		0.0	-0.5	-4.5
Amortization and impairment, discontinued operations		0.0	0.0	-0.3
Translation differences		-3.6	-0.4	-1.4
Carrying amount, end of the period		318.6	279.0	274.1

8. Net debt and liquid funds

EUR million		Borrowings	Interest bearing lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2022	61.3	244.8	306.1	151.1	10.0	145.0
Cash flows		-1.3	-28.6	-29.9	-65.0	-10.0	45.2
Business acquisitions		0.0	22.2	22.2	0.0	0.0	22.2
Effect of exchange rates changes		0.0	-4.4	-4.4	-0.5	0.0	-3.8
Other non-cash items		0.0	32.7	32.7	0.0	0.0	32.7
Carrying amount	Jun 30, 2022	60.0	266.7	326.7	85.5	0.0	241.2
Fair value	Jun 30, 2022	59.8	266.7	326.6			

EUR million		Borrowings	Interest-bearing lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2021	122.6	266.2	388.8	160.1	0.0	228.7
Cash flows		-0.9	-27.4	-28.3	-25.1	0.0	-3.1
Business acquisitions		0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes		0.0	0.6	0.6	0.2	0.0	0.3
Other non-cash items		0.0	14.6	14.7	0.0	0.0	14.7
Carrying amount	Jun 30, 2021	121.8	254.0	375.8	135.2	0.0	240.6
Fair value	Jun 30, 2021	122.2	254.0	376.2			

EUR million		Borrowings	Interest bearing lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2021	122.6	266.2	388.8	160.1	0.0	228.7
Cash flows		-61.5	-55.5	-117.0	-9.0	10.0	-117.9
Business acquisitions		0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes		0.0	1.6	1.6	0.0	0.0	1.6
Other non-cash items		0.1	32.5	32.6	0.0	0.0	32.6
Carrying amount	Dec 31, 2021	61.3	244.8	306.1	151.1	10.0	145.0
Fair value	Dec 31, 2021	61.4	244.8	306.3			

EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Cash and cash equivalents	35.7	73.6	97.2
Money market investments and investments in bonds	49.8	61.6	53.9
Liquid funds	85.5	135.2	151.1

9. Financial assets and liabilities measured at fair value

The Group categorizes financial assets and liabilities into three hierarchy levels according to the information used in fair value measurement. Information on hierarchy levels and principles on fair value measurement can be found on note Financial instruments and financial risk management in financial statements. No transfers between the fair value hierarchy levels have been made during the reporting periods.

Financial assets and liabilities measured and recognized at fair value

EUR million	Level	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Financial assets				
Non-current investments	3	1.0	1.0	1.0
Currency derivatives, non-hedge accounting	2	0.7	0.0	0.6
Interest rate derivatives, hedge accounting	2	0.6		
Total		2.3	1.0	1.6
Financial liabilities				
Interest rate derivatives, hedge accounting	2		1.2	0.9
Currency derivatives, non-hedge accounting	2		0.1	0.0
Total			1.3	0.9

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 23.5 million and their carrying value EUR 24.4 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. Commitments and other contingent liabilities

EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Guarantees	13.5	13.6	13.6
Total	13.5	13.6	13.6

Lease commitments not recognized in balance sheet

EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Maturity of minimum lease payments:			
Less than a year	11.1	10.6	10.9
1-5 years	1.2	1.1	0.5
More than 5 years	0.1		
Total	12.4	11.7	11.4

Other contingent liabilities

The Group has a potential environmental liability of EUR 19.9 million, related to cleaning the land area in Pohjois-Pasila. Negotiations on the use of land and the related cleaning liability are pending between Posti and third parties. Posti expects that such negotiations will result to a clarification of the actual liability of each party.

11. Events after the reporting period

There have been no significant events after the reporting period.