



POSTI GROUP HALF YEAR FINANCIAL REPORT, AUGUST 6, 2020 AT 9:00 A.M. (EET)

Posti Group Corporation Half-Year Financial Report January–June 2020



Posti Group 1–6/2020: Postal volume decline at record level – fast actions taken to mitigate profitability impact

Posti Group Corporation Half-Year Financial Report January–June 2020

April–June

Financial highlights

- Net sales were at the previous year's level, EUR 392.3 (393.8) million.
- Adjusted EBITDA was EUR 34.5 (37.3) million, or 8.8% (9.5%) of net sales.
- EBITDA increased to EUR 34.2 (32.4) million, or 8.7% (8.2%) of net sales.
- The adjusted operating result decreased to EUR 3.1 (8.1) million, representing 0.8% (2.1%) of net sales.
- The operating result decreased to EUR 0.6 (3.2) million, representing 0.2% (0.8%) of net sales.

The figures in 4-6/2020 and 4-6/2019 are not fully comparable because the operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019.

January–June

Financial highlights

- Net sales decreased by 1.8% to EUR 776.5 (790.4) million.
- Adjusted EBITDA was EUR 75.2 (77.9) million, or 9.7% (9.9%) of net sales.
- EBITDA increased to EUR 74.4 (68.8) million, or 9.6% (8.7%) of net sales.
- The adjusted operating result decreased to EUR 15.6 (20.3) million, representing 2.0% (2.6%) of net sales.
- The operating result improved to EUR 12.5 (11.2) million, representing 1.6% (1.4%) of net sales.
- Net debt to adjusted EBITDA was 2.0x (1.1x).

Operational highlights

- The global COVID-19 pandemic began to impact on Posti's operations in March. Posti's Parcel and eCommerce business group benefited from the growth of online shopping, while the demand for traditional postal services decreased even faster than previously due to the pandemic.
- The execution of Posti's transformation continued:
 - The combined net sales of Parcel and eCommerce as well as logistics businesses represented already 56% (51%) of the Group's net sales.
 - The parcel volume of Finland and the Baltic countries increased by 19% (8%). At the same time, the number of addressed letters decreased by 20% (14%) in Finland.
 - The share of mail items covered by the universal service obligation continued to decrease and accounted for only 2.7% (3.4%) of all Posti's mail items delivered.
 - On April 2, Posti closed the acquisition of Aditro Logistics, a Swedish contract logistics company. The acquisition was in line with Posti's ambition of expanding its geographical footprint

The figures in 1-6/2020 and 1-6/2019 are not fully comparable because the operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019.

Outlook for 2020 (unchanged)

The coronavirus situation makes the macro economic outlook extremely difficult to predict for the full year. Posti maintains its outlook for 2020, but because of these exceptional circumstances, Posti's full-year outlook includes a significant level of uncertainty.

As a result of the increasing market uncertainty and expected impact of coronavirus on the Finnish and global economy, Posti's net sales in 2020, excluding possible new acquisitions and divestments, are expected to decrease from the previous year. The Group's adjusted operating result in 2020 is expected to increase from the previous year, when the postal strike had a significant negative impact on Posti's results.

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.

Key figures of Posti Group					
	4-6 2020	4-6 2019	1-6 2020	1-6 2019	1-12 2019
Net sales*, EUR million	392.3	393.8	776.5	790.4	1,564.6
Adjusted EBITDA*, EUR million	34.5	37.3**	75.2	77.9**	152.3**
Adjusted EBITDA margin*, %	8.8	9.5**	9.7	9.9**	9.7**
EBITDA*, EUR million	34.2	32.4	74.4	68.8	140.6
EBITDA margin*, %	8.7	8.2	9.6	8.7	9.0
Adjusted operating result*, EUR million	3.1	8.1**	15.6	20.3**	36.2**
Adjusted operating result margin*, %	0.8	2.1**	2.0	2.6**	2.3**
Operating result*, EUR million	0.6	3.2	12.5	11.2	18.5
Operating result margin*, %	0.2	0.8	1.6	1.4	1.2
Result for the period*, EUR million	-7.7	2.3	-0.7	7.9	14.1
Return on equity (12 months), %			1.3	7.9	4.3
Return on capital employed (12 months), %			3.0	7.4	4.5
Net debt, EUR million			304.2	163.7	164.3
Net debt / adjusted EBITDA			2.0x	1.1x**	1.0x**
Equity ratio, %			33.3	38.4	40.0
Operative free cash flow, EUR million			13.8	25.3	14.7
Gross capital expenditure*, EUR million			91.9	74.1	133.7
Personnel, end of period*			22,986	21,969	20,468
Personnel on average*, FTE	17,193	17,054	16,544	16,857	16,569
Earnings per share, basic, EUR	-0.19	0.05	-0.02	0.32	0.47
Dividend per share, EUR					0.75
Dividends, EUR million					29.8

* Continuing operations

** Restated based on the new definition of special items

Turkka Kuusisto, President and CEO

We could clearly see how the impact of COVID-19 accelerated the already steep decline of postal volumes even further. The number of addressed letters decreased by a record-breaking 24% in Finland in the second quarter. This obviously had a significant negative impact on Posti's financials, and recovery actions were initiated immediately. The ongoing digitalization of our society, as well as the postal strike in 2019, had a big impact on Posti's operations, but the COVID-19 situation further accelerated the volume decline. This has increased the pressure to accelerate Posti's transformation.

To be able run our operations as safely as possible despite the COVID-19 situation, we have made several changes to our processes and to the way we work. This has impacted our operations and increased costs. Posti needs to ensure that its operations are competitive in all future scenarios. We can clearly see that our legacy cost structure is a major challenge for us in the rapidly changing world. We need to continue to address this and unfortunately it means different kind of actions within all our businesses and in our administration to secure our profitability.

The COVID-19 situation has significantly increased our parcel volumes. Since March this year, our daily, weekly and monthly parcel volumes have experienced a clear step change. This has had a positive impact on Posti's result. We need to prepare for a new normal in our parcel operations as we expect that a substantial portion of future consumer purchases has permanently moved to online platforms.

Our freight operations were impacted by the effect of COVID-19 on the overall economy. Despite the challenging market environment, our freight operations continued to improve their efficiency in the second quarter.

Also, Transval's operations continued to show improved efficiency and overall positive development for the entire business group. We are very pleased with the acquisition and the new markets this has brought to Posti's transformation journey during the past 18 months.

The operations of Aditro Logistics, which has been part of the Posti family since April 2020, have been significantly affected by the COVID-19 situation. Even though the impact has varied between different customer segments, the overall impact on Aditro Logistics has been clearly negative. However, Aditro Logistics continues to follow its growth strategy. The integration of Aditro Logistics into the Posti Group has proceeded as planned, despite the COVID-19 situation. This new business segment is a vital part in Posti's transformation and supports our goal to grow our logistics, parcel and eCommerce businesses.

Itella Russia continued its strong profit development. Under very difficult market circumstances, our Russian operations continued to improve the scope of their operations and to maximize profitability. This has been great work from the entire team in Russia.

Posti Team, i.e. all our employees, have demonstrated remarkable resilience and commitment during these unusual times. Unfortunately, we have had to introduce temporary layoffs and other measures to mitigate the situation financially. Even though we have been able to avoid mass layoffs, the majority of Posti's employees have had to make personal sacrifices due to the exceptional situation. I'm very honored and privileged to be the CEO of this team and to see how well our operations are coping, despite these exceptional times.

APPENDICES

[Posti Group's Half-Year Report 2020 in full \(PDF\)](#)

FINANCIAL CALENDAR 2020 FOR INTERIM REPORTS

January–September: Thursday, October 29, 2020

POSTI GROUP HALF YEAR FINANCIAL REPORT, AUGUST 6, 2020 AT 9:00 A.M. (EET)

FURTHER INFORMATION

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

Changes in reporting

As of April 2020, after the closing of the transaction, Aditro Logistics became a new reportable segment of Posti. Posti's three reportable segments are now Mail, Parcel and Logistics Services, Itella Russia, and Aditro Logistics. Mail, Parcel and Logistics Services consists of four operating segments: Postal Services, Parcel and eCommerce, Transval, and Freight Services. The operating segments have been changed at the beginning of 2020 by splitting Logistics Solutions into Transval and Freight Services. Mail, Parcel and Logistics Services' revenue is reported based on the new operating segments and 2019 net sales have been restated accordingly.

Simultaneously, Logistics Solutions' Administration function ceased to exist. To ensure comparability, Logistics Solutions' Administration expenses in 2019 have been restated from Mail, Parcel and Logistics Services segment to Other and unallocated.

Posti Group has also revised its Special items definition. Costs for strategic key projects and other material items outside of ordinary course of business are not reported as Special items anymore. The 2019 figures have been restated accordingly.

Market situation and business environment, January–June 2020

The transformation of postal and logistics industry accelerated during the second quarter of 2020. The COVID-19 pandemic has significantly accelerated the growth of eCommerce but at the same time, the postal volumes have rapidly declined due to digital transformation gaining even more speed.

The coronavirus crisis, which started in mid-March, has developed into a massive, global health crisis. The scale of global measures to control the outbreak have been something that has never been witnessed before. These measures that varied from lockdowns to closing borders and social distancing, halted the global economy and the economic growth plunged around the world. According to World Bank forecasts, the global economy will shrink by some 5% during 2020.

The Finnish economy has also taken a severe hit. Temporary and permanent layoffs have hit record-high levels. The uncertainty has severely impacted consumer spending, and consumer confidence is historically low. According to the Ministry of Finance, the Finnish economy will contract by approximately 7% during 2020 and a rapid recovery does not look very likely. As an outcome, the Finnish economy is forecasted to grow by some 3% in 2021. There is still a lot of uncertainty and even if the acute phase of the crisis would quickly pass, some impacts are expected to come with a delay after the restrictions are lifted.

According to a World Bank forecast, the Russian economy is forecasted to contract by 6% in 2020 due to the collapse of oil prices. In 2021, the economy in Russia is forecasted to grow by some 3%.

According to the European Commission's forecast, the Swedish economy is expected to shrink by some 5% in 2020 due to the impact of COVID-19. In 2021, the Swedish economy is forecasted to return to the growth path and grow by some 3%.

The development of macro economy in Posti's operating countries has an impact on Posti's customers and suppliers, thus impacting Posti's operations as well.

COVID-19 has had a significant impact on the growth of eCommerce. The online penetration in different product categories has significantly grown due to increased online spending and change in consumer behavior. The future growth of eCommerce and parcel volumes depends on the stickiness of this behavioral change. At the same time, the structural decline in addressed letter volumes has been fast-forwarded by several years due to demand-shock driven by the decline of GDP and the accelerating digitalization of mail volumes.

The impact of coronavirus (COVID-19) on Posti's operations and Posti's mitigating actions

The impact of COVID-19 on Posti's operations

During the pandemic, Posti has acted according to the instructions provided by the local health authorities and Finnish government officials (Finnish Institute for Health and Welfare THL and the Ministry of Social Affairs and Health) and protected the health of its personnel and customers in different countries according to these instructions.

Due to the nature of its business, Posti plays a major role in maintaining the security of supply in Finland. This means that socially critical basic functions are secured in case of severe disruptions or emergencies. Posti also has statutory obligations related to national exceptional circumstances. Pursuant to the Postal Act, Posti must be prepared for exceptional circumstances as well as disruptions in normal situations. This means, for example, that the delivery of mail must work even in the middle of a crisis.

During the first half of the year, the main impact of coronavirus on Posti's operations has been the following: Due to the exceptionally large volume of parcels, Posti has increased its number of employees and deliveries as well as obtained new parcel handling facilities. Posti managed to handle the significantly increased parcel volumes well and was able to provide its services as per customer expectations. Despite border closures, goods were still moving into and out of Finland in the first half of the year, but they were partly transported via exceptional routes, which in some cases caused delays and extra costs.

Already at the end of the first quarter, Posti made some product and process changes due to health reasons, such as allowing the handing over of a parcel without a signature or leaving shipments to front doors to minimize social contact and slow the spreading of the virus. Posti was also forced to close some of its service points and mailboxes because the premises that they were located on were closed due to the coronavirus. To compensate for this and as a response to the increased parcel volumes, Posti opened several temporary pick-up points for parcels. These temporary pick-up points were closed on June 17 as parcel volumes started to normalize and Posti was able to open its own service points that had been closed.

The coronavirus pandemic has significantly decreased the demand for traditional postal services. In April–June, the number of addressed letters decreased by 24% in Finland. Consequently, Postal Services was forced to carry out some special arrangements, which meant for example delivering most Friday items already on Thursday during the summer. However, early-morning newspaper delivery, magazine delivery and parcel delivery continued normally according to customer agreements.

Posti has critically examined its trade receivables development during the coronavirus pandemic and has increased its expected credit loss allowance from the beginning of the year. Posti has also assessed indications on goodwill impairment due to the exceptional market circumstances caused by the COVID-19 situation for two cash generating units, Postal Services and Transval. As an outcome of the assessment, no need to perform impairment tests was identified.

COVID-19 pandemic has not significantly impacted Posti's financial position or liquidity. Posti's liquidity is still strong and the pandemic has had no effects on Posti's financial arrangements. Posti's financial agreements do not include covenants which would have been affected by the COVID-19 situation.

The COVID-19 situation has not impacted Posti's long term targets or strategy. Posti still seeks growth especially in Parcel and eCommerce and Logistics. Posti wants to build a winning e-commerce customer experience and be the most reliable outsourcing partner in logistics. We also want to continue to keep the mail relevant by building customer-focused digital and physical delivery services.

Posti's mitigating actions due to the COVID-19 situation

Thanks to its contingency plan, Posti is well prepared for the exceptional circumstances. Posti's multi-professional exceptional circumstances working group created different scenarios on how to manage Posti's operations depending on the severity of the pandemic. The working group monitors the coronavirus situation. The task of the working group is to maintain Posti's operations and customer service as well as actively report on the situation to the President and CEO as well as the Leadership Team.

To mitigate the effects of the COVID-19 pandemic, Posti has initiated several measures to adjust its cost structure. In April, Posti initiated cooperation negotiations at Freight Services on temporary layoffs for a fixed period. Layoffs were also negotiated at Home Services. In May, Posti announced cooperation negotiations on possible temporary layoffs concerning operations and administration personnel within the Postal Services business group and personnel within Posti Group administration. As part of the adjustments, the Leadership Team of Posti Group also waived one month's pay.

Posti is closely monitoring the market and global situation and is prepared to adjust its operations further if needed.

Net sales and profitability

April–June 2020

Net sales

The Group's net sales were at the previous year's level, EUR 392.3 (393.8) million. The acquisition of Aditro Logistics impacted Posti's net sales positively as it was included in Posti's financials as of April 2020. The number of working days in Finland in the second quarter was 60 (60). The number of working days affects the Group's net sales and result.

Net sales decreased by 5.1% in Finland, but increased by 45.6% in other countries, mainly due to the acquisition of Aditro Logistics in Sweden. The share of international operations in Posti's business increased and accounted for 13.6% (9.3%) of net sales in the second quarter of the year.

Net sales decreased in Mail, Parcel and Logistics Services segment by 4.8%. Within the segment, net sales increased in Parcel and eCommerce but decreased in other operating segments due to the varying impact of COVID-19 on different businesses.

Net sales decreased in Aditro Logistics mainly due to the impact of the coronavirus situation and rescoping the business as earlier planned.

Net sales decreased in Itella Russia by 31.8%, mainly due to the restructuring actions of warehouses.

Posti has continued its growth in logistics solutions according to its strategy. The net sales of Parcel and eCommerce and logistics businesses increased to almost 60% (53%) of the Group's net sales.

Profitability

The Group's adjusted EBITDA decreased to EUR 34.5 (37.3) million, or 8.8% (9.5%) of net sales. EBITDA increased to EUR 34.2 (32.4) million, or 8.7% (8.2%) of net sales. The adjusted operating result decreased to EUR 3.1 (8.1) million, or 0.8% (2.1%) of net sales, mainly due to the decreased profitability of Postal Services and Aditro Logistics. Operating result improved in Parcel and eCommerce, Freight Services as well as in Itella Russia.

The operating result decreased to EUR 0.6 (3.2) million, or 0.2% (0.8%) of net sales. Special items affecting the operating result in the second quarter, EUR 2.4 (4.9) million, were mainly related to an impairment loss and license costs of EUR 3.9 million from an ICT project and EUR 2.1 million gain from the release of onerous contract provisions in Russia.

In May, Supreme Administrative Court made a decision, according to which utilizing foreign tax losses in cross border mergers is extremely challenging. Due to this, Posti has de-recognized the tax benefit of EUR 8.8 million related to previously accepted Danish tax losses.

Operations under the universal service obligation amounted to EUR 22.6 (24.3) million, or 5.8% (6.2%) of the Group's net sales and 2.8% (3.2%) of delivery volumes.

January–June 2020

Net sales

The Group's net sales decreased by 1.8% to EUR 776.5 (790.4) million, mainly due to the decrease of net sales in Postal Services and Freight Services. The number of working days in Finland in the first half of the year was 123 (123).

Net sales decreased by 3.8% in Finland and increased by 17.5% in other countries, mainly due to the acquisition of Aditro Logistics in Sweden. The share of international operations in Posti's business increased and accounted for 11.5% (9.6%) of net sales in January–June 2020.

Net sales decreased in Mail, Parcel and Logistics Services segment by 3.7%. The postal strike that took place in Finland in the second half of 2019 continued to impact Mail, Parcel and Logistics Services segment especially in the first quarter of 2020. Within the segment, the volume decline caused by the strike had a negative effect especially on the net sales of Postal Services and Freight Services. Even though the volumes of Parcel and eCommerce business group recovered reasonably well from the strike, the strike had an impact on the operations of this business group as well, especially at the beginning of the year. Despite the increased parcel volumes, the overall impact of COVID-19 on the segment's performance was clearly negative.

Net sales decreased in Aditro Logistics mainly due to the impact of the coronavirus situation and rescoping the business as earlier planned.

Net sales decreased in Itella Russia by 21.6%, mainly due to the restructuring actions of warehouses.

The net sales of Parcel and eCommerce and logistics businesses represented almost 56% (51%) of the Group's net sales in January–June 2020.

Profitability

The Group's adjusted EBITDA decreased to EUR 75.2 (77.9) million, or 9.7% (9.9 %) of net sales. EBITDA increased to EUR 74.4 (68.8) million, or 9.6% (8.7%) of net sales. The adjusted operating result decreased to EUR 15.6 (20.3) million, or 2.0% (2.6%) of net sales, mainly due to the decreased profitability of Postal Services. The operating result improved to EUR 12.5 (11.2) million, or 1.6% (1.4%) of net sales. Special items affecting the operating result in January–June, EUR 3.1 (9.1) million, were mainly related to an impairment loss and license costs of EUR 3.9 million from an ICT project and EUR 2.1 million gain from the release of onerous contract provisions in Russia.

Operations under the universal service obligation amounted to EUR 46.5 (51.3) million, or 6.0% (6.5%) of the Group's net sales and 2.7% (3.4%) of delivery volumes.

Mail, Parcel and Logistics Services

April–June 2020

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

- Addressed letters: -24% (-13%)
- Parcels in Finland and the Baltics: 32% (8%)
- Freight volumes measured in waybills: -12% (2%)

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 15.8 (11.9) million parcels. The figure does not include letter-like e-commerce items.

Net sales

The net sales of Mail, Parcel and Logistics Services decreased to EUR 357.0 (375.0) million. Net sales are itemized in the following table.

Net sales of Mail, Parcel and Logistics Services			
Net sales, EUR million	4-6 2020	4-6 2019*	Change
Postal Services	149.3	171.0	-12.7 %
Parcel and eCommerce	118.6	99.7	19.0 %
Transval	49.9	53.2	-6.3 %
Freight Services	43.1	55.0	-21.5 %
Other and eliminations	-3.9	-3.8	
Total	357.0	375.0	-4.8 %

* Logistics Solutions operating segment was split into Transval and Freight Services at the beginning of 2020. Net sales for 2019 have been restated accordingly.

The net sales of Postal Services decreased mainly due to the continued mail volume decline, accelerated by the strike organized by The Finnish Post and Logistics Union PAU in the second half of 2019, changes in the product mix as well as the impact of coronavirus.

The net sales of Parcel and eCommerce increased significantly in the second quarter. This was mainly due to the continued volume growth of eCommerce and the significantly accelerated growth of online shopping due to the coronavirus situation.

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 15.8 (11.9) million parcels. The figure does not include letter-like e-commerce items. At the end of June, Posti had 1,906 (1,428) parcel lockers, making Posti's parcel locker network one of the largest in Europe. In the second quarter, the number of parcels going through Posti's parcel lockers grew by 79%, or over one million parcels, compared to the second quarter of 2019. Posti aims to increase the number of parcel lockers to 4,000 by the end of 2022. By increasing the number of parcel lockers, Posti can meet consumers' needs and tackle the challenges posed by the rapid growth in e-commerce.

The net sales of Freight Services decreased by 21.5% to EUR 43.1 (55.0) million, mainly due to the discontinuation of Posti's Grocery Logistics business, slow recovery from the postal strike as well as the negative impact of coronavirus.

Transval business group's net sales decreased by 6.3% to EUR 49.9 (53.2) million. The net sales were impacted by the customer mix changes after the acquisition of Transval in 2019.

Profitability

The adjusted EBITDA of Mail, Parcel and Logistics Services decreased to EUR 29.4 (34.4) million, or 8.2% (9.2%) of net sales. EBITDA decreased to EUR 29.1 (30.4) million. The adjusted operating result decreased to EUR 5.7 (11.1) million, or 1.6% (3.0%) of net sales. The decrease was mainly due to the product mix and volume decline of Postal Services, accelerated by the postal strike and the coronavirus situation. The decline was partly compensated by the improved profitability in Parcel and eCommerce as well as in Freight Services.

The operating result declined to EUR 5.5 (7.1) million. Special items affecting the operating result in the second quarter amounted to EUR 0.3 (4.0) million and were mainly related to personnel restructuring costs.

January–June 2020

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

- Addressed letters: -20% (-14%)
- Parcels in Finland and the Baltics: 19% (8%)
- Freight volumes measured in waybills: -11% (1%)

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 28.7 (24.0) million parcels. The figure does not include letter-like e-commerce items.

Net sales

The net sales of Mail, Parcel and Logistics Services decreased to EUR 723.7 (751.5) million. Net sales are itemized in the following table.

Net sales of Mail, Parcel and Logistics Services			
Net sales, EUR million	1-6 2020	1-6 2019*	Change
Postal Services	322.2	354.5	-9.1 %
Parcel and eCommerce	224.2	200.9	11.6 %
Transval	100.1	96.2	4.0 %
Freight Services	84.5	106.2	-20.4 %
Other and eliminations	-7.3	-6.3	
Total	723.7	751.5	-3.7 %

* Logistics Solutions operating segment was split into Transval and Freight Services at the beginning of 2020. Net sales for 2019 have been restated accordingly.

The net sales of Postal Services decreased mainly due to the continued mail volume decline, accelerated by the strike organized by The Finnish Post and Logistics Union PAU in the second half of 2019, changes in the product mix as well as the impact of coronavirus. The comparison figures of Postal Services in the first half of 2019 were supported by extra seasonal mail deliveries, such as the Finnish parliamentary elections.

The postal strike impacted negatively also the operations of Parcel and eCommerce, especially at the beginning of the year. However, the business group's net sales increased in January–June. This was mainly due to the continued volume growth of eCommerce and the significantly accelerated growth of online shopping due to the coronavirus situation.

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 28.7 (24.0) million parcels. The figure does not include letter-like e-commerce items. In January–June, the number of parcels going through Posti's parcel lockers grew by 73% compared to the same period in 2019.

The net sales of Freight Services decreased by 20.4% to EUR 84.5 (106.2) million, mainly due to the discontinuation of Posti's Grocery Logistics business, slow recovery from the postal strike as well as the negative impact of coronavirus.

Transval business group's net sales grew by 4.0% to EUR 100.1 (96.2) million. The net sales figures of Transval are not fully comparable with the previous year's figures as the acquired Transval was included in Posti's financials as of February 2019.

Profitability

The adjusted EBITDA of Mail, Parcel and Logistics Services decreased to EUR 67.3 (75.9) million, or 9.3% (10.1%) of net sales. EBITDA decreased to EUR 66.5 (70.2) million. The adjusted operating result decreased to EUR 19.3 (29.6) million, or 2.7% (3.9%) of net sales. The decrease was mainly due to the product mix and volume decline of Postal Services, accelerated by the postal strike and further impacted by the coronavirus situation. The decline was partly compensated by



the improved profitability of Freight Services. The adjusted operating result improved also in Parcel and eCommerce, despite the investments made in the first quarter of 2020 due to the fast growth of online shopping volumes.

The operating result declined to EUR 18.5 (23.8) million. Special items affecting the operating result in January–June 2020 amounted to EUR 0.8 (5.7) million and were mainly related to personnel restructuring costs.

Itella Russia

April–June 2020

Net sales

Itella Russia's net sales measured in local currency decreased by 23.9%. Reported euro-denominated net sales decreased by 31.8% to EUR 12.9 (18.9) million. Net sales decreased in Contract Logistics due to restructuring actions of warehouses and the impact of the coronavirus situation on Transport. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

The average fill rate for warehouses in Moscow was 69.4% (62.6%), while in other regions it was 44.5% (41.4%).

Profitability

The adjusted EBITDA continued to improve and was EUR 3.3 (3.0) million, or 25.4% (16.1%) of net sales. EBITDA was EUR 6.2 (3.9) million.

The adjusted operating result improved to EUR 1.1 (-0.2) million. The operating result was EUR 4.0 (0.7) million. The result was positively impacted by the closure of unprofitable warehouses.

EBITDA and operating result of the comparable period in 2019 were burdened by restructuring costs.

January–June 2020

Net sales

Itella Russia's net sales measured in local currency decreased by 18.5%. Reported euro-denominated net sales decreased by 21.6% to EUR 30.7 (39.1) million. Net sales decreased in Contract Logistics due to restructuring actions of warehouses and the impact of the coronavirus situation on Transport.

The average fill rate for warehouses in Moscow was 76.5% (69.4%), while in other regions it was 46.9% (40.3%).

Profitability

The adjusted EBITDA continued to improve and was EUR 6.7 (4.6) million, or 21.9% (11.8%) of net sales. EBITDA was EUR 9.6 (5.5) million.

The adjusted operating result improved to EUR 2.2 (-1.2) million. The operating result was EUR 5.2 (-0.3) million. The result was positively impacted by the closure of unprofitable warehouses.

EBITDA and operating result of the comparable period in 2019 were burdened by restructuring costs.

Aditro Logistics

Aditro Logistics was integrated into Posti's financials as of April 2020, so the last quarter (April–June 2020) and reporting period (January–June 2020) figures are the same and Aditro Logistics' figures are not included in Posti Group's financials for the comparison period.

April–June 2020 and January–June 2020

Net sales

In April–June, Aditro Logistics' net sales were EUR 22.5 million. Aditro Logistics' operations consists of contract logistics, transportation and staffing businesses. Especially contract logistics and transportation businesses were heavily impacted by the coronavirus situation. Additionally, the customer mix changes that were carried out as planned during 2020 impacted net sales.

Profitability

In April–June, the adjusted and reported EBITDA were EUR 2.8 million, or 12.4% of net sales.

The adjusted and reported operating result were EUR -1.2 million. The result was negatively impacted by the investments in the large warehouse in Arlanda and the coronavirus situation.

Key figures for segments, continuing operations					
EUR million	4-6 2020	4-6 2019*	1-6 2020	1-6 2019*	1-12 2019*
Net sales					
Mail, Parcel and Logistics Services	357.0	375.0	723.7	751.5	1,482.2
Itella Russia	12.9	18.9	30.7	39.1	82.8
Aditro Logistics**	22.5	N/A	22.5	N/A	N/A
Other and unallocated	0.5	0.6	1.0	1.1	2.0
Intra-Group sales	-0.7	-0.6	-1.3	-1.3	-2.5
Posti Group	392.3	393.8	776.5	790.4	1,564.6
Net sales change-%					
Mail, Parcel and Logistics Services	-4.8%	3.5%	-3.7%	2.8%	1.7%
Itella Russia	-31.8%	-23.9%	-21.6%	-24.1%	-20.3%
Aditro Logistics	N/A	N/A	N/A	N/A	N/A
Posti Group	-0.4%	1.8%	-1.8%	1.1%	0.3%
Adjusted EBITDA					
Mail, Parcel and Logistics Services	29.4	34.4	67.3	75.9	139.4
Itella Russia	3.3	3.0	6.7	4.6	13.9
Aditro Logistics	2.8	N/A	2.8	N/A	N/A
Other and unallocated	-1.0	-0.1	-1.5	-2.7	-1.0
Posti Group	34.5	37.3	75.2	77.9	152.3
Adjusted EBITDA, %					
Mail, Parcel and Logistics Services	8.2%	9.2%	9.3%	10.1%	9.4%
Itella Russia	25.4%	16.1%	21.9%	11.8%	16.8%
Aditro Logistics	12.4%	N/A	12.4%	N/A	N/A
Posti Group	8.8%	9.5%	9.7%	9.9%	9.7%
EBITDA					
Mail, Parcel and Logistics Services	29.1	30.4	66.5	70.2	133.9
Itella Russia	6.2	3.9	9.6	5.5	10.4
Aditro Logistics	2.8	N/A	2.8	N/A	N/A
Other and unallocated	-3.9	-1.9	-4.6	-6.9	-3.8
Posti Group	34.2	32.4	74.4	68.8	140.6
EBITDA, %					
Mail, Parcel and Logistics Services	8.2%	8.1%	9.2%	9.3%	9.0%
Itella Russia	48.2%	20.7%	31.5%	14.0%	12.6%
Aditro Logistics	12.4%	N/A	12.4%	N/A	N/A
Posti Group	8.7%	8.2%	9.6%	8.7%	9.0%

Key figures for segments, continuing operations					
EUR million	4-6 2020	4-6 2019*	1-6 2020	1-6 2019*	1-12 2019*
Adjusted operating result					
Mail, Parcel and Logistics Services	5.7	11.1	19.3	29.6	45.8
Itella Russia	1.1	-0.2	2.2	-1.2	3.4
Aditro Logistics	-1.2	N/A	-1.2	N/A	N/A
Other and unallocated	-2.5	-2.8	-4.7	-8.1	-13.0
Posti Group	3.1	8.1	15.6	20.3	36.2
Adjusted operating result, %					
Mail, Parcel and Logistics Services	1.6%	3.0%	2.7%	3.9%	3.1%
Itella Russia	8.3%	-0.9%	7.2%	-3.1%	4.1%
Aditro Logistics	-5.2%	N/A	-5.2%	N/A	N/A
Posti Group	0.8%	2.1%	2.0%	2.6%	2.3%
Operating result					
Mail, Parcel and Logistics Services	5.5	7.1	18.5	23.8	36.3
Itella Russia	4.0	0.7	5.2	-0.3	-0.1
Aditro Logistics	-1.2	N/A	-1.2	N/A	N/A
Other and unallocated	-7.7	-4.5	-10.0	-12.3	-17.8
Posti Group	0.6	3.2	12.5	11.2	18.5
Operating result, %					
Mail, Parcel and Logistics Services	1.5%	1.9%	2.6%	3.2%	2.5%
Itella Russia	31.1%	3.7%	16.8%	-0.9%	-0.1%
Aditro Logistics	-5.2%	N/A	-5.2%	N/A	N/A
Posti Group	0.2%	0.8%	1.6%	1.4%	1.2%

* Restated based on the new definition of special items and the allocation of Logistics Solutions' Administration expenses from Mail, Parcel and Logistics Services segment to Other and unallocated.

** Aditro Logistics was integrated into Posti's financials as of April 2020, so the last quarter (April–June 2020) and reporting period (January–June 2020) figures are the same and Aditro Logistics' figures are not included in Posti Group's financials for the comparison period.

Financial position and investments

In January–June, the consolidated cash flow from operating activities was EUR 66.9 (74.8) million, the cash flow from investing activities EUR -29.9 (-8.7) million and cash flow from financing activities EUR -1.5 (-76.0) million.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flow amounted to EUR 72.8 (62.4) million. Cash flow from investing activities in the comparison period of 2019 was impacted by EUR 59.7 million of business disposals. Cash flow from financial activities includes a EUR 60.0 million withdrawal of the syndicated credit facility for the short-term financing need related to the Aditro Logistics acquisition and the payment of dividends.

At the end of June, liquid assets amounted to EUR 159.0 (160.0) million, and undrawn committed credit facilities totaled EUR 90.0 (150.0) million. The Group's interest-bearing liabilities were EUR 463.2 (323.7) million. The net debt totaled EUR 304.2 (163.7) million. Interest-bearing liabilities, and therefore also net debt, increased significantly due to the purchase price payment and increased IFRS 16 lease liabilities that were related to the acquisition of Aditro Logistics in April. Equity ratio was 33.3% (38.4%).

Share capital and shareholding

At Posti, the Finnish State exercises the shareholder's decision-making power. The State's direct ownership of Posti Group Corporation is 50.1%, with 49.9% of the shares owned by the Finnish State Business Development Company (Vake Oy). Posti Group Corporation's share capital consists of 40,000,000 shares of equal value.

The company holds no treasury shares and does not have subordinated loans. No loans have been granted to related parties, and no commitments have been given on their behalf. The company has not issued shares, stock options or other rights with entitlement to company shares. The Board of Directors is not authorized to issue shares, stock options, or other rights with entitlement to company shares.

Changes in management

The Board of Directors of Posti Group Corporation appointed Turkka Kuusisto as President and CEO of Posti Group Corporation as of February 6, 2020. Kuusisto acted as Posti's Interim President and CEO since October 1, 2019 and has served as a member of the Group's Leadership Team since 2016. He held the position of SVP, Postal Services in 2016–2018 and acted as SVP, Parcel and eCommerce from 2019.

Johannes Gussander, CEO of Aditro Logistics, was appointed as a member of Posti Group's Leadership Team as of May 1, 2020. He joined the Swedish logistics company Aditro Logistics in 2015 and has served as its CEO since 2017. Posti acquired Aditro Logistics in April 2020.

Arttu Hollméus was appointed as SVP, Parcel and eCommerce business group and a member of Posti Group's Leadership Team as of May 1, 2020. Hollméus previously served as the VP, Large Domestic Customers in the Parcel and eCommerce business group.

Sakari Kiiskinen was appointed as interim head of the Transval business group and a member of Posti Group's Leadership Team as of May 1, 2020. Kiiskinen has worked in various management positions at Transval for more than 10 years and served as Deputy Managing Director from 2017.

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on May 14, 2020. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 29.8 million based on the result in 2019.

The meeting adopted the 2019 financial statements and discharged the members of the Supervisory Board, the Board of Directors and the President and CEO from liability.

Board of Directors

Annual General Meeting decided that the following persons will continue as members of the Board of Directors:

- Frank Marthaler, Board Professional
- Pertti Miettinen as an employee representative
- Minna Pajumaa, Senior Financial Counsellor
- Per Sjödel, Board Professional

In addition to Chair of the Board Markku Pohjola and Deputy Chair Suvi-Anne Siimes, Eero Hautaniemi, Anna Martinkari and Arja Talma were not available for re-election in the Board of Directors.

The following persons were elected as new members of the Board of Directors:

- Raija-Leena Hankonen, Board Professional
- Harri Hietala, Master of Laws with court training, Master of Laws
- Sirpa Huuskonen, HR Director
- Sanna Suvanto-Harsaae, Board Professional
- Hanna Vuorela, Vice President, Strategic Development

Sanna Suvanto-Harsaae was elected as the Chair of the Board of Directors and Per Sjödel as the Deputy Chair.

Supervisory Board

Annual General Meeting decided that the following persons will continue as members of the Supervisory Board:

- Sari Essayah, MP, Christian Democrats
- Atte Harjanne, MP, The Greens of Finland
- Eeva Kalli, MP, Centre Party
- Kimmo Kiljunen, MP, Social Democratic Party
- Mia Laiho, MP, National Coalition Party
- Rami Lehto, MP, Finns Party
- Aki Lindén, MP, Social Democratic Party
- Pia Lohikoski, MP, Left Alliance
- Mari Rantanen, MP, Finns Party
- Veronica Rehn-Kivi, MP, Swedish People's Party of Finland
- Ari Torniainen, MP, Centre Party
- Paula Werning, MP, Social Democratic Party

Aki Lindén will continue as the Chair of the Supervisory Board and Atte Harjanne as the Deputy Chair of the Supervisory Board.

Board of Directors' and Supervisory Board's fees

The fees of the members of the Board of Directors and the Supervisory Board remained unchanged. Members of the Board of Directors will receive a monthly remuneration and a meeting fee. The meeting fee will be paid in double for the Board members residing outside Finland. No Board remuneration will be paid for the member of the Board of Directors employed by Posti Group.

Members of the Supervisory Board will receive a meeting fee.

Auditor and other issues

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

In addition, amendments to the Articles of Association were decided.

Employees

The Group's personnel*			
	1-6 2020	1-6 2019	1-12 2019
Personnel at period-end	22,986	21,969	20,468
<i>Finland</i>	19,582	19,766	18,307
<i>Other countries of operation</i>	3,404	2,203	2,161
Personnel on average, FTE**	16,544	16,857	16,569

*Continuing operations

**Full time equivalent personnel on average

The increase of personnel in other countries of operation was related to the acquisition of Aditro Logistics in Sweden.

In January–June, the Group's personnel expenses amounted to EUR 342.1 (355.1) million, decreasing by 3.7% from the previous year. The personnel expenses included EUR 0.9 (6.9) million in restructuring costs.

Cooperation negotiations

On January 22, 2020, Posti announced that Postal Services will continue the cooperation negotiations that began in basic delivery in 2019. These new negotiations concern basic delivery in the capital region and South-West Finland. The negotiations do not concern early-morning delivery, i.e. newspaper delivery. Together with personnel, Postal Services will also look for solutions for day-to-day work on the basis of the flexibility measures that were agreed on during the autumn 2019 collective agreement negotiations. As an outcome of the negotiations, 45 people were shifted to part-time work.

On January 27, 2020, Posti announced its plans to close its shop in Elielinaukio in Helsinki during 2020. On March 12, Posti announced that its shop in Elielinaukio will close as of July 29. Due to the closing of the shop, eight people had to be laid off. Posti continues to support the Posti Museum in Tampere, where the heritage of Posti is kept, with over EUR 1 million each year.

On March 24, 2020, Transval initiated cooperation negotiations on potential layoffs. Approximately 3,600 persons were within the scope of the negotiations. As an outcome of the negotiations, possible phased layoffs of up to 90 days and voluntary converting of holiday bonuses into leave were agreed.

On April 21, 2020, Posti announced the initiation of cooperation negotiations at Freight Services on temporary layoffs for a fixed period. The negotiations were initiated on April 27, 2020, with approximately 1,100 persons in scope of the negotiations at Posti Ltd and Posti Kuljetus Ltd. The objective of the negotiations was to find flexible solutions in order to minimize the impact on personnel. Freight Services was able to continue operations over the summer with voluntary agreements such as voluntary temporary lay-offs and converting holiday bonuses into leave. The negotiations will continue in August, when the situation will be re-evaluated.

On April 21, 2020, Posti announced that it is also negotiating at Home Services on possible temporary layoffs for a fixed period in personal assistance functions. Posti Home Services employed approximately 600 persons in March. As an outcome of the negotiations, 24 people had to be temporarily laid off.

On May 20, 2020, Posti announced that it is initiating cooperation negotiations on possible temporary layoffs at Postal Services and Posti Group administration. In total, approximately 8,000 persons were in the scope of the negotiations. In the negotiations, possible phased layoffs of up to 90 days were agreed for the whole personnel that was in the scope of the negotiations.

Acquisitions, divestments and changes in corporate structure

On June 20, 2019, Posti announced that it will expand its early-morning delivery by acquiring Alma Media's early-morning delivery operations in Pirkanmaa and Satakunta. The transfer took place as planned on January 1, 2020. As part of the transaction, some 800 Alma Manu's early-morning delivery employees were transferred to Posti Palvelut Oy.

On February 24, 2020, Posti, Valedo Partners and other shareholders of Aditro Logistics signed an agreement, under which Posti would acquire Aditro Logistics, one of the leading contract logistics companies in the Nordics. The acquisition is in line with Posti's ambition of growing its logistics, parcel and eCommerce businesses. Aditro Logistics was founded in 1973 and over the past years, the company has grown profitably and organically, clearly outpacing the market growth. In 2019, Aditro Logistics' net sales were approximately EUR 100 million (approx. SEK 1,100 million). The company has 1,100 full-time employees, out of which 1,050 are based in Sweden and 50 in Norway. On April 2, 2020, Posti announced that it had completed the acquisition.

On March 5, 2020, Posti announced that Transval, a nationwide forerunner in shelving services, and the owners of KV Turva had signed an agreement, whereby Transval acquires all the shares of a retail specialist KV Turva Oy. The transaction further strengthens Transval's offering in retail stores, particularly with regards to wastage management and remote monitoring. KV Turva was established in 2015 and has approximately 200 employees in Finland. In 2019, the company's net sales were approximately EUR 5.4 million.

Legal proceedings

In 2017, Suomen Suoramainonta Oy requested that the Finnish Competition and Consumer Authority investigate competition in the unaddressed mail delivery market. Unaddressed delivery refers to the delivery of advertisements and free distribution papers to households. On March 31, 2020, Posti announced that the Finnish Competition and Consumer Authority (FCCA) had decided to discontinue the processing of Suomen Suoramainonta's request for action regarding Posti's conduct in the unaddressed mail delivery market. The FCCA had found nothing wrong with Posti's pricing or conduct in the market.

On May 18, 2020, the Finnish data protection authority issued a reprimand to Posti Oy regarding the information given to customers regarding their data protection rights. When submitting a change of address notification, Posti's customer has the option to prohibit the disclosure of their personal data to a third party for the purpose of updating their address. The data protection authority has issued a reprimand in which it remarks that, in its opinion, the information is not adequate. Posti has appealed the EUR 100,000 penalty issued by the data protection authority.

Business risks

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

The rapid spread of coronavirus is having a significant impact on global trade. As a result, it is widely expected to drive the Finnish economy into recession. Permanent and temporary layoffs and the rising unemployment level are expected to hit consumer confidence and household consumption in Finland. The coronavirus pandemic is expected to have two types of effects on the business operations of Posti Group. The company's Parcel and eCommerce business is expected to benefit from the significant growth in the sales volumes of online stores. However, coronavirus is increasing risks and having a negative impact on Posti's postal services, freight services, the logistics services of Aditro Logistics and Transval as well as on Posti's Home Services. Posti is mitigating these risks in various ways, e.g. by negotiating on possible layoffs in certain business areas.

Posti is executing a comprehensive business transformation to adapt to the changing business environment and customer needs. The success of the chosen transformation strategy, including realization of the related growth and efficiency improvements, includes several uncertainties such as dependency on a few large customers and partners, risks especially related to the labor market negotiations and Posti ICT systems and infrastructure reliability, security and cost-efficiency related risks. Due to its history, Posti operates a complex service, process and related ICT systems architecture. This may



not fully meet the requirements of Posti's current or planned new businesses or support them in a cost-efficient manner. Given the increased importance of cyber security and other data-related risks in Posti Group's operations and risk portfolio, the company has recently increased its focus and competences within the area.

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

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

Events after the review period

In the arbitration proceedings between Posti and the sellers of HR Hoiva Oy (currently Posti Kotipalvelut Oy) an arbitral award was rendered on July 23, 2020. Based thereon, Posti will release a EUR 0.9 million contingent purchase consideration liability, which will have a positive impact on Posti's third quarter 2020 results.

Helsinki, August 5, 2020

Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures
Half Year Financial 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 and changes in contingent purchase considerations originated from business combinations.
Gross capital expenditure*		Additions to intangible assets and property, plant and equipment including additions to right-of-use assets as well as business acquisitions comprising of total amount of purchase considerations.
Equity ratio, %	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on equity, %	100 x	$\frac{\text{Result for the period (12 months rolling)}}{\text{Total equity (average of opening and closing balance of the previous 12 months)}}$
Return on capital employed, %	100 x	$\frac{\text{Operating result (12 months rolling)}}{\text{Capital employed (average of opening and closing balance of the previous 12 months)}}$
Capital employed		Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt		Interest bearing borrowings - liquid funds - debt certificates.
Net debt / adjusted EBITDA		$\frac{\text{Net debt}}{\text{Adjusted EBITDA (12 months rolling)}}$
Interest-bearing borrowings		Non-current and current interest-bearing borrowings and lease liabilities.
Liquid funds		Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE*		Full time equivalent personnel on average.
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

** New key figure from 1 Jan 2020. See additional information in note 1.

Half-year financial report tables January-June 2020

Condensed consolidated Income Statement and consolidated Statement of Comprehensive Income

Condensed consolidated income statement

Continuing operations

EUR million	4-6 2020	4-6 2019	1-6 2020	1-6 2019	1-12 2019
Net sales	392.3	393.8	776.5	790.4	1,564.6
Other operating income	5.1	5.2	8.9	9.1	19.3
Materials and services	-119.3	-119.2	-225.3	-236.4	-482.9
Employee benefits	-173.2	-180.0	-342.1	-355.1	-672.7
Other operating expenses	-70.6	-67.5	-143.7	-139.1	-287.8
Depreciation and amortisation	-31.3	-29.1	-59.4	-57.5	-114.9
Impairment losses	-2.3	-0.1	-2.4	-0.1	-7.2
Operating result	0.6	3.2	12.5	11.2	18.5
Finance income	0.4	1.1	2.0	3.7	11.9
Finance expenses	-1.0	-2.0	-6.4	-3.8	-13.9
Result before income tax	0.0	2.2	8.1	11.0	16.5
Income tax	-7.7	0.1	-8.8	-3.1	-2.4
Result for the period from continuing operations	-7.7	2.3	-0.7	7.9	14.1
Result for the period from discontinued operations	0.0	-0.3	0.0	4.8	4.9
Result for the period	-7.7	2.0	-0.7	12.8	19.0
Earnings per share (EUR per share)					
Group total	-0.19	0.05	-0.02	0.32	0.47
Continuing operations	-0.19	0.06	-0.02	0.20	0.35
Discontinued operations	0.00	-0.01	0.00	0.12	0.12

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

Result for the period	-7.7	2.0	-0.7	12.8	19.0
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Change in fair value of cash flow hedges	2.2	-0.1	0.0	-0.9	-0.8
Translation differences	7.5	1.0	-7.7	6.6	10.4
Income tax relating to these items	-0.4	0.0	0.0	0.2	0.2
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations		-2.2		-1.1	1.1
Income tax relating to these items		0.4		0.2	-0.2
Comprehensive income for the period	1.6	1.1	-8.3	17.8	29.6

Condensed consolidated Balance Sheet

Assets

EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Non-current assets			
Goodwill	190.4	151.6	151.9
Other intangible assets	87.2	57.3	58.5
Investment property	3.6	3.8	3.7
Property, plant and equipment	287.0	313.4	314.0
Right-of-use assets	270.4	198.0	190.5
Other non-current investments	1.0	1.0	1.0
Non-current receivables	0.3	1.2	0.3
Deferred tax assets	11.6	12.6	8.8
Total non-current assets	851.6	738.9	728.7
Current assets			
Inventories	4.9	4.6	4.6
Trade and other receivables	278.4	286.8	299.7
Current income tax receivables	4.7	5.2	4.6
Current financial assets	69.3	63.4	101.9
Cash and cash equivalents	89.8	96.7	54.9
Total current assets	447.1	456.6	465.7
Assets classified as held for sale	0.0	5.5	0.0
Total assets	1,298.7	1,201.0	1,194.4

Equity and liabilities

EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
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	-1.3	-1.4	-1.3
Translation differences	-98.0	-94.1	-90.3
Retained earnings	293.5	315.9	323.8
Total shareholders' equity	407.0	433.1	444.9
Non-current liabilities			
Deferred tax liabilities	22.2	20.2	20.6
Non-current interest-bearing borrowings	121.7	123.1	122.4
Non-current interest-bearing lease liabilities	222.0	152.4	146.8
Other non-current payables	8.0	13.0	6.9
Advances received	13.3	13.9	13.6
Non-current provisions	4.1	10.1	4.8
Defined benefit pension plan liabilities	7.6	10.7	8.0
Total non-current liabilities	398.9	343.4	323.1
Current liabilities			
Current interest-bearing borrowings	69.2	1.6	6.5
Current interest-bearing lease liabilities	50.3	46.6	45.3
Trade and other payables	293.5	302.7	296.2
Advances received	64.5	60.3	67.4
Current income tax liabilities	13.2	8.0	0.7
Current provisions	2.2	5.3	10.2
Total current liabilities	492.8	424.5	426.4
Total liabilities	891.7	767.9	749.5
Total equity and liabilities	1,298.7	1,201.0	1,194.4

Condensed consolidated Statement of Cash Flows

EUR million	1-6 2020	1-6 2019	1-12 2019
Result for the period	-0.7	12.8	19.0
Adjustments to cash flow	64.6	48.4	111.1
Change in net working capital	5.4	19.9	8.1
Cash flow before financial items and income tax	69.3	81.1	138.2
Financial items (net)	-2.2	-2.3	-5.4
Income tax paid	-0.2	-4.0	-6.5
Cash flow from operating activities	66.9	74.8	126.3
Purchase of intangible assets	-16.2	-10.8	-22.2
Purchase of property, plant and equipment	-8.1	-10.5	-34.2
Proceeds from sale of intangible and tangible assets	10.5	1.4	4.9
Business acquisitions, net of cash acquired	-48.5	-41.0	-49.8
Proceeds from business disposals less cash and cash equivalents	0.0	59.7	67.6
Cash flow from financial assets	32.6	-8.2	-46.6
Cash flow from other investments	-0.2	0.8	1.1
Cash flow from investing activities	-29.9	-8.7	-79.3
Increases in current loans	60.9		
Repayment of non-current loans	-0.8	-0.3	-0.9
Payments of lease liabilities	-28.7	-28.2	-55.2
Dividends paid	-29.8	-28.4	-28.4
Cash flow from financing activities	-1.5	-76.0	-98.8
Change in cash and cash equivalents	35.5	-9.9	-51.8
Cash and cash equivalents at the beginning of the period	54.9	106.6	106.6
Effect of exchange rates changes	-0.7	0.0	0.1
Cash and cash equivalents at the end of the period	89.8	96.7	54.9

Operative free cash flow, reconciliation

Cash flow from operating activities	66.9	74.8	126.3
Purchase of intangible assets and property, plant and equipment	-24.3	-21.3	-56.4
Payments of lease liabilities	-28.7	-28.2	-55.2
Operative free cash flow	13.8	25.3	14.7

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, 2020	70.0	142.7	-1.3	-90.3	323.8	444.9
Comprehensive income						
Result for the period					-0.7	-0.7
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			0.0			0.0
Translation differences				-7.7		-7.7
Comprehensive income for the period			0.0	-7.7	-0.7	-8.3
Transactions with equity holders						
Dividends paid					-29.8	-29.8
Jun 30, 2020	70.0	142.7	-1.3	-98.0	293.5	407.0

Jan 1, 2019	70.0	142.7	-0.7	-100.7	332.4	443.7
Comprehensive income						
Result for the period					12.8	12.8
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			-0.7			-0.7
Translation differences				6.6		6.6
Remeasurements of post-employment benefit obligations, net of tax					-0.9	-0.9
Comprehensive income for the period			-0.7	6.6	11.9	17.8
Transactions with equity holders						
Dividends paid					-28.4	-28.4
Jun 30, 2019	70.0	142.7	-1.4	-94.1	315.9	433.1

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Jan 1, 2019	70.0	142.7	-0.7	-100.7	332.4	443.7
Comprehensive income						
Result for the period					19.0	19.0
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			-0.6			-0.6
Translation differences				10.4		10.4
Remeasurements of post-employment benefit obligations, net of tax					0.9	0.9
Comprehensive income for the period			-0.6	10.4	19.8	29.6
Transactions with equity holders						
Dividends paid					-28.4	-28.4
Dec 31, 2019	70.0	142.7	-1.3	-90.3	323.8	444.9

Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on May 14, 2020. The Annual General Meeting decided to distribute a dividend of EUR 29.8 million based on the result for the year 2019.

Notes

1. Accounting Policies

Half-year financial report has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this half-year financial report, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2019. Amendments to IFRS standards effective as of 1 January 2020 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 COVID-19 pandemia impacts in financial reporting

Financial environment has rapidly changed during first half of year 2020. Following additional procedures have been performed in relation to 2020 half-year report:

Posti has critically examined its trade receivables development during the coronavirus pandemic and has increased its expected credit loss allowance from the beginning of the year. Expected credit loss allowance in the balance sheet is EUR 2.4 (1.2) million. It includes management judgement related to forward-looking information on the market and macroeconomic factors.

In connection of half-year financial report, the changes in market circumstances due to e.g. COVID-19 conditions have been estimated regarding Posti's cash generating units Postal services and Transval. The new estimates do not require changes to the goodwill presented in the consolidated financial statements at 31 December, 2019. At the time of half-year financial report we did not find such indications that would lead in performing impairment testing. Remarkable uncertainty is related to future recoverable amounts because of the special market conditions in 2020. The management will re-estimate the future expectations during the second half of year 2020.

Operative free cash flow - new key figure

From 1st Jan 2020 onwards, Posti reports a new key figure "Operative free cash flow" replacing the previous key figure "Adjusted free cash flow" formed from line items in statement of cash flow. Cash flow from operating activities is deducted by purchase of intangible assets and property, plant and equipment and payments of lease liabilities. According to management's estimate the new key figure provides more meaningful information on the operative free cash flow produced by business. The treatment of leasing contracts in accounting and in cash flow statment changed essentially at 1.1.2019 after adoption of IFRS 16 leases standard. The lease payments cash flow related to lease liability is presented in the cash flow from financial activities in item "payments of lease liabilities" and payments related to off-balance sheet lease contracts in cash flow from operating activities. Operative free cash flow includes cash flows from all lease contracts.

2. Foreign exchange rates

	1-6 2020	1-6 2019	1-12 2019
Average rate			
RUB	76.6825	73.7215	72.4593
SEK	10.6610	10.5187	10.5867
NOK	10.7363	9.7291	9.8497
Closing rate	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
RUB	79.6300	71.5975	69.9563
SEK	10.4948	10.5633	10.4468
NOK	10.9120	9.6938	9.8638

1-6
2019
restated

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Aditro Logistics*	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	70.2	5.5		75.7	-6.9		68.8
Special items included in EBITDA:							
Personnel restructuring costs	5.7			5.7	1.1		6.9
Onerous contracts		-1.0		-1.0			-1.0
Other		0.1		0.1	3.1		3.2
Special items included in EBITDA total	5.7	-0.9		4.9	4.2		9.1
Adjusted EBITDA	75.9	4.6		80.5	-2.7		77.9
Operating result	23.8	-0.3		23.5	-12.3		11.2
Special items included in operating result:							
Special items included in EBITDA	5.7	-0.9		4.9	4.2		9.1
Impairment losses							
Special items total	5.7	-0.9		4.9	4.2		9.1
Adjusted operating result	29.6	-1.2		28.4	-8.1		20.3
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

1-12
2019
restated

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Aditro Logistics*	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	1,481.4	82.8		1,564.3	0.3		1,564.6
Inter-segment sales	0.8			0.8	1.7	-2.5	
Net sales	1,482.2	82.8		1,565.0	2.0	-2.5	1,564.6
EBITDA	133.9	10.4		144.3	-3.8		140.6
Special items included in EBITDA:							
Personnel restructuring costs	5.0			5.0	1.4		6.4
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	0.5	-0.1		0.5	-1.7		-1.3
Onerous contracts		1.6		1.6			1.6
Other		1.9		1.9	3.1		5.0
Special items included in EBITDA total	5.5	3.5		9.0	2.8		11.8
Adjusted EBITDA	139.4	13.9		153.3	-1.0		152.3
Operating result	36.3	-0.1		36.2	-17.8		18.5
Special items included in operating result:							
Special items included in EBITDA	5.5	3.5		9.0	2.8		11.8
Impairment losses	4.0			4.0	2.0		6.0
Special items total	9.5	3.5		13.0	4.8		17.8
Adjusted operating result	45.8	3.4		49.2	-13.0		36.2
Financial income and expense							-2.0
Income tax							-2.4
Result for the period from continuing operations							14.1
Result for the period from discontinued operations							4.9
Result for the period							19.0

* The operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019.

Net sales of Mail, Parcel and Logistics Services

	4-6 2020	4-6 2019 restated	1-6 2020	1-6 2019 restated	1-12 2019 restated
EUR million					
Postal Services	149.3	171.0	322.2	354.5	683.9
Parcel and eCommerce	118.6	99.7	224.2	200.9	407.7
Transval	49.9	53.2	100.1	96.2	199.7
Freight Services	43.1	55.0	84.5	106.2	204.5
Other and eliminations	-3.9	-3.8	-7.3	-6.3	-13.7
Total	357.0	375.0	723.7	751.5	1,482.2

Jun 30, 2020

	Mail, Parcel and Logistics Services	Itella Russia	Aditro Logistics*	Segments total	Other and unallocated	Elimi- nations	Group total
EUR million							
Assets	822.7	83.8	171.8	1,078.3	220.3	0.0	1,298.7
Liabilities	352.7	7.0	15.0	374.7	517.0	0.0	891.7
Capital expenditure	27.4	0.3	1.1	28.7	63.1		91.9
Depreciation and amortization	47.9	4.4	4.0	56.3	3.1		59.4
Impairment losses	0.1	0.1		0.2	2.2		2.4
Personnel, end of period	20,056	1,041	1,268	22,365	621		22,986
Personnel on average, FTE	14,190	1,118	612	15,920	624		16,544

Jun 30, 2019
restated

EUR million							
Assets	870.2	114.1		984.4	211.2	-0.1	1,195.5
Non-current assets classified as held for sale		5.5					5.5
Liabilities	369.4	22.0		391.4	376.7	-0.1	767.9
Capital expenditure	61.7	1.1		62.8	11.3		74.1
Depreciation and amortization	46.4	5.7		52.1	5.4		57.5
Impairment losses	0.0	0.1		0.1	0.0		0.1
Personnel, end of period	19,963	1,278		21,241	728		21,969
Personnel on average, FTE	14,759	1,378		16,138	720		16,857

Dec 31, 2019
restated

EUR million							
Assets	875.1	113.2		988.3	206.4	-0.3	1,194.4
Liabilities	359.2	23.1		382.4	367.5	-0.3	749.5
Capital expenditure	102.3	2.7		105.1	28.7		133.7
Depreciation and amortization	93.3	10.4		103.7	11.1		114.9
Impairment losses	4.3	0.1		4.4	2.8		7.2
Personnel, end of period	18,579	1,255		19,834	634		20,468
Personnel on average, FTE	14,577	1,307		15,884	685		16,569

* The operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019.

4. Net sales by geographical area

EUR million	4-6 2020	4-6 2019	1-6 2020	1-6 2019	1-12 2019
Finland	319.7	333.5	645.3	665.6	1,311.8
Other Nordic countries	38.4	20.4	57.6	43.4	81.8
Russia	14.1	18.8	31.8	39.0	82.4
Other countries	20.1	21.2	41.9	42.4	88.5
Total	392.3	393.8	776.5	790.4	1,564.6

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

5. Acquired businesses

Business acquisitions in January-June 2020

On April 2, 2020, Posti announced that it had completed the acquisition of the Swedish logistics company Aditro Logistics. As of April 1, 2020, Aditro Logistics will be reported as one of the three reportable segments of Posti. Aditro Logistics is one of the leading contract logistics companies in the Nordics. The acquisition is in line with Posti's ambition of growing its logistics, parcel and eCommerce businesses. In 2019, Aditro Logistics' net sales were approximately EUR 100 million and it has 1,100 full-time employees, out of which 1,050 are based in Sweden and 50 in Norway. A goodwill of EUR 35.1 million was recognized on the acquisition. Aditro acquisition supports Posti's strategy to expand to Sweden.

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

EUR million	Preliminary Aditro Logistics Fair value
Effect on assets	
Intangible assets	16.5
Property, plant and equipment	98.9
Inventory	0.6
Receivables	14.8
Cash and cash equivalents	0.0
Effect on assets	130.7
Effect on liabilities	
EUR million	
Deferred tax liability	3.3
Interest bearing liabilities	97.9
Trade payables and other liabilities	16.8
Effect on liabilities	118.1
Net assets acquired	12.7
Components of acquisition cost	
EUR million	
Cash considerations	47.8
Total cost of acquisition	47.8
Fair value of net assets acquired	12.7
Goodwill	35.1
Cash flow effect of the acquisition	
EUR million	
Purchase price paid in cash	47.8
Cash and cash equivalents of the acquired subsidiary	0.0
Cash flow	47.8

Posti, Alma Media Kustannus Oy and Alma Manu Oy agreed on June 20, 2019 on a business transfer and a delivery service agreement under which Alma Manu Oy's early-morning delivery operations published by Alma Media Kustannus were transferred to Posti on January 1, 2020. Posti expanded its early-morning delivery because Posti's strategy is to have a strong presence in the publication delivery. A total of approximately 800 Alma Manu early-morning delivery employees were transferred to Posti Palvelut Oy as existing employees. Acquisition price was EUR 8 million. No goodwill was recognized, as most part of the acquisition price was recognized in intangible rights as customer portfolio. In addition, a personnel related liability of EUR 1.9 million was recognized.

On March 5 2020, Posti announced that Transval business group acquires all the shares of KV Turva Oy, a specialist in retail wastage management. The transaction further strengthens Transval's offering in retail stores, particularly with regards to wastage management and remote monitoring. KV Turva Oy has approximately 200 employees in Finland. In 2019, company's net sales amounted to EUR 5.4 million. A goodwill of EUR 1.6 million was recognized on the acquisition. Acquisition did not have material impact in Posti group consolidated income statement or balance sheet.

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, 2020	Jun 30, 2019	Dec 31, 2019
Carrying amount	Jan 1	314.0	327.6	327.6
	Change in accounting policy, IFRS 16		-9.5	-9.5
	Acquired businesses	5.9	5.9	5.9
	Additions	6.4	7.5	32.8
	Business divestments		-0.4	-5.7
	Disposals and transfers between items	-8.9	-0.4	-4.2
	Amortization, continuing operations	-20.0	-21.8	-43.4
	Impairment, continuing operations	-0.2	-0.1	-0.4
	Amortization and impairment, discontinued operations		0.0	-0.1
	Translation differences	-10.2	10.1	11.0
	Moved to assets classified as held for sale		-5.5	
	Carrying amount, end of the period	287.0	313.4	314.0

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

EUR million		Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Carrying amount	Jan 1	190.5		
	Change in accounting policy, IFRS 16		217.4	217.4
	Acquired businesses	96.6	4.7	4.8
	Additions	11.8	6.7	28.5
	Business divestments		-1.0	-1.0
	Disposals and transfers between items	0.5	-1.2	-2.6
	Depreciation, continuing operations	-28.6	-28.2	-55.7
	Depreciation and impairment, discontinued operations		0.0	0.1
	Translation differences	-0.4	-0.3	-1.1
	Carrying amount, end of the period	270.4	198.0	190.5

Specification of right-of-use asset:

EUR million		Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
	Land	0.2	0.3	0.3
	Buildings	242.1	171.2	163.7
	Vehicles	19.8	22.1	21.3
	Machinery and other	8.3	4.3	5.1
	Carrying amount, end of the period	270.4	198.0	190.5

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, 2020	Jun 30, 2019	Dec 31, 2019
Carrying amount	Jan 1	210.4	204.4	204.4
	Acquired businesses	64.0	63.6	66.2
	Additions	16.2	10.8	22.2
	Business divestments		-60.9	-60.9
	Disposals and transfers between items	0.0	0.0	3.0
	Amortization, continuing operations	-10.6	-7.6	-15.8
	Impairment, continuing operations	-2.2	0.0	-6.8
	Amortization and impairment, discontinued operations		-0.9	-0.9
	Translation differences	-0.2	-0.7	-0.8
	Carrying amount, end of the period	277.6	208.9	210.4

Impairment loss of EUR 2.2 million was related to an ICT project.

8. Net debt and liquid funds

EUR million		Borrowings	Lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2020	128.5	192.5	321.0	141.7	15.0	164.3
Cash flows		57.0	-28.7	28.2	18.0	-15.0	25.2
Business acquisitions		4.7	93.3	98.0	0.0	0.0	98.0
Effect of exchange rates changes		0.1	-1.1	-1.0	-0.7	0.0	-0.3
Other non-cash items		0.0	17.0	17.0	0.0	0.0	17.0
Carrying amount	Jun 30, 2020	190.3	272.9	463.2	159.0	0.0	304.2
Fair value	Jun 30, 2020	190.8	272.9	463.6			

EUR million		Borrowings	Lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	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	Jun 30, 2019	124.3	199.4	323.7	160.0	0.0	163.7
Fair value	Jun 30, 2019	124.8	199.4	324.2			

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

EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Cash and cash equivalents	89.8	96.7	54.9
Money market investments and investments in bonds	69.2	63.3	86.8
Liquid funds	159.0	160.0	141.7

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

EUR million	Total	Level 1	Level 2	Level 3
Jun 30, 2020				
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	0.1		0.1	
Total	1.1		0.1	1.0
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.6		1.6	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Total	1.7		1.7	
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	

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

Hierarchy levels:

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

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

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

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

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 25.6 million and their carrying value EUR 26.6 million. For the other instruments, the fair values are not materially different to their carrying amounts, since the instruments are short-term in nature.

10. Pledges, commitments and other contingent liabilities

Pledges

EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Pledges for own behalf			
Bank guarantees	9.1	9.1	9.1
Guarantees	3.6	3.8	3.6
Pledges	0.8	0.8	0.0
Total	13.5	13.7	12.7

Lease commitments not recognized in balance sheet

EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Maturity of minimum lease payments:			
Less than a year	10.0	8.4	8.8
1-5 years	0.6	0.9	0.5
Total	10.6	9.3	9.3

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, 2020	Jun 30, 2019	Dec 31, 2019
Currency derivatives			
Non-hedge accounting			
Fair value	0.0	0.0	0.1
Nominal value	11.3	6.2	6.2
Interest rate derivatives			
Hedge accounting			
Fair value	-1.6	-1.8	-1.6
Nominal value	60.0	60.0	60.0

11. Events after the reporting period

In the arbitration proceedings between Posti and the sellers of HR Hoiva Oy (currently Posti Kotipalvelut Oy) an arbitral award was rendered on July 23, 2020. Based thereon, Posti will release a EUR 0.9 million contingent purchase consideration liability, which will have a positive impact on Posti's third quarter 2020 results.